



Living Cell Technologies Ltd

Suite 2.11 / 737 Burwood Rd

Hawthorn VIC 3122

ABN: 14 104 028 042

COMPANY ANNOUNCEMENT

LCT Half Yearly Report Period Ended 31 December 2006

28 February 2007, Melbourne, Australia:

Attached is the Appendix 4D – Half Yearly Report – for Living Cell Technologies (ASX:LCT) for the six month period ended 31 December 2006, as well as an overview of the significant improvement in cash position since year end.

Living Cell Technologies (ASX:LCT) report that the consolidated operating loss after income tax for the period July 1 to December 31 2006 was \$3.1 million (2005: \$3.2 m). This result, being a decrease of 3%, is in line with management expectations.

During the period completed capital raising activities added \$711,000 to contributed equity, with shares issued at 15 cents per share, as part of a \$2.8 million financing, including a \$2.1 million convertible note. A further \$5.1 million in share capital was received after balance date from the proceeds of the recently completed Share Purchase Plan and private placements, all completed at 17.5 cents per share.

Grant funding received totaling \$523,780 (2005: \$37,094) assisted in enabling the company to increase the level of research and development expenditure. This increased in the six month period to \$616,743 (2005: \$422,936), an increase of \$193,807, or 46% up on the comparable period last year.

Employee costs totaling \$1,824,881 remained at a comparable level to the previous year (\$1,809,240).

Other expenses were closely monitored and managed, enabling the total loss for the six month period to 31 December 2006 to be less than the loss for the six months to December 2005.

As at 31 December 2006, net assets were (\$626,459) compared to \$1,796,058 as at 30 June 2006. Cash in the bank as at 31 December 2006 was \$896,333 (2005: \$2,956,379).

A significant improvement in the cash position of the company has been recorded since the half-year end. In the past two months LCT has received the private placement funds of \$800,000 announced just prior to period end and since then also completed a Share Purchase Plan (SPP), raising AUD\$1.982 million in capital from existing Australian and New Zealand shareholders, with a further \$1.018 million being taken up by clients of stock broking firm Taylor Collison. An additional placement of \$1.3 million led by Taylor Collison was also completed. This additional share capital was all raised at \$0.175 per share and has boosted cash reserves by \$5.1 million since 31 December 2006.

With projected levels of operational expenditure, (which are anticipated to be at slightly lower levels than the historical spend, subsequent to recent restructuring as the company focuses on DiabeCell), this level of cash represents close to a further 12 months of capital requirements for the company, as it moves into clinical trials.

"The success of the SPP and recent placements supports a very much improved financial position than showing as at December 31st and enables LCT to move swiftly into its Phase I/IIa clinical trial," said LCT Chief Financial Officer Richard Justice.

The realignment of LCT's product and clinical strategy has shifted focus towards DiabeCell, which has the potential to provide shareholder returns within a shorter timeframe.

"The recent changes support a conservative projected burn rate, with considerable expenditure savings through payment of the clinical trial by LCT's Russian partner, as well as bringing all product development within the New Zealand facility," Mr Justice said.

In January, LCT announced it had received approval to start a phase I/IIa diabetes clinical trial, with the first transplants expected in Q2 this calendar year.

Further information: www.lctglobal.com	
Richard Justice, CFO Mob: +64 272 223 806	Paris Brooke, GM Mob: 0407 715 574

Appendix 4D

Half yearly report

Name of Entity	Living Cell Technologies Limited
ACN	14 104 028 042
Financial Year Ended	31 DECEMBER 2006
Previous Corresponding Reporting Period	31 DECEMBER 2005

Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from ordinary activities	566	496
Profit / (loss) from ordinary activities after tax attributable to members	(3,135)	(3%)
Net profit / (loss) for the period attributable to members	(3,135)	(3%)
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividends (if any)	N/A	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:		
See covering announcement.		

The half-yearly report is to be read in conjunction with the most recent annual financial report.

NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	(0.5) cents per share	4.3 cents per share

Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	n/a
Date control gained	
Consolidated profit / (loss) from ordinary activities since the date in the current period on which control was acquired	
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	

Loss of Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	n/a
Date control lost	
Consolidated profit / (loss) from ordinary activities for the current period to the date of loss of control	
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) while controlled for the whole of the previous corresponding period	

Details of Associates and Joint Venture Entities

Name of Entity	Percentage Held		Share of Net Profit	
	Current Period	Previous Period	Current Period	Previous Period
Aggregate Share of Net Profits	n/a			

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	✓
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:			
Not Applicable			
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:			
Not Applicable			

Attachments Forming Part of Appendix 4D

Attachment #	Details
1	Consolidated Financial Statements for the 6 months to 31 December 2006

Signed By (Director)	
Print Name	Simon O'Loughlin
Date	28 February 2007



Living Cell Technologies Limited

Consolidated Financial Statements

For the 6 months to 31 December 2006

Living Cell Technologies Limited

For the 6 months to 31 December 2006

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any other public announcements made by Living Cell Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

Your directors present their report on the company and its controlled entities for the half year financial period ended 31 December 2006.

This half year financial report has been prepared under Australian equivalents to IFRS.

1. Directors

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

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

2. Business review

a Operating Results

The consolidated loss of the Group amounted to \$3,135,247. (2005: Loss of \$3,222,945).

b Review of operations

The business of Living Cell Technologies Ltd ("LCT") began in a quest for a treatment for Type 1 diabetes that would not only minimise or replace daily injections of insulin but also avoid the long term complications created by the disease.

The company has since developed into a biotech manufacturing company with a unique international infrastructure and a suite of products ready to enter human clinical trials. The company received approval just after period end for DiabeCell to enter the clinic in a trial in Russia, to adhere to FDA guidelines and monitored by a Boston-based Contract Research Organisation.

It is the view of the Board of Directors that the company is now poised to make significant progress towards the commercialisation of the company's products, resulting from the company's focus on the implantation of healthy living cells to replace, repair or regenerate diseased or damaged organs. Treatment with LCT's cell products does not require the use of toxic drugs to prevent rejection.

In addition to our lead product, DiabeCell to treat Type 1 diabetes, the company also has a product portfolio focused on treatments for neurological disorders such as Huntington's disease and also a haemophilia product in development.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

2. Business review continued

b Review of operations continued

LCT's competitive advantages in the field of transplantation of living cells for the controlled, long term delivery of therapeutic proteins without immunosuppressive drugs include a specialised source of cells from a designated pathogen free herd, GMP cell processing and manufacture, proprietary alginate encapsulation technology and a strong patent position.

Importantly LCT owns its source of its cells, the specialised herd of Biocert® pigs, which are of the highest health and disease-free status.

In addition, to address the regulatory requirements for xenotransplantation, LCT has established a suite of diagnostic tests and a screening strategy for monitoring its donor herd of Biocert® pigs, maintaining their disease-free status and documenting their health data accumulated over the past 3 years. The same suite of tests also form part of a program for transplant recipients which LCT expects to be acceptable to regulatory bodies as it is now based on experience and data from patients who have received live cell transplants.

Significant Events During the Period:

5 July LCT granted US diabetes patent

LCT received a Notice of Allowance for a US patent relating to methods of preparing transplantable neo-natal porcine islets, for the treatment of diabetes.

7 July LCT raises \$2.8m in fund transaction

LCT announced the closure of a AUD\$2.8 million funding transaction with US and Australian institutional and retail investors, made up of \$2.1 million as a convertible note and \$0.7 million in share capital at 15 cents per share.

25 August LCT announces new Chairman and additional independent director

LCT announced the appointments of Mr Simon O'Loughlin as Chairman and Mr Laurie Hunter as an additional independent director.

28 August Lodged application for DiabeCell® clinical trial with MedSafe

LCT lodged an application with the New Zealand regulator MedSafe to conduct a Phase I/IIa clinical trial of its Type 1 diabetes product DiabeCell®.

19 October Granted EU diabetes patent

The European Patent Office granted LCT an EU patent relating to its porcine pancreatic islet cell product for Type 1 diabetes.

14 December Possible prevention of Type 1 diabetes with NtCell

LCT released results of early stage research which suggests its NeurotrophinCell (NtCell) product may hold the potential to prevent or delay the onset of Type I diabetes.

19 December Approval to manufacture xeno products for human use

The New Zealand Government issued LCT with a licence to manufacture a novel animal cell product for humans under Good Manufacturing Practice (GMP).

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

2. Business review continued

b Review of operations continued Fundraising

The period included significant investment and roadshow activity to institutional investors in the US and Europe, as well as Australasia. In addition to the \$2.8m funding transaction completed in the reporting period, LCT also announced the closing of a private placement to raise \$800,000 at 17.5 cents per share in December 2006, with the funds received after balance date in January 2007.

In late December 2006 LCT also announced a Share Purchase Plan (SPP) offer to existing shareholders. Closure of the SPP after the period resulted in a successful raising of AUD\$1.982 million in capital from eligible Australian and New Zealand shareholders. A further \$1.018 million was taken up by clients of stock broking firm Taylor Collison, pursuant to an underwriting agreement, resulting in total proceeds from the SPP of \$3 million.

In addition to the SPP, an additional placement of \$1.3 million, led by Taylor Collison, was completed at \$0.175 per share in January 2007.

These post balance date share capital receipts totaled \$5.1 million.

The funds raised will be used as working capital to drive the first phase of LCT's clinical trial strategy for its DiabeCell® product in two jurisdictions.

Grants

In the half-year, LCT was able to claim funds available under the successful TBG FRST and NZTE grants to the value of \$524,000. These grants extend through to May 2007 and May 2008 respectively.

Funds Used For:

DiabeCell®

The DiabeCell® Type 1 diabetes treatment has been approved for a Phase I/IIa clinical trial in Russia designed according to FDA guidelines and monitored by a Boston-based Contract Research Organisation. The trial may enable an expedited route to commercialisation within the region. The clinical trial is being funded via LCT's Russian partner.

LCT's intention is to conduct more than one Phase I/IIa clinical trial. LCT plans to test a different dose and protocol for administering DiabeCell® in a separate New Zealand trial. After preliminary consultation with MedSafe, LCT has lodged an application with the NZ regulator to conduct a Phase I/IIa clinical trial of DiabeCell® on eight long-standing Type 1 (insulin-dependent) diabetics. The different study designs will expedite the selection of a safe and optimal clinical protocol for using DiabeCell®.

The company continues to hold a dominant position amongst competitors in this field. This is currently the only human clinical trial of this kind approved anywhere in the world and recognises LCT's thorough pre-clinical testing of the product.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

2. Business review continued

b Review of operations continued

NeurotrophinCell

The NeurotrophinCell product continues development (including exploring other indications of use such as diabetes prevention and hearing loss), although further resources will be placed into DiabeCell® to support the product with the greatest potential to obtain near-term revenues.

Discovery Program

Living Cell Technologies possesses a technology platform and unique and safe cell supply applicable to the treatment of a number of disease areas.

A number of research programs remain active and include the treatment of haemophilia, stroke, Amyotrophic Lateral Sclerosis (ALS) and the rehabilitation of the auditory nerve. These programs are drawing upon the international expertise of Brown University, The Florey Neurosciences Institute and The Bionic Ear Institute.

Intellectual Property

LCT's portfolio of patents and patent applications are in series that encompass the use of porcine cells for the treatment of diabetes and CNS disorders, methods of encapsulating cells and selective breeding of pigs suitable as a source of tissues for human therapeutics.

Presently, LCT has 34 patents filed and in prosecution.

Filing of patents receives close attention with the company taking independent professional advice for appropriate protection of the company's intellectual property. The intellectual property portfolio is current and relevant to the purposes of the business.

Licensing

With the use of LCT's biocapsule technology, a variety of cell types are able to be transplanted and function in the human body for extended periods of time without the use of immunosuppressive drugs.

In addition, LCT is investigating the potential market opportunities for its porcine tissues, as well as licensing opportunities for its pipeline products.

The encapsulation process has also been scaled for manufacture within LCT's accredited GMP (Good Manufacturing Practice) facility and provides a future out-licensing opportunity for the company.

Awareness Building

The period has seen an increased interaction with the investment community of the company's new strategic direction and market opportunity for live cell therapy.

LCT has increased its engagement with the local and international biotech communities reflecting the company's progress in advancing its product portfolio into clinical trials. Ongoing media coverage, investor road shows and presentations of scientific papers have created a better understanding of LCT's technology and business model.

A significant commitment has been placed in building relationships with the investment banking community in the United States and Europe to help establish long-term support for the company as it approaches commercialisation.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

c After Balance Date Events

19 January 2007 New shares issued

4,870,000 fully paid ordinary shares were issued to sophisticated investors, at 17.5 cents per share, in relation to the capital raising of \$800,000 announced on 27th December 2006.

24 January 2007 Paul Tan appointed as CEO

Dr Paul Tan was appointed to the role of Group CEO subsequent to the resignation of the previous CEO, Mr David Collison, due to health reasons.

30 January 2007 LCT to start clinical trial of Type 1 diabetes treatment

Approval for a Phase I/IIA clinical trial of the company's DiabeCell product was announced. The trial is to be conducted in Russia and is designed to FDA guidelines and will be monitored by a Boston-based Contract Research Organisation.

14 February 2007 LCT raises \$4.3million

LCT announced the closure of a successful Share Purchase Plan and a Private Placement, with the shares priced at 17.5 cents, raising a total of \$4.3million in the process. As part of the clinical focus towards commercialising DiabeCell as soon as possible, LCT also announced it was in the process of downsizing its US operations and shifting its neurological program to its New Zealand facilities.

23 February 2007 Additional Director appointed

Dr. Paul Tan, the LCT's Ceo, was appointed to the Board Of Directors, as an Executive Director of the company.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 6.

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

Director:

S. O'Loughlin

Dated **28 February 2007**

Auditor's Independence Declaration**To the Directors of Living Cell Technologies Limited:**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2006, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



PKF
Chartered Accountants



Arthur Milner
Partner

Sydney, 28 February 2007

Living Cell Technologies Limited

Condensed Consolidated Income Statement

For the Period Ended 31 December 2006

		December 31	December 31
		2006	2005
	Note	\$	\$
Revenue - trading	2	412	1,404
Other revenue	2	565,744	93,305
Employee costs		(1,824,881)	(1,809,240)
Depreciation, amortisation and impairments		(91,139)	(79,321)
Finance costs		(142,333)	(226)
Freight and cartage		(13,322)	(7,473)
Advertising		(7,679)	(13,190)
Research and development costs		(616,743)	(422,936)
Lease rentals on operating lease		(182,711)	(151,560)
Travel - overseas		(108,788)	(142,957)
Consulting and professional fees		(293,307)	(483,239)
Printing and stationery		(30,164)	(36,884)
Telephone and fax		(56,049)	(38,347)
Other expenses		(334,287)	(132,281)
Loss before income tax from continuing activities		(3,135,247)	(3,222,945)
Income tax expense		-	-
Loss from continuing activities attributable to members of the parent entity		(3,135,247)	(3,222,945)

Earnings Per Share:

Continuing operations:

Basic & diluted earnings per share (cents per share)	(2.56)	(3.20)
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The weighted average number of ordinary shares on issue and used in the calculation of basic earning per share was 122,387,623 (2005: 100,408,145)

The above Income Statement should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Balance Sheet

As At 31 December 2006

	December 31	June 30
	2006	2006
Note	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	896,333	2,956,379
Trade and other receivables	29,030	1,277
Inventories	34,294	32,488
Other assets	9,242	12,430
Total current assets	968,899	3,002,574
Non-current assets		
Property, plant and equipment	974,674	949,361
Biological assets	335,127	306,229
Total non-current assets	1,309,801	1,255,590
TOTAL ASSETS	2,278,700	4,258,164
LIABILITIES		
Current liabilities		
Trade and other payables	785,263	512,753
Interest bearing liabilities	2,029,613	-
Provisions	90,283	61,935
Total current liabilities	2,905,159	574,688
Non-current liabilities		
Interest bearing liabilities	-	1,887,418
Total non-current liabilities	-	1,887,418
TOTAL LIABILITIES	2,905,159	2,462,106
NET ASSETS	(626,459)	1,796,058
EQUITY		
Contributed equity	3 25,226,841	24,685,152
Reserves	4 839,775	654,247
Accumulated losses	4 (26,693,075)	(23,543,341)
TOTAL EQUITY	(626,459)	1,796,058

The above Balance Sheet should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Statement of Changes in Equity

For the Period Ended 31 December 2006

December 31
2006

	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve	Option Reserve \$	Convertible Instruments Reserve \$	Total \$
Balance at 1 July 2006	24,685,152	(23,543,341)	27,389	549,474	77,384	1,796,058
Shares issued during the year	711,292	-	-	-	-	711,292
Loss attributable to members of the parent entity	-	(3,135,247)	-	-	-	(3,135,247)
Transaction costs	(169,603)	-	-	-	-	(169,603)
Adjustments from translation of foreign controlled entities	-	(14,487)	(30,092)	-	-	(44,579)
Option reserve on recognition of options expense	-	-	-	215,620	-	215,620
Sub-total	541,689	(3,149,734)	(30,092)	215,620	-	(2,422,517)
Balance at 31 December 2006	25,226,841	(26,693,075)	(2,703)	765,094	77,384	(626,459)

December 31
2005

	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve	Option Reserve \$	Convertible Instruments Reserve \$	Total \$
Balance at 1 July 2005	19,536,574	(16,730,364)	-	329,344	-	3,135,554
Loss attributable to members of the parent entity	-	(3,222,944)	-	-	-	(3,222,944)
Shares issued during the year	4,999,002	-	-	-	-	4,999,002
Transaction costs	(87,415)	-	-	-	-	(87,415)
Adjustments from translation of foreign controlled entities	-	-	(1,060)	-	-	(1,060)
Option reserve on recognition of options expense	-	-	-	208,486	-	208,486
Sub-total	4,911,587	(3,222,944)	(1,060)	208,486	-	1,896,069
Balance at 31 December 2005	24,448,161	(19,953,308)	(1,060)	537,830	-	5,031,623

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Cash Flow Statement

For the Period Ended 31 December 2006

	December 31 2006 \$	December 31 2005 \$
Cash from operating activities:		
Receipts from customers & government grants	524,244	38,143
Payments to suppliers and employees	(3,218,814)	(2,905,726)
Dividends received	402	76
Interest received	41,540	56,274
Finance costs	(138)	(226)
Net cash provided by (used in) operating activities	(2,652,766)	(2,811,459)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(116,452)	(178,437)
Net cash provided by (used in) investing activities	(116,452)	(178,437)
Cash flows from financing activities:		
Proceeds from issue of shares	711,292	4,999,002
Repayment of borrowings	-	(18,180)
Payment of transaction costs	(2,120)	(87,415)
Net cash provided by (used in) financing activities	709,172	4,893,407
Net increase (decreases) in cash held	(2,060,046)	1,903,511
Cash and cash equivalents at beginning of the period	2,956,379	2,552,582
Cash at end of the period	896,333	4,456,093

The above Statements of Cash Flows should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

1 Basis of Preparation of Half-Year Financial Report

This general purpose financial report for the interim half-year ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting, other mandatory professional reporting requirements (Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any other public announcements made by Living Cell Technologies Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2006.

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

Since 31 December 2006 the company has received \$5.1 million in proceeds from capital raising activity from two private placements, as well as an underwritten share purchase plan, with share subscriptions received from existing shareholders.

2 Income

	December 31	
	December 31 2006	December 31 2005
	Note	
	\$	\$
- sale of goods	412	1,404
- Interest income	41,540	56,122
- Dividend income	402	76
- Donations	22	13
- Grants	523,780	37,094
Other Income	566,156	94,709

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

3 Issued Capital

(a) Issued and paid up capital

	December 31 2006	June 30 2006
	\$	\$
- - Ordinary shares fully paid	25,226,841	24,685,152
Total	25,226,841	24,685,152

(b) Authorised Capital

The authorised share capital of the company is 123,416,800 ordinary shares of nil par value.

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

(c) Movements in shares on issue

	31 December 2006	31 December 2006	30 June 2006	30 June 2006
	Number of shares	\$	Number of shares	\$
Description Title				
Beginning of the financial year	118,639,933	24,685,152	92,840,681	19,536,574
Issued during the year				
- private share issues	4,539,947	680,992	25,162,455	5,281,225
- contractors fees	136,920	20,538	636,797	146,261
- options exercised	100,000	21,000	-	-
Transaction costs in capital raising	-	(180,841)	-	(278,908)
Total	123,416,800	25,226,841	118,639,933	24,685,152

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

4 Share capital and reserves

(a) Total equity

	December 31 2006 \$	June 30 2006 \$
Share capital		
Share capital - Ordinary	25,226,841	24,685,152
Total	25,226,841	24,685,152
Reserves		
Foreign currency translation reserve	(2,703)	27,389
Option reserve	765,094	549,474
Convertible instruments reserve	77,384	77,384
Total	839,775	654,247
Accumulated losses		
Opening balance	(23,543,341)	(16,730,364)
Translation adjustment	(14,487)	6,634
Net loss for the period	(3,135,247)	(6,819,611)
Total	(26,693,075)	(23,543,341)
Total Equity	(626,459)	1,796,058

(b) Reserves

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

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

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

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

5 Segment Reporting

(a) Segment products and locations

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

(b) Geographical Segments

	New Zealand		USA		Australia		Eliminations		Consolidated	
	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenue	\$ 1,624,169	\$ 1,332,719	\$ 923,051	\$ 898,028	\$ 57,356	\$ 166,231	\$ (2,038,420)	\$ (2,302,269)	\$ 566,156	\$ 94,709
Result	\$ (218,999)	\$ 14,075	\$ (74,201)	\$ 89,822	\$ (2,788,031)	\$ (3,327,250)	\$ (54,016)	\$ 408	\$ (3,135,247)	\$ (3,222,945)

(c) Accounting Policies

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

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

6 Subsequent events

Issuance of shares

In January 2007, subsequent to balance date 31 December 2006, the company received \$800,000 in additional share capital, from the proceeds of a private placement, with shares to be issued at 17.5 cents per share.

In early February 2007 the company received a further \$4.3 million in additional share capital, from the proceeds of a share purchase plan and a subsequent private placement, with the shares to be issued at 17.5 cents per share.

The financial effect of the above events, increasing cash and contributed equity by \$5.1 million has not been recognised in the Balance Sheet as at 31 December 2006.

7 Company Details

The registered office of the company is:

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

8 Contingent Liabilities

Contingent Liabilities as at 31/12/2006 Nil (30/06/2006 Nil)

9 Controlled Entities

Name of Parent Entity:	Country of incorporation	Equity Holding 31/12/2006 %	Equity Holding 31/12/2005 %
Living Cell Technologies Ltd	Australia		
Name of 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
Pancell New Zealand Ltd	New Zealand	100	100
LCT BioPharma Inc	USA	100	100
Fac8Cell Pty Ltd	Australia	100	100
DiaBcell Pty Ltd	Australia	100	100
NeurotrophinCell Pty Ltd	Australia	100	100

Living Cell Technologies Limited

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 7 to 15:

(a) Comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the Consolidated Entity's financial position as at 31 December 2006 and of their performance, as represented by the results of its operation and its cash flows, for the half-year ended on that date.

In the directors' opinion:

(a) The financial statements and notes are in accordance with the Corporations Act 2001; and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

S. O'loughlin

Dated **28 February 2007**



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Living Cell Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Living Cell Technologies Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Living Cell Technologies Limited are responsible for the presentation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Living Cell Technologies Limited's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Living Cell Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.


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Conclusion

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

- (a) giving a true and fair view of the Living Cell Technologies Limited's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

*PKF***PKF**

Arthur Milner
Partner

Sydney, 28 February 2007