Living Cell Technologies Limited

Consolidated financial statements

For the Year Ended 30 June 2015

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for the year ended 30 June 2015

Corporate Governance Statement
30 June 2015

The board is committed to achieving and demonstrating the highest standards of corporate governance. The board continues to refine and improve the governance framework and practices in place to ensure they serve the interests of shareholders. The Company complies with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (the Principles).

Copies of Living Cell Technologies Limited's board and board committee charters and key corporate governance policies are available in the Corporate Governance section of the website at www.lctglobal.com.

Principle 1: Lay solid foundations for management and oversight

Role of the board and management

The board of directors is responsible for the corporate governance of the Company. The board provides strategic guidance for the Company and effective oversight of management. The board guides and monitors the business and affairs of the consolidated entity on behalf of the shareholders by whom they are elected and to whom they are accountable.

The board has adopted a charter that details its roles and responsibilities, which is available on our website.

The board has delegated responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO) and there is a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the board, these delegations are reviewed on a regular basis.

Responsibilities of the board

The board is responsible for:

- overseeing the company, including its control and accountability systems;
- overseeing the integrity of the accounting and corporate systems, including external audit;
- appointing and removing the CEO;
- Where appropriate, ratifying the appointment and removal of senior executives;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal controls, codes of conduct and legal compliance;
- monitoring senior executives' performance and implementation of strategy;
- ensuring timely and balanced disclosure of all material information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the operating budgets and progress of major capital expenditure, capital management and acquisitions and divestures; and
- monitoring the effectiveness of the entity's governance practices.

Allocation of individual responsibilities

Formal letters of appointment are provided to all new directors and employment agreements to senior executives setting out key terms and conditions of their appointment.

Responsibilities of management

Management are responsible for implementing the strategic objectives of the company and operating within the risk appetite set by the board as well as other aspects of the day-to-day running of the Company.

Management is also responsible for providing the board with accurate, timely clear information to enable the board to perform its responsibilities.

Induction

All new directors participate in a formal induction process co-ordinated by the Chief Executive. This induction process includes briefings on the Company’s financial, strategic, operational and risk management position, the Company’s governance framework and key developments in the Company and the industry and environment in which it operates.

Role and accountability of the Company Secretary

The Company Secretary is appointed by the Board and is responsible for:

- Advising the board and its committees on governance matters;
- Monitoring compliance with board policies and procedures;
- Co-ordinating board papers;
- Accurately recording decisions and discussions from board meetings; and
- Co-ordinating the induction and professional development of directors.

Ongoing training

Directors identify additional training needs on an ongoing basis and attend these as necessary to ensure they have the appropriate skills and knowledge to perform their role.

Evaluation of directors and senior executives

A performance evaluation for directors and senior executives take place at least annually, the last review took place in 2014 in compliance with the established evaluation process. The Company’s policy for directors and senior executive evaluation is available in the remuneration and nomination committee charter on the Company’s website and in the remuneration report. Additional development opportunities have been identified for directors following the evaluations.

Appointment of board members

Prior to appointing or putting forward a candidate for election to the board, appropriate checks such as character, experience, criminal records and education are performed. All material information in the Company's possession is provided to security holders to allow them to make an informed decision about the suitability of the candidate.

Diversity policy

In respect of diversity, the board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education and problem solving skills.

The board seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company through structuring the recruitment processes so that a diverse range of candidates are considered and there are no excuses or unconscious biases that might discriminate against certain candidates.

The Company strives to:

- develop and maintain a diverse and skilled workforce through transparent recruitment processes.
- promote an inclusive workplace culture that values and utilises the contributions of all employees backgrounds, experiences and perspective though improved awareness of the benefits of workforce diversity.
- facilitate diversity in the workplace by developing programs that promote growth for all employees, so each employee may reach their full potential, and providing maximum benefit for the Company.
- set measurable objectives to encourage diversity within the Company.

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	Target %	Actual %
Proportion of:		
Women employees in the whole organisation	50.00	67.00
Women in senior executive positions	50.00	60.00
Women on the board	17.00	-

Living Cell Technologies Limited considers employees reporting to the chief executive to be the senior executives of the company.

Principle 2: Structure the board to add value

The board's policy is that the board needs to have an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges faced by the company.

The names, independence status and terms of service of the members of the Board as at the date of this report are set out below:

Directors Name	Independence Status	Length of Service
Roy Austin (chairman)	Independent	4 years
Robert Elliott	Non-executive	11 years
Laurie Hunter	Independent	9 years
Bernard Tuch	Independent	4 years
Robert Willcocks	Independent	4 years

Details of the board member's experience, expertise and qualifications are set out in the director's report. The majority of the board are independent.

Composition of the board

The board's composition is determined based on criteria set out in the Company's constitution and the board charter.

The board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective;
- There is a sufficient number of directors to serve on board committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- The size of the board is appropriate to facilitate effective discussion and efficient decision making.

In accordance with the ASX Listing Rules, Corporations Act and the Company's constitution, the Company holds an election of directors each year.

Board committees

To ensure that the responsibilities of the board are upheld and executed to the highest level, the board has established the following board committees:

- Audit and compliance committee
- Remuneration and nomination committee

Each of these committees has established charters and operating procedures in place, which are reviewed on a regular basis. The board may establish other committees from time to time to deal with other matters. The committees have access to the Company's executives and senior management as well as independent advice. Copies of the minutes of each committee meeting are made available to the full board, and the chairman of each committee provides an update on the outcomes at the board meeting that immediately follows the committee meeting.

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Board skills matrix

The key skills required by the board are highlighted in the matrix below, the board believes that there are sufficient directors with these skills and there are no significant deficiencies in these skills in the current board.

- Risk and compliance: Identify key risks to the company related to each key areas of operations. Ability to monitor risk and compliance and knowledge of legal and regulatory requirements.
- Financial and audit: Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, overseas budgets and funding arrangements.
- Strategy: Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context to our policies and business objectives.
- Policy development: Ability to identify key issues for the organisation and develop appropriate policy parameters within which the company should operate.

Independent decision making

The board recognises the important contribution independent directors make to good corporate governance. All directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

A director is considered to be independent if he or she is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

If any director believes there is a change in their independence status, they are required to notify the board as soon as possible.

The board has adopted specific principles in relation to directors' independence and considers the following, at least annually, when determining if a director is independent:

Whether the director:

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the company or another group member other than as a director.

Role of the Chair

The chair of the board is responsible for leadership of the board and for the efficient organisation and conduct of the board's functioning.

The chair facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors and between board and management.

Remuneration and nomination committee

The remuneration and nomination committee meets as required during the year to assist the board in fulfilling its corporate governance responsibilities in regard to:

- Board appointments, re-elections and performance and general succession planning for board / senior management;
- Directors' induction and continuing development;
- Board committee membership; and
- Endorsement of executive appointments.

The remuneration and nomination committee's charter which is available in the corporate governance section of the Company's website, sets out the committee's responsibilities which include making recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position following the annual assessment of the board. When a vacancy exists or there is a need for particular skills, the committee, in consultation with the board, determines the selection criteria based on the skills deemed necessary. Board appointees must stand for election at the next Annual General Meeting of shareholders.

The committee also makes recommendations to the board and oversees implementation of the procedure for evaluating the board's performance, as well as oversees and makes recommendations to the board in respect of ongoing training requirements of directors.

Members of the remuneration and nomination committee and their director status are:

Name	Executive / Non-Executive	Independent?
Roy Austin	Non-executive	Independent
Bernard Tuch (Chairman)	Non-executive	Independent
Robert Willcocks	Non-executive	Independent

The members of the committee, their qualifications and experience and their attendance at meetings are included in the director's report.

Access to information

The Board is provided with the information it needs to discharge its responsibilities effectively and all directors have complete access to senior management through the CEO or Company Secretary at any time.

In certain circumstances, each director has the right to seek independent professional advice at the Company's expense, within specified limits, or with the prior approval of the board.

Principle 3: Act ethically and responsibly

Code of conduct

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- Act in the best interest of the entity;
- Act honestly and with high standards of personal integrity;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflicts of interest;
- Comply with the laws and regulations that apply to the entity and its operations;
- Not knowingly participate in any illegal or unethical activity; and
- Comply with the Company's securities trading policy.

A copy of the Code of Conduct is available from the company's website.

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Principle 4: Safeguard integrity in corporate reporting

Audit and compliance committee

The audit and compliance committee assists the board in fulfilling its corporate governance responsibilities in regard to:

- the adequacy of the entity's corporate reporting processes;
- whether the entity's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the entity;
- the appropriateness of the accounting judgements or choices exercised by management in preparing the entity's financial statements;
- the appointment or removal, rotation, independence and performance of the external auditor;
- the scope and adequacy of the external audit and any non-audit services;

Members of the audit and compliance committee and their director status are:

Name	Executive / Non-Executive	Independent?
Roy Austin	Non-executive	Independent
Laurie Hunter	Non-executive	Independent
Robert Willcocks (Chairman)	Non-executive	Independent

The members of the committee, their qualifications and experience and their attendance at meetings is included in the director's report.

The committee reports to the full Board after every meeting on all matters relevant to the committee’s roles and responsibilities.

The committee charter is available on the company's website.

External auditor

The audit and compliance committee oversees the relationship with the external auditor. In accordance with the *Corporations Act 2001*, the lead Audit Partner on the audit is required to rotate at the completion of a 5 year term.

The external auditor attends the AGM and is available to answer your shareholder questions about the conduct of the audit and the preparation and content of the auditor’s report.

The board have received from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Internal control

The board is responsible for reviewing the company’s policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 5: Make timely and balanced disclosure

Living Cell Technologies Limited has established policies and procedures to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have equal and timely access to information on the Company's financial performance.

These policies and procedures include a comprehensive disclosure policy that includes identification of matters that may have a material effect on the price on the Company's securities, quality control procedures over announcements, notifying them to the ASX, posting relevant information on the Company's website and issuing media releases.

The continuous disclosure and market communications policy is available on the Company's website.

The Annual Report includes relevant information about the operations of the Company during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year and for previous years are available under the Investor Relations section of the company website.

The half year and full year financial results are announced to the ASX and are available to shareholders via the websites of the Company and ASX.

All announcements made to the market, and related information (including presentations to investors and information provided to analysts or the media during briefings) are made available to all shareholders under the investor relations section of the Company website after they are released to the ASX. All ASX announcements, media releases and financial information are available on Company website within one day of public release.

Principle 6: Respect the rights of security holders

The Company Secretary has been nominated as the person responsible for communications with the ASX.

All executive management have an ongoing obligation to advise the Company Secretary of any material non-public information which may need to be communicated to the market.

The Company has an Investor Relations Program which promotes effective communication with shareholders, encourages participation at general meetings and encourages communications throughout the year.

The Company engages with its security holders through:

- Giving them ready access to information about the entity and its governance via the Company website;
- Communicating openly and honestly with them;
- Encouraging and facilitating their participation in meetings of security holders; and
- Providing an email address on all communication for security holders who wish to contact the Company.

The Company makes all ASX announcements available via its website. In addition, shareholders who are registered receive email notification of announcements.

The Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the company's website. Notices for general meetings and other communications with shareholders are drafted to ensure that they are honest, accurate and not misleading and that the nature of the business of the meeting is clearly stated and explained where necessary.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of director accountability to shareholders and shareholder identification with the Company's strategy and goals.

For shareholders unable to attend an AGM the Notice of Meeting, gives shareholders the opportunity to forward questions and comments to the company or the external auditor prior to the AGM.

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Principle 7: Recognise and manage risk

The board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. It has decided not to establish a risk committee because the matter is sufficiently important to warrant the attention of the whole board. The board does not consider that it has material exposure to economic, environmental and social sustainability risks. A yearly assessment of the business's risk profile is undertaken and reviewed by the board, covering all aspects of the business from the operational level through to strategic level risks.

The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The recent economic environment has emphasised the importance of managing and reassessing its key business risks.

The board review the risk register and discuss any updates in identified risks at each meeting as a standard agenda item. The yearly assessment of the business risk profile was performed on 29 April 2015.

The board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The board has received a report from management as to the effectiveness of the company's management of its material business risks and internal control.

The Company does not have an internal audit function because it is too small to warrant one. The evaluation of the risk management and internal control process is the responsibility of the board and is performed in conjunction with senior executives. External consultants may be used in certain circumstances, however have not been used during this financial year.

The Company's risk related policies may be found with other corporate governance policies under the Corporate Governance section of the company's website.

Principle 8: Remunerate fairly and responsibly

The Company's remuneration policy is designed in such a way that it:

- motivates senior executives to pursue the long-term growth and success of the Company and
- demonstrates a clear relationship between senior executives' performance and remuneration.

The remuneration policy, which sets the terms and conditions for the key management personnel (KMP) was developed by the remuneration and nomination committee after seeking professional advice from independent consultants and was approved by the board.

All executives receive a base salary, performance incentives and statutory contributions to savings schemes. The remuneration and nomination committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed corporations and independent advice. The performance of executives is measured against criteria agreed yearly which are based on contribution to shareholder value. The policy is designed to attract high calibre executives and reward them for performance which results in long-term growth in shareholder value.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives. It will also provide executives with the necessary incentives to work to grow long-term growth in shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the committee annually as part of the review of executive remuneration and a recommendation is put to the board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

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Further information about the company’s remuneration strategy and policies and their relationship to company performance can be found in the Remuneration Report which forms part of the director's report, together with details of the remuneration paid to key management personnel.

Remuneration and nomination committee

The responsibilities of the remuneration and nomination committee include a review of and recommendation to the board on:

- the company’s remuneration, recruitment, retention and termination policies and procedures for senior executives
- senior executives’ remuneration and incentives
- superannuation arrangements
- the remuneration framework for directors
- remuneration by gender.

Each member of the committee:

- is familiar with the legal and regulatory disclosure requirements in relation to remuneration
- has adequate knowledge of executive remuneration issues, including executive remuneration issues, including executive retention and termination policies and short term and long term incentive arrangements.

Directors' Report
30 June 2015

The directors present their report, together with the financial statements of the consolidated entity, being Living Cell Technologies Limited (the Company) and its controlled entities, for the financial year ended 30 June 2015.

1. General information

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Roy Austin	Chairman (Age: 67)
Qualifications	BCOM, CA
Experience	Mr Austin is a consultant to investment banking firm Northington Partners in New Zealand. He brings considerable commercial depth to the LCT Board with over 25 years' investment transaction experience across multiple sectors including healthcare and biotechnology. His experience includes capital raisings, mergers and acquisitions, IP commercialisation, venture capital and international business development. Mr Austin is Chairman of New Zealand based Cure Kids, a child health research charitable trust and its commercial biotech venture capital fund, Cure Kids Ventures Limited. He holds a number of other directorships in private companies, has a BCom and is a member of the New Zealand Institute of Directors and Chartered Accountants Australia + New Zealand.
Special responsibilities	Mr Austin was elected Chairman on 20 July 2011. He is a member of the Remuneration and Nomination Committee; a member of the Audit and Compliance Committee and a member of the Diatranz Otsuka Limited board of directors (since 1 November 2011). He was appointed to the LCT board on 25 February 2011.
Robert Elliott	Non-executive director (Age:81)
Qualifications	MBBS, MD, FRACP
Experience	Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Director of Paediatrics at The University of Auckland. Professor Elliott co-founded LCT. He is an Emeritus Professor of Child Health Research and a world leader in diabetes and autoimmune related research. He resigned from the position of Director, Clinical Research and Innovation on 27 February 2015. In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community. In 2011 he was awarded the prestigious World Class New Zealander (Life Sciences) award. He is on the board of Cure Kids, Wings Trust (a NZ trust for the treatment of alcohol and substance abuse) and patron of the NZ Cystic Fibrosis Foundation. He is a director of Breathe Easy Limited, a New Zealand company that is developing a new treatment for cystic fibrosis.
Special responsibilities	Professor Elliott is the Chairman of the Diatranz Otsuka Limited board of directors. He was appointed to LCT board on 15 January 2004.

1. General information (continued)

Laurie Hunter	Independent director (Age: 68)
Qualifications	MA (Hons)
Experience	Mr Hunter has over 40 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 and Co, London, a director of Shearson Lehman Hutton and founder of Hunter Capital. His recent focus has been on investing and providing strategic advice to developing companies. Mr Hunter is chairman of StratMin Global Resouces Plc and currently serves on a number of unlisted company boards.
Special responsibilities	Mr Hunter is a member of the Audit and Compliance Committee. He was appointed to the LCT Board on 25 August 2006.
Other directorships in listed entities held in the previous three years	Mr Hunter resigned from the board of listed company Madagascar Oil Limited on 18 December 2012.
Bernard Tuch	Independent director (Age: 64)
Qualifications	BSc, MBBS (Hons), FRACP, PhD, GAICD
Experience	Dr Tuch is an Honorary Professor at The University of Sydney where he is supervising a bioengineering diabetes cell therapy project. Previously, he was a senior scientist with CSIRO Australia. He is a director of Sydney Cell Therapy Foundation Pty Limited, the not-for-profit Australian Foundation for Diabetes Research, and is a Specialist Practitioner, Endocrinology, at the Prince of Wales Private Hospital & St Vincent's Private Hospital, Sydney. He is also an Adjunct Professor at Monash University. His experience includes capital raising to support his considerable research team and a large international scientific publication list. He has had previous scientific collaborations with LCT and knows the company's direction intimately.
Special responsibilities	Dr Tuch is chairman of the Remuneration and Nomination Committee. He was appointed to the board on 20 July 2011.
Robert Willcocks	Independent director (Age: 67)
Qualifications	BA, LLM
Experience	Robert Willcocks is a senior executive with an extensive legal and business background working in particular with Australian listed public companies. He has Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney. Mr Willcocks was a partner with the law firm Stephen Jaques & Stephen (now King & Wood Mallesons) from 1980 until 1994, where he was a member of the Corporate Advisory Group with an emphasis on the mining and oil and gas sectors. As corporate adviser he has undertaken assignments in a range of industry sectors. Mr Willcocks has been a director and Chairman of a number of Australian Securities Exchange (ASX) listed public companies. He is a director of ASX listed ARC Exploration Limited, and Hong Kong Stock Exchange listed APAC Resources Ltd. He is also chairman and director of Trilogy Funds Management Ltd, a Responsible Entity under Australian law.
Special responsibilities	Mr Willcocks is chairman of the Audit and Compliance Committee and a member of the Remuneration and Nomination Committee. He was appointed to the board on 29 March 2011.

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

Directors' report

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1. General information (continued)

Principal activities and significant changes in nature of activities

The principal activities of the consolidated entity during the financial year were:

Improving the wellbeing of people with serious neurodegenerative diseases worldwide by discovering, developing and commercialising regenerative treatments which use naturally occurring cells to restore function.

There were no significant changes in the nature of the principal activities during the financial year.

2. Operating and financial review

Operations

The result of the consolidated entity has changed from a loss of $(6,778,896) in the year ended 30 June 2014 to a loss of $(7,043,402). This is primarily due to the previous year including recovery of NTCELL development costs from Otsuka Pharmaceutical Factory, Inc. (OPF) and the margin on a much higher level of services provided to 50% owned joint venture company Diatranz Otsuka Limited (DOL).

Revenue and other income decreased from $7,941,227 to $1,044,639 due to the significantly reduced level of services required by DOL following the restructuring which occurred on 1 April 2014 and the non-recovery of costs relating to the NTCELL Parkinson's disease clinical trial from OPF as a result of termination of the co-development agreement in May 2014. Cost of services has decreased from $6,775,486 to $581,575 for the same reasons as revenue.

Research and development expenses have increased from $487,356 to $1,774,381 primarily due to increased clinical trial activity and the non-recovery of clinical trial expenses from OPF described above.

The share of loss from joint venture has decreased from $5,963,272 to $4,065,893, reflecting revenue from the licence of DIABECELL to OPF for use in US and Japan and reduced Argentine clinical trial costs.

Operations include implantation, PET scanning and monitoring of the remaining three patients in the Phase I/IIa clinical trial of NTCELL for Parkinson's disease, the results of which were published at the International Congress of Movement Disorders and Parkinson's Disease, San Diego, USA in June 2015.

Financial position

Net assets of the consolidated entity have reduced from $8,431,577 to $5,126,863. This is primarily due to cash raised from share issues offset by research and development expenditure and the share of loss from the joint venture.

Cash and cash equivalents has increased from $4,554,399 to $5,144,027 due to a private placement and share purchase plan raising $4m in October and December 2014, partially offset by NTCELL clinical trial costs and ongoing corporate expenses. This balance would allow the current level of operations to continue for approximately 14 months if no further funds are raised. The directors also acknowledge that the expenditure in relation to the operating activities are predominantly discretionary and no expenditure has been committed as at the date of this financial statement. Cash outflow in relation to operating activities are being managed by the directors to the extent of funding available.

The directors have prepared this 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. After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- LCT will be able to provide the necessary financial support for the company to pay its debts as and when they become due and payable; and

- The basis of preparation of the financial report on a going concern basis is appropriate.

2. Operating and financial review (continued)

Business strategies and prospects for future years

Living Cell Technologies' mission is to improve the wellbeing of people with serious neurodegenerative diseases worldwide by discovering, developing and commercialising regenerative treatments which restore function using naturally occurring cells.

Strategies to achieve this mission include:
- carry out a clinical trial of NTCELL for Parkinson's disease in New Zealand;
- apply for regulatory approval of NTCELL for Parkinson's disease in New Zealand; scale-up the GMP manufacturing process for NTCELL;
- develop NTCELL for other indications; and
- expand the use of NTCELL worldwide.

Prospects for future years include execution of the above strategies to create value for shareholders. Animal studies indicate that NTCELL promotes nerve growth so it has the potential to be developed as a treatment for other diseases of the central nervous system where there is significant unmet need and market potential.

In common with other biotech companies, there is a risk that these prospects for future years will not be achieved if the NTCELL clinical trial does not meet its safety and clinical effects objectives. This risk will decrease as the trial proceeds. These risks are mitigated to the extent possible by having safety of patients monitored by the independent Data Safety Monitoring Board and designing the trial after consulting internationally recognised scientific advisors.

3. Other items

Significant changes in state of affairs

Except as outlined in the Operating and financial review there have been no significant changes in the state of affairs of the consolidated entity during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of consolidated entity, the results of those operations or the state of affairs of consolidated entity in future financial years.

Environmental issues

The consolidated entity's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Company secretary

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

Nick Geddes (FCA, FCIS) has been the company secretary since 2005.

Directors' report
30 June 2015

3. Other items (continued)

Meetings of directors

During the financial year, 15 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit and Compliance Committee		Remuneration and Nomination Committee	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Roy Austin	9	9	2	2	4	3
Robert Elliott	9	8	-	-	-	-
Bernard Tuch	9	8	-	-	4	4
Laurie Hunter	9	6	2	2	-	-
Robert Willcocks	9	7	2	2	4	4

Indemnification and insurance of officers and auditors

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $44,100 (2014: $43,100).

The company has not during or since the end of the financial year indemnified or agreed to indemnify the auditor of the company. Furthermore the company has not paid any premiums in respect of insurance for the auditor.

Shares

The number of ordinary shares in Living Cell Technologies Limited held by each key management person of the consolidated entity during the financial year is as follows:

	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at the end of the year
30 June 2015				
Roy Austin	-		-	-
Robert Elliott	4,390,060	-	100,000	4,490,060
Laurie Hunter [1]	2,645,661	-	-	2,645,661
Bernard Tuch [2]	36,800	-	-	36,800
Robert Willcocks		-	-	-
John Cowan [3]	100,058	-	137,870	237,928
Ken Taylor	-	--	-	
	7,172,579	-	237,870	7,410,449
30 June 2014				
Roy Austin	-		-	-
Robert Elliott	2,645,661		200,000	4,390,060
Andrea Grant	-		-	-
Laurie Hunter [1]	2,645,661	-	-	2,645,661
Bernard Tuch [2]	-		-	-
Robert Willcocks	-		-	-
John Cowan [3]	58,058		50,000	105,058
Ken Taylor	-	-	-	-
	7,172,579	-	250,000	7,172,579

3. Other items (continued)

1 The shares are held by a related entity: European American Holdings Limited
2 The shares are held by a related entity: DTU Pty Limited < The Beryl Super Fund>
3 The shares are held by a related entity: Craigs Investment Nominees

Options

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
12 December 2011	12 December 2016	$0.10	550,000
12 December 2011	12 December 2016	$0.15	150,000
12 December 2011	12 December 2016	$0.20	750,000
12 December 2011	12 December 2016	$0.25	250,000
23 December 2011	23 December 2017	$0.10	250,000
23 December 2012	23 December 2018	$0.10	250,000
6 March 2013	6 March 2018	$0.10	2,000,000
6 March 2013	6 March 2018	$0.15	2,000,000
1 July 2014	1 July 2020	$0.10	250,000
1 July 2014	1 July 2020	$0.14	100,000
1 July 2015	1 July 2021	$0.10	250,000
1 July 2015	1 July 2021	$0.19	100,000
			6,900,000

Non-audit services

The Board of Directors, in accordance with advice from the audit and compliance committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit and compliance committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2015: $4,300 (2014: $788)

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2015 has been received and can be found on page 22 of the financial report.

Remuneration report (audited)

Remuneration policy

The remuneration policy of Living Cell Technologies Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting consolidated entity'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 key management personnel to run and manage consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of consolidated entity is as follows:

- The remuneration policy has been developed by the remuneration and nomination committee and approved by the Board following professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as qualifications, length of service and experience), superannuation, options, and performance incentives.
- Performance incentives are based on predetermined key performance indicators.
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and Company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration and nomination committee reviews key management personnel packages annually by reference to consolidated entity's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on achievement of company, team and individual objectives which drive shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract a high calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel receive company contributions to KiwiSaver required by the law, which is currently 3%, and do not receive any other retirement benefits.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Key management personnel are paid an agreed number of week's salary in the event of redundancy. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination 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 can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting, the current maximum is $ 450,000 which was approved at the 2007 AGM.

Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align their interests with shareholders' interests.

Options granted under these arrangements do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, in consultation with key management personnel to ensure support. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greatest potential for consolidated entity expansion and profit, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses and/or options being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to consolidated entity's goals and shareholder value, before the KPIs are set for the following year.

The satisfaction of the financial performance conditions are based on a review of the audited financial statements of consolidated entity, as such figures reduce any risk of contention relating to payment eligibility. .

Employment details of members of key management personnel

The following table provides the employment details of persons who were, during the financial year, members of key management personnel of consolidated entity. The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

		Performance based remuneration		
		Bonus	Shares	Options
		%	%	%
KMP				
John Cowan	Head of Finance & Administration	-	-	1
Ken Taylor	Chief Executive	-	-	4

Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

The remuneration and other terms of employment for the chief executive and senior executives are set out in formal employment agreements as summarised below.

All employment agreements are for an unlimited duration. The agreements for executives may be terminated by giving 20 to 60 working days’ notice (except in cases of termination for cause where termination is immediate). Redundancy entitlements are 2-4 weeks for the first year of service and one week's payment for each six months' subsequent service. Employment agreements do not include the specific performance criteria which are linked to bonuses or incentives so amounts paid in accordance with the above remuneration policy are effectively at the discretion of the board.

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

Remuneration details for the year ended 30 June 2015

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of consolidated entity.

Directors' report

30 June 2015

	Short term			Post-employment	Share based payments	Total benefits and payments
	Cash salary fees	Bonus	Total short term benefits	Pension and superannuation	Options and rights	
2015	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Roy Austin*	**70,000**	**19,240**	**89,240**	**-**	**-**	**89,240**
Robert Elliott	**127,968**	**-**	**127,968**	**-**	**-**	**127,968**
Laurie Hunter	**50,000**	**-**	**50,000**	**-**	**-**	**50,000**
Bernard Tuch	**45,662**	**-**	**45,662**	**4,338**	**-**	**50,000**
Robert Willcocks	**50,000**	**-**	**50,000**	**-**	**-**	**50,000**
KMP						
John Cowan	**192,868**	**-**	**192,868**	**5,786**	**1,320**	**199,974**
Ken Taylor	**317,046**	**-**	**317,046**	**-**	**13,805**	**330,851**
	853,544	**19,240**	**872,784**	**10,124**	**15,125**	**898,033**
2014						
Directors						
Roy Austin	70,000	-	70,000	-	-	70,000
Robert Elliott	126,600	-	126,600	-	4,698	131,298
Andrea Grant	204,291	41,600	245,891	-	9,881	255,772
Laurie Hunter	50,000	-	50,000	-	-	50,000
Bernard Tuch	45,767	-	45,767	4,233	-	50,000
Robert Willcocks	50,000	-	50,000	-	-	50,000
KMP						
John Cowan	183,971	-	183,971	5,519	4,698	194,188
Ken Taylor	79,691	-	79,691	-	-	79,691
	810,320	41,600	851,920	9,752	19,277	880,949

* A one off payment of $19,240 was made to Mr Austin in March 2015 in recognition of additional work when the position of chief executive was vacant.

Securities received that are not performance related

Options are issued to the directors and executives as part of their remuneration. Each share option converts to one ordinary share of Living Cell Technologies Limited on exercise. The options that are not issued based on performance criteria, are issued to the directors and executives of Living Cell Technologies Limited and its subsidiaries to align the interest of executives, directors and shareholders.

Options granted, vested and lapsed during the year

Details of key management personnel options granted as remuneration, vested, and lapsed during the year:

	Number of options	Exercise price per option	Value per option at grant date	Grant date	Vesting date	Expiry date	Vested during period	Forfeited during period
		$	$				%	%
KMP								
Ken Taylor	250,000	0.1000	0.0399	1 Jul 2014	1 Jul 15	1 Jul 2020	-	-
Ken Taylor	100,000	0.1400	0.0383	1 Jul 2014	1 Jul 2016	1 Jul 2020	-	-

Options do not have any voting rights, dividend or other distribution entitlements.

Option values at grant date were determined using the Black-Scholes method.

For information relating to the Living Cell Technologies Limited employee option plan, including details of options issued, exercised 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 of the Directors' Report and Key Management Personnel compensation in note 15.

Directors’ report
30 June 2015

The weighted average fair value of options granted during the year was $0.01 (2014: $0.00)

The fair value of each option at grant data was calculated by using the Black Scholes option pricing model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the options life (for 5 year option volatility has been calculated using 5 years' worth of share prices to the issue date).

The assessed fair value and model inputs for each option during the year were as follows:

Grant dated 1 July 2014

The assessed fair value at date of grant was:	
Expected share volatility (%)	**100.45**
Risk free interest rate (%)	**2.50**
Weighted average expected life off the option (years)	**5.00**
Weighted average exercise price ($)	**0.11**
Share price at grant date ($)	**0.05**

During the year ended 30 June 2015, no ordinary shares of LCT were issued on the exercise of options grants. No further shares have been issued since that date. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options were issued by Living Cell Technologies Limited and entitle the holder to ordinary shares in Living Cell Technologies Limited for each option exercised.

There have not been any alterations to the terms or conditions of any share based payment arrangements since grant date.

	Balance at beginning of year	**Granted as remuneration**	**Exercised**	**Expired**	**Balance at the end of year**	**Vested during the year**	**Vested and exercisable**	**Total non-exercisable**
2015								
Roy Austin	900,000	-	-	-	900,000	-	900,000	-
Robert Elliott	200,000	-	-	-	200,000	100,000	200,000	-
Bernard Tuch	400,000	-	-	-	400,000	-	400,000	-
Robert Willcocks (1)	400,000	-	-	-	400,000	-	400,000	-
John Cowan	200,000	-	-	-	200,000	100,000	200,000	-
Ken Taylor	-	350,000			350,000			350,000
	2,100,000	350,000	-	-	2,450,000	200,000	2,100,000	350,000
2014								
Roy Austin	900,000	-	-	-	900,000	-	900,000	-
Robert Elliott	200,000	-	-	-	200,000	100,000	100,000	100,000
Andrea Grant	700,000	-	-	-	700,000	100,000	600,000	100,000
Bernard Tuch	400,000	-	-	-	400,000	-	400,000	-
Robert Willcocks (1)	400,000	-	-	-	400,000	-	400,000	-
John Cowan	-	200,000	-	-	200,000	-	-	200,000
	2,600,000	200,000	-	-	2,800,000	200,000	2,400,000	400,000

(1) Robert Willcocks' options are held by his superannuation fund, Tonda Pty Ltd AFT the Elaland Superannuation Pty Ltd Fund.

This directors’ report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: Dated 19 August 2015

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Sydney NSW 2000

Australia

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

As lead auditor of Living Cell Technologies Limited for the year ended 30 June 2015, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 19 August 2015

Consolidated statement of profit or loss and other comprehensive income
For the Year Ended 30 June 2015

	Note	2015 $	2014 $
Revenue			
Services provided		**611,955**	7,394,130
Grants	2	**228,997**	330,750
Interest income		**203,687**	216,347
Total revenue		**1,044,639**	7,941,227
Cost of services provided		**(581,575)**	(6,775,486)
Gross profit		**463,064**	1,165,741
Expenses			
Research and development		**(1,774,381)**	(487,356)
General and administration		**(1,541,851)**	(1,706,590)
Finance costs		**(7,476)**	(13,127)
Total expenses	2	**(3,323,672)**	(2,207,073)
Operating loss		**(2,860,608)**	(1,041,332)
Foreign exchange gain/(loss)		**(116,901)**	225,708
Share of loss from joint venture		**(4,065,893)**	(5,963,272)
Loss before income tax		**(7,043,402)**	(6,778,896)
Income tax expense	3	**-**	-
Loss after income tax from continuing operations		**(7,043,402)**	(6,778,896)
Loss attributable to members of the parent entity		**(7,043,402)**	(6,778,896)
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		**(368,947)**	1,835,406
Total other comprehensive income		**(368,947)**	1,835,406
Total comprehensive income attributable to members of the parent entity		**(7,412,349)**	(4,943,490)

	Note	2015	2014
Earnings per share			
Continuing operations			
Basic earnings/(loss) per share (cents)	4	**(1.75)**	(1.90)
Diluted earnings/(loss) per share (cents)	4	**(1.75)**	(1.90)

The accompanying notes form an integral part of these financial statements.

Consolidated statement of financial position
as at 30 June 2015

	Note	2015 $	2014 $
ASSETS			
Current assets			
Cash and cash equivalents		**5,144,027**	4,554,399
Trade and other receivables	6	**210,780**	510,478
Total current assets		**5,354,807**	5,064,877
Non-current assets			
Property, plant and equipment	7	**42,353**	18,716
Investment in joint venture	8	**67,355**	4,581,011
Total non-current assets		**109,708**	4,599,727
TOTAL ASSETS		**5,464,515**	9,664,604
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**281,700**	348,984
Short-term provisions	10	**55,952**	109,984
Deferred income		**-**	774,059
Total current-liabilities		**337,652**	1,233,027
Non-current liabilities		-	-
TOTAL LIABILITIES		**337,652**	1,233,027
NET ASSETS		**5,126,863**	8,431,577
EQUITY			
Issued capital	11	**64,751,709**	60,685,600
Reserves	12	**3,993,475**	4,320,896
Accumulated losses		**(63,618,321)**	(56,574,919)
Total equity attributable to equity holders of the Company		**5,126,863**	8,431,577
TOTAL EQUITY		**5,126,863**	8,431,577

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2015

2015	**Ordinary shares**	**Ordinary shares**	**Accumulated losses**	**Foreign currency translation reserve**	**Option reserve**	**Total**
	No.	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2014	**356,995,773**	**60,685,600**	**(56,574,919)**	**4,191,808**	**129,088**	**8,431,577**
Total other comprehensive income for the year	**-**	**-**	**(7,043,402)**	**-**	**-**	**(7,043,402)**
Total other comprehensive income	**-**	**-**	**-**	**(368,947)**	**-**	**(368,947)**
Shares issued during the year	**67,003,965**	**4,086,916**	**-**	**-**	**-**	**4,086,916**
Transaction costs	**-**	**(20,807)**	**-**	**-**	**-**	**(20,807)**
Share based remuneration	**-**	**-**	**-**	**-**	**41,526**	**41,526**
Balance at 30 June 2015	**423,999,738**	**64,751,709**	**(63,618,321)**	**3,822,861**	**170,614**	**5,126,863**

2014	**Ordinary shares**	**Ordinary shares**	**Accumulated losses**	**Foreign currency translation reserve**	**Option reserve**	**Total**
	No.	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2013	356,995,773	60,685,600	(50,098,517)	2,356,402	308,954	13,252,439
Total other comprehensive income for the year	-	-	(6,778,896)	-	-	(6,778,896)
Total other comprehensive income	-	-	-	1,835,406	-	1,835,406
Share based remuneration	-	-	-	-	122,628	122,628
Options expired during the year	-	-	302,494	-	(302,494)	-
Balance at 30 June 2014	356,995,773	60,685,600	(56,574,919)	4,191,808	129,088	8,431,577

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2015

	Note	2015 $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and grants (GST inclusive)		**1,343,322**	9,773,525
Payments to suppliers and employees (GST inclusive)		**(5,075,457)**	(10,071,901)
Interest received		**144,801**	215,935
Net cash used in operating activities	18	**(3,587,334)**	(82,441)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(27,846)**	(2,090)
Net cash used by investing activities		**(27,846)**	(2,090)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**4,085,302**	-
Payment of transaction costs		**(19,193)**	-
Net cash used by financing activities		**4,066,109**	-
Effect of exchange rates on cash holdings in foreign currencies		**138,699**	134,847
Net increase in cash and cash equivalents held		**589,628**	50,316
Cash and cash equivalents at beginning of year		**4,554,399**	4,504,083
Cash and cash equivalents at end of financial year		**5,144,027**	4,554,399

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2015

1 Summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report for the year ended 30 June 2015 has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities. Compliance with Australian Accounting Standards ensures that the consolidated entity financial report conforms to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report covers the consolidated entity of Living Cell Technologies Limited and its controlled entities. Living Cell Technologies Limited is a listed for profit public company, incorporated and domiciled in Australia.

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

The financial report has been presented in Australian dollars, which is the consolidated entity's presentation currency. The report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report of Living Cell Technologies Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the board of directors on 19 August 2015.

(b) Going concern

Cash and cash equivalents has increased from $4,554,399 to $5,144,027 due to a private placement and share purchase plan raising $4m in October and December 2014, partially offset by NTCELL clinical trial costs and ongoing corporate expenses. This balance would allow the current level of operations to continue for approximately 14 months if no further funds are raised. The directors also acknowledge that the expenditure in relation to the operating activities are predominantly discretionary and no expenditure has been committed as at the date of this financial statement. Cash outflow in relation to operating activities are being managed by the directors to the extent of funding available.

The directors have prepared this 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. After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- LCT will be able to provide the necessary financial support for the company to pay its debts as and when they become due and payable; and

- The basis of preparation of the financial report on a going concern basis is appropriate.

(c) Principles of consolidation

A list of controlled entities is contained in Note 16 to the financial statements. All controlled entities have a 30 June financial year end.

As at year end the assets, liabilities of all controlled entities have been included in the consolidated financial statements as well as their results for the year. The directors have deemed that control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the consolidated 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. The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Equity accounted investments

Investments in equity accounted investees (associates and jointly controlled entities) are accounted for using the equity method where the consolidated financial statements include consolidated entity's share of the result and other comprehensive income of the equity accounted investee. The carrying amount of the investment in the consolidated statement of financial position is the initial cost of the investment adjusted for the results of the entity since acquisition date.

(d) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(e) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of consolidated entity'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 statement of profit or loss and other comprehensive income, 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 statement of profit or loss and other comprehensive income. Foreign currency transactions are recorded at the spot rate on the date of the transaction.

Group companies

The financial results and position of foreign operations whose functional currency is different from consolidated entity'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 each month during 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 consolidated entity's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(f) Comparative amounts

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

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

(g) 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.

(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 and impairment losses.

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Consolidated statement of cash flows
for the year ended 30 June 2015

Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to consolidated 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 asset are shown below:

Fixed asset class	Depreciation rate
Plant and equipment	10-20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(j) Interests in joint ventures

The consolidated entity has a 50% interest in a jointly controlled company which is recognised using the equity method (refer to Note 8 for details). Under the equity method the share of the profits or losses of the joint venture is recognised in the statement of profit or loss and other comprehensive income.

(k) Impairment of assets

At each reporting date, the consolidated group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

(l) 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 which have a finite life are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(m) 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.

(n) Provisions

Provisions are recognised when consolidated entity 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.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated statement of profit or loss and other comprehensive income.

(o) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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).

(p) 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.

Share-based payments

Share based payments are provided to employees through issue of options.

Issue of options

The fair value of options is recognised as a benefit to directors/employees. The fair value is measured at the grant date and recognised over the period during which the options vest to the directors/employees.

The fair value at the grant date is independently determined using the Black Scholes binomial convergence model for the employee's options. These models take into account the exercise price, the life of the option, the current price of the underlying share, the expected volatility of the share price and the risk free rate for the life of the option.

(q) 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 reporting date.

Deferred tax is accounted for using the statement of financial position 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 statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly 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.

(r) Earnings per share

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

Diluted EPS is calculated as net profit/(loss) attributable to members of the consolidated entity, adjusted for:

- costs of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) 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 tax authorities. 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 statement of financial position are shown inclusive of GST.

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

(t) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

(u) Adoption of new and revised accounting standards

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.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following amending Accounting Standards and Interpretations, applicable for the first time, are most relevant to the consolidated entity:

AASB 2014 - 1 Amendments to Australian Accounting Standards (Parts A to C)

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

(v) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(w) Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the group.

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The separate financial statements and notes of the parent entity, Living Cell Technologies Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity disclosures are included in note 5.

Notes to the financial statements

for the year ended 30 June 2015

2 Revenue and expenses

	2015	2014
Revenue	**$**	**$**
Grant income	**228,997**	330,750

Grant income comprises a Callaghan Innovation project grant which was completed during the year. There are no unfulfilled conditions.

Profit/(loss) before income tax includes the following expenses:

Employee benefits		
Wages and salaries	**1,379,268**	3,886,628
Contributions to employees' savings plans	**13,893**	107,706
Share-based payments	**41,526**	122,633
Staff training	**-**	34,807
Total employee benefits	**1,434,687**	4,151,774
Depreciation		
Plant and equipment depreciation	**2,879**	7,131
Furniture, fixtures and fitting depreciation	**933**	-
Total depreciation	**3,812**	7,131

Grant income comprises a Callaghan Innovation project grant which was completed during the year. There are no unfulfilled conditions.

3 Income tax expense

(a) Reconciliation of income tax to accounting loss:

	2015	2014
	$	**$**
Loss before income tax	**(7,043,402)**	(6,778,896)
Tax rate	**30%**	30%
	(2,113,021)	(2,033,669)
Add tax effect of:		
- Other deductible expenditure	**(64,870)**	(69,475)
- Unrealised foreign exchange gains	**(102)**	3,744
- Non-deductible expenditure	**15,085**	80,835
- Tax effect of temporary timing differences	**(1,566)**	(1,057)
- Tax losses recouped	**(780)**	(9,281)
- Add back share of joint venture losses	**1,219,768**	1,788,982
- Deferred tax asset not bought into account	**945,486**	239,921
Income tax expense	**-**	-

(b) Tax losses

	2015	2014
	$	**$**
Unused tax losses for which no deferred tax asset has been recognised	**33,239,118**	29,976,488
Potential tax benefit at 30%	**9,971,735**	8,992,947

Notes to the financial statements

for the year ended 30 June 2015

3 Income tax expense (continued)

The benefit will only be obtained if:

- the group derives future assessable income of a nature and amount sufficient to enable the benefits from the deductions for the losses to be realised;
- the group continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the group in realising the benefit from the deductions for the losses.

4 Earnings/(loss) per share

Reconciliation of earnings to profit or loss from continuing operations

	2015	2014
	$	**$**
Profit/(loss) used in calculation of basic and diluted EPS	**(7,043,402)**	(6,778,896)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**402,693,118**	356,995,773
Weighted average number of ordinary shares and convertible securities outstanding during the year used in calculating EPS	**402,693,118**	356,995,773
Basic earnings/(loss) per share (cents)	**(1.75)**	(1.90)
Diluted earnings/(loss) per share (cents)	**(1.75)**	(1.90)

5 Parent entity disclosures

	2015	2014
Statement of financial position	**$**	**$**
Current assets	**4,789,531**	3,277,392
Total assets	**4,856,964**	7,869,348
Current liabilities	**(100,357)**	(68,132)
Total liabilities	**(100,357)**	(68,132)
Net assets	**4,756,607**	7,801,216
Accumulated losses	**(63,643,747)**	(56,947,139)
Issued capital	**64,751,709**	60,685,600
Reserves	**3,648,645**	4,062,755
Total Equity	**4,756,607**	7,801,216
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(6,704,531)**	(6,734,858)
Total comprehensive income	**(6,704,531)**	(6,734,858)

The parent company has no guarantees, contingent liabilities or capital commitments as at 30 June 2015 and 30 June 2014.

Notes to the financial statements
for the year ended 30 June 2015

6 Trade and other receivables

Current receivables

	2015	2014
	$	$
Trade receivables	**56,032**	421,981
Prepayments	**32,504**	25,140
Accrued interest	**78,933**	16,017
Other receivables	**43,311**	47,340
Total current trade and other receivables	**210,780**	510,478

Aged analysis

At 30 June 2015, there were no past due trade receivables, bad debts or doubtful debts (2014: Nil). The ageing analysis of receivables is as follows:

0-30 days	**54,391**	231,243
31-60 days	**1,641**	129,025
61-90 days	**-**	61,713
	56,032	421,981

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms except the joint venture, where any services fee adjustments are due in the following quarter. A provision for impairment loss is recognised when there is objective evidence than an individual trade receivable is impaired. There is no impairment loss for the current year (2014: $Nil) for the consolidated entity.

7 Property, plant and equipment

Plant and equipment		
At cost	**52,482**	25,441
Accumulated depreciation	**(10,129)**	(6,725)
Total property, plant and equipment	**42,353**	18,716

Movements in carrying amounts of property, plant and equipment

Opening balance	**18,716**	54,967
Acquisitions	**27,846**	2,090
Disposals	**-**	(32,935)
Depreciation expense	**(3,812)**	(7,131)
Foreign exchange movements	**(397)**	1,725
Balance at the end of the year	**42,353**	18,716

8 Joint venture

Interest in joint venture operations

On 1 November 2011 the parent entity, Living Cell Technologies Limited, settled the formation of a 50/50 owned joint venture, Diatranz Otsuka Limited (DOL), with Otsuka Pharmaceutical Factory, Inc. (OPF) to accelerate the commercialisation of DIABECELL.

Living Cell Technologies Limited and Otsuka Pharmaceutical Factory, Inc. have established joint control by each shareholder appointing two directors. These directors make decisions in relation to the relevant activities of Diatranz Otsuka Limited.

The group's DIABECELL assets were sold to Diatranz Otsuka Limited for $25 million of shares. Otsuka Pharmaceutical Factory, Inc. deposited $25 million of cash in to Diatranz Otsuka Limited for a 50% shareholding. There are no commitments by either company to Diatranz Otsuka Limited.

Assets transferred from each subsidiary were valued at a total of $25million, $7,287,000 attributable to Living Cell Technologies New Zealand Limited, $1,888,000 attributable to Pancell New Zealand Limited and $15,825,000 attributable to Living Cell Products Limited. There was an agreement signed between the Living Cell Technologies Limited and its subsidiaries to 'set off' the debts owed by each of the subsidiaries to Living Cell Technologies Limited with the amounts given to the subsidiaries via promissory notes. This set off arrangement reduced the owing intercompany balances between Living Cell Technologies Limited and its subsidiaries during the year by the value of assets sold.

On 1 April 2014 LCT announced the completion of a strategic restructure of its business. The new organisation strengthens the capability of DOL and enables LCT to focus on development of new clinical products from its technology and intellectual property portfolio.

55 staff essential for the successful commercialisation of DIABECELL transferred to DOL, including product development, manufacturing, pig husbandry, quality assurance and administration functions.

In October 2014 DOL licenced OPF to use DIABECELL IP in USA and Japan and in 2015 DOL decided to concentrate its R&D activities on supporting the development of DIABECELL in USA rather than NZ. Once registered in the US, DOL retains the royalty free right to commercialise the FDA approved product in the rest of the world.

The companies provide services to each other at commercial rates and DOL provides access to the facilities and designated pathogen free pigs, for products other than diabetes, at commercial rates.

The voting power held by Living Cell Technologies Limited is 50.0%.

The interest in joint venture entities is accounted for in the consolidated financial statements using the equity method of accounting.

There were no capital commitments of the joint venture at year end.

Notes to the financial statements
for the year ended 30 June 2015

8 Joint venture (continued)

Investment in joint venture

	2015	2014
	$	$
Joint venture: opening balance	**4,581,011**	8,699,984
50% of joint venture loss for the period	**(4,065,893)**	(5,963,272)
Foreign exchange movements during the period	**(447,763)**	1,844,299
Total	**67,355**	4,581,011

Share of joint venture entity's results and financial position

Current assets	**3,739,106**	3,654,552
Non-current assets	**-**	1,434,975
Current liabilities	**(545,635)**	(508,516)
Non-current liabilities	**(3,126,116)**	-
Equity	**67,355**	4,581,011

Share of the joint venture's revenue and profit/(loss)

Interest income	**117,946**	189,047
Depreciation & Amortisation	**(1,077,263)**	(1,109,354)
Other income and expenses	**(3,106,576)**	(5,042,965)
	(4,065,893)	(5,963,272)

Current assets includes cash and cash equivalents of $3,670,543 (2014: 2,891,886).

9 Trade and other payables

Unsecured liabilities		
Trade payables	**196,691**	263,666
Accrued expenses	**85,009**	85,318
Total trade payables	**281,700**	348,984

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

10 Provisions

Opening balance	**109,984**	245,435
Leave accrued	**107,398**	289,171
Leave taken	**(161,430)**	(424,622)
Balance at end of the year	**55,952**	109,984

A provision has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee entitlements have been included in Note 1 of this report.

Notes to the financial statements
for the year ended 30 June 2015

11 Issued Capital

	2015	2014
	$	$
2015:423,999,738 ordinary shares fully paid (2014: 356,995,773)	**68,785,763**	64,698,849
Share issue costs written off against share capital	**(4,034,054)**	(4,013,249)
Total	**64,751,709**	60,685,600

Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

Authorised capital

The authorised share capital of the company is 423,999,738 shares (2014: 356,995,773) 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.

Options

For information relating to the Living Cell Technologies Limited employee option plan, including details of options issued, exercised 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 of the Directors' Report and Key Management Personnel compensation in note 15.

The weighted average fair value of options granted during the year was $0.01 (2014: $0.00)

Capital Management

Capital of consolidated entity is managed in order to safeguard the ability to continue as a going concern so that they can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

Consolidated entity’s capital comprises shares and any convertible notes.

There are no externally imposed capital requirements.

Consolidated Entity manages the group's capital structure by assessing the group's financial risks and adjusting the capital structure in response to changes in these risks and the market. These responses include the issue of additional shares and/or convertible securities.

12 Reserves

Foreign currency translation reserve

The foreign currency translation reserve comprises all translation exchange differences arising on the retranslation of opening net assets together with differences between the statement of profit or loss and other comprehensive income translated at average and closing rates. It also includes adjustments in relation to investments in foreign operations.

Option reserve

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

Notes to the financial statements
for the year ended 30 June 2015

13 Currency translation rates

	NZD 2015	NZD 2014	USD 2015	USD 2014	ARS 2015	ARS 2014
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	**0.89**	0.93	**1.30**	1.06	**0.14**	0.13
Weighted average rates for the year used for the consolidated statements of profit or loss and other comprehensive income and cash flows, to translate the following currencies into Australian dollars (AUD), are:	**0.93**	0.90	**1.20**	1.09	**0.14**	0.16

NZD = NZ dollar; USD = US dollar; ARS = Argentinian peso

14 Capital and leasing commitments

Operating lease commitments

The consolidated entity has no operating leases (2014: Nil).

Finance lease commitments

The consolidated entity has no finance leases (2014: Nil).

Capital commitments

The consolidated entity has no capital commitments (2014: Nil).

15 Key management personnel disclosures

Key management personnel remuneration included within employee expenses for the year is shown below

	2015 $	2014 $
Short term employee benefits	**872,784**	851,920
Post-employment benefits	**10,124**	9,752
Share-based payments	**15,125**	19,277
Total	**898,033**	880,949

The remuneration report contained in the Directors’ report contains details of the remuneration paid or payable to each member of the consolidated entity’s key management personnel for the year ended 30 June 2015

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 17: Related Party Transactions.

16 Controlled Entities

	Country of Incorporation	Percentage Owned (%)▪ 2015	Percentage Owned (%)▪ 2014
Parent entity and ultimate parent of the group:			
Living Cell Technologies Ltd	Australia		
Subsidiaries:			
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
LCT Biopharma Inc. *	USA	**0**	100
Living Cell Technologies S.A.	Argentina	**100**	100
DIABECELL Pty Ltd	Australia	**100**	100
FAC8Cell Pty Ltd	Australia	**100**	100
NeurotrophinCell Pty Ltd	Australia	**100**	100
LCT Biomedical Ltd *	Russia	**0**	100
Pancell New Zealand Ltd *	New Zealand	**0**	100

▪ Percentage of voting power is in proportion to ownership

***** During the year Pancell New Zealand Limited, LCT Biomedical Ltd, and LCT Biopharma Inc. ceased operating during the year. They have all been de-registered.

17 Related Parties

Parent entity:

The parent entity and ultimate parent entity of the group is Living Cell Technologies Limited.

Subsidiaries

Subsidiaries are detailed in note 16 to the financial statements.

Joint venture

Joint ventures are accounted for using the equity method and detailed in note 8 of the financial statements.

Loans

All loan balances between companies in the consolidated entity have been fully provided for and eliminated on consolidation. All inter-company loan transactions to and from subsidiaries and with the parent entity are fully provided for.

Service fee

LCT Biopharma Inc, LCT Biomedical Ltd, Living Cell Technologies S.A., Living Cell Technologies New Zealand charge their parent companies a service fee based on direct costs incurred and an appropriate mark-up as agreed in the Services Agreement. The financial effect of the service fee has been eliminated on consolidation.

Key management personnel

Disclosures relating to key management personnel have been set out in note 15 and the Directors' Report.

Entities subject to significant influence by consolidated entity:

An entity over which consolidated entity has the power to participate in the financial and operating policy decisions, but does not have control over those policies. Significant influence may be gained by share ownership, statute or agreement.

Subsidiaries:

The consolidated financial statements include the financial statements of Living Cell Technologies Limited and its subsidiaries. For details of subsidiaries, see note 16.

Notes to the financial statements
for the year ended 30 June 2015

17 Related partied (continued)

Transactions with related parties

	Sales to related parties 2015 $	Sales to related parties 2014 $	Purchases from related parties 2015 $	Purchases from related parties 2014 $	Amounts owed by related parties 2015 $	Amounts owed to related parties 2015 $
Related parties:						
Diatranz Otsuka Limited	**624,648**	6,620,719	**383,319**	222,000	**8,428**	**24,263**

18 Cash Flow Information

Reconciliation of cash

	2015 $	2014 $
Cash at the end of the financial year as shown in the is reconciled to items in the consolidated statement of financial position as follows:		
Cash and cash equivalents	**5,144,027**	4,554,399

The company also has two business MasterCard facilities with Westpac New Zealand totally $206,000.00. These are both undrawn at year end.

Reconciliation of result for the year to cash flows from operating activities

	2015	2014
Profit/(loss) for the year	**(7,043,402)**	(6,778,894)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in loss		
- depreciation	**3,812**	7,131
- net losses on disposal of assets	**-**	32,940
- net gains of employee provisions transferred in restructure	**-**	(193,827)
- LCT's share of loss from joint venture	**4,065,893**	5,963,272
- net foreign currency (gains)/losses	**116,901**	(225,708)
- share options expensed	**41,522**	122,633
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**227,217**	(81,551)
- (increase)/decrease in other assets	**72,480**	58,075
- increase/(decrease) in trade and other payables	**(1,017,725)**	955,111
- increase/(decrease) in employee benefits	**(54,032)**	58,379
Cash flow used in operations	**(3,587,334)**	(82,441)

19 Segment reporting

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

20 Financial risk management

The consolidated entity's principal financial instruments comprise receivables, payables, cash and short term deposits. These activities expose the group to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The group manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign currency risk and by being aware of market forecasts for interest rates and foreign exchange rates. The group's policy is to invest in a spread of maturities to manage interest rate risk and to invest in currencies in approximate proportions of forecast expenditure to manage foreign exchange risk.

The group holds the following financial instruments:

	2015	2014
Financial Assets	**$**	**$**
Cash and cash equivalents	**5,144,027**	4,554,399
Trade and other receivables	**178,273**	485,338
Total financial assets	**5,322,300**	5,039,737
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**196,691**	263,666
Deferred service fee	**-**	774,059
Total financial liabilities	**196,691**	1,037,725

Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that sufficient working capital is available to enable the company to maintain adequate reserves to allow the company to achieve identified strategic objectives.

The tables below analyse the consolidated entity's financial assets and liabilities. The amounts disclosed in the table are the contractual cash flows.

	Within 1 Year		1 to 5 Years		Over 5 Years	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets - cash flows realisable						
Trade and other receivables	**178,273**	485,338	**-**	-	**-**	-
Trade and other payables	**(196,691)**	(263,666)	**-**	-	**-**	-
Deferred service fees	**-**	(774,059)	**-**	-	**-**	-
Total anticipated outflows	**(18,418)**	(552,387)	**-**	-	**-**	-

Interest rate risk

The group's exposure to market interest rates relates primarily to the group's short term deposits held. The company manages this risk by investing in term deposits ranging from call to 12 months. This investment policy is adopted to manage risks and enhance returns.

20. Financial risk management (continued)

Interest rate risk sensitivity analysis

At 30 June 2015, the effect on profit/(loss) and equity as a result of changes in the interest rate, based on interest income at the average rate for the year, with all other variables remaining constant would be as follows:

	2015	2014
	$	$
+ 1% (100 basis points)	**54,225**	56,382
- 0.5% (50 basis points)	**(27,113)**	(28,197)

Market risk

The consolidated entity's activities expose it to the risk of changes in foreign currency exchange rates and interest rates. These risks are managed at a company and consolidated level through sensitivity analysis. There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets, is the carrying amount, net of any allowances for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Receivable balances are monitored on an on-going basis with the result that the consolidated entity's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. the consolidated entity's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities (when revenue or expense is denominated in a different currency from the consolidated entity's presentation currency and the net investment in foreign subsidiaries. The following table shows the foreign currency risk on the financial assets and liabilities of consolidated entity's operations denominated in currencies other than the presentation currency of operations.

	Net financial assets/(liabilities) in foreign currency			
2015	**NZD**	**USD**	**ARS**	**Total**
Consolidated				
Cash and cash equivalents	**3,587,595**	**-**	**-**	**3,587,595**
Trade and other receivables	**178,273**	**-**	**-**	**178,273**
Trade and other payables	**(150,273)**	**(32,923)**	**-**	**(183,196)**
2014				
Consolidated				
Cash and cash equivalents	3,109,121	33,941	9,615	3,152,677
Trade and other receivables	415,103	1,782	-	416,886
Trade and other payables	(211,377)	(305)	(1,009)	(212,691)

Foreign currency risk sensitivity analysis

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the end of the reporting period.

The consolidated entity is mainly exposed to New Zealand dollars (NZD). The table demonstrates the sensitivity of profit before tax to a reasonably possible change in the AUD/NZD exchange rate.

A strengthening of the New Zealand dollar would have increased equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Strengthening by 5%	Weakening by 5%
2015	**105,389**	**(116,482)**
2014	4,334	(4,334)

The net exposure at the end of the reporting period is representative of what consolidated entity was and is expecting to be exposed to at the end of the next twelve months.

Price risk

Consolidated Entity is not exposed to any material commodity price risk.

21 Remuneration of Auditors

	2015	2014
Remuneration of the auditor of the parent entity, BDO, for:	$	$
- Auditing or reviewing the consolidated financial report and the Australian based subsidiaries	**80,250**	78,750
Remuneration of other auditors of subsidiaries for:		
- Auditing the New Zealand based subsidiaries	**11,820**	14,897
- Other services	**4,300**	788
Total	**96,370**	97,435

Other services comprise of a review of the LCTNZ accounts for a Callaghan Innovation Grant application.

22 Contingent assets and liabilities

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2015 (30 June 2014:Nil).

There have been no unfulfilled conditions and other contingencies attached to government assistance.

23 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of consolidated entity, the results of those operations, or the state of affairs of consolidated entity in future financial years.

24 Company Details

The registered office of the company is:

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

Director's declaration

The directors of Living Cell Technologies Limited declare that:

1. the financial statements and notes for the year ended 30 June 2015 are in accordance with the *Corporations Act 2001* and:

   - comply with the Corporations Regulations 2001 and the Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   - give a true and fair view of the financial position and performance of the consolidated entity;

2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:

   - the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   - the financial statements and notes for the financial year comply with the Accounting Standards; and

   - 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 19 August 2015

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Living Cell Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Living Cell Technologies Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Living Cell Technologies Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 21of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Living Cell Technologies Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Craig Maxwell

Craig Maxwell
Partner

Sydney, 19 August 2015

Additional information for listed public companies
30 June 2015

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31 July 2015.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of shares
Palmert Members Limited	24,150,408
Coalco International Limited	24,150,408
Persistency Private Equity Limited	17,792,675
Otsuka Pharmaceutical Factory, Inc.	25,000,000

Voting rights

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Distribution of equity security holders

Holding	Holders	Shares
1 - 1,000	134	32,183
1,001 - 5,000	380	1,172,862
5,001 - 10,000	307	2,532,102
10,001 - 100,000	998	39,516,582
100,000 and over	361	380,746,009
	2,180	423,999,738

There were 839 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

	Number held	% of issued shares
National Nominees Limited	40,762,681	10
Otsuka Pharmaceutical Factory, Inc.	25,000,000	6
J P Morgan Nominees Australia Limited	24,240,279	6
Navigroup Management Limited	20,213,249	5
Forsyth Barr Custodians Limited	19,287,245	5
Investment Custodial Services Limited	14,980,911	4
Peter C Cooper	14,705,195	3
Jiangsu Aosaikang Pharmaceutical Co	14,334,080	3
ABN Amro Nominees Pty Limited	8,877,040	2
Vasson Corporation	7,805,288	2
HSBC Custody Nominees (Australia) Ltd	7,697,967	2
Citicorp Nominees Pty Limited	7,596,952	2
Waiaua Bay Farm Limited	7,352,796	2
4 Eyes Limited	6,100,000	1
Lane Capital Group Limited	5,294,013	1
Natalie Parke Trustee Limited	5,149,537	1
SC Trustee Limited	5,149,537	1
Foundation Services Limited	4,977,626	1
Robert B Elliott	4,490,060	1
Dale A Reed	4,000,000	1

Securities exchange

The Company is listed on the Australian Securities Exchange.