ANNUAL REPORT

08/09

LCT
living cell technologies

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08/09

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Click here to find out more about us on the LCT website.

A GLOBAL LEADER IN CELLULAR THERAPY

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LCT is developing a new form of treatment that uses live cells for diseases that have no cure. DIABECELL®, LCT's lead product, is made of insulin producing cells designed to restore quality of life of people with insulin dependent diabetes. DIABECELL® is presently in clinical trials with very positive early results.

LCT has a pipeline of cell based treatments for other diseases where there is clearly a need for better treatment. LCT's technology is applicable to hearing loss, degenerative neurological disorders like Parkinson's disease, Huntington's disease and Stroke.

The cells used by LCT are from unique high health status pigs that are free of infectious agents and viruses. LCT's technology places the cells in microcapsules so that they can be implanted without being rejected and without the use of immunosuppressive drugs.

Presently, LCT is the only company with the capabilities to manufacture and conduct human clinical trials with encapsulated porcine cells.

LCT HAS:

- A lead product for Type 1 diabetes in Phase II trials.
- Proprietary, groundbreaking cell preparation and encapsulation technology.
- Ownership of a unique biocertified high-health pig herd – vital for sourcing cells for human use.
- Good Manufacturing Practice (GMP) manufacturing facilities certified to manufacture animal cell therapeutics for human use.
- IANZ accredited diagnostic laboratory.
- A clear commercialisation pathway for lead product DIABECELL®.
- Multiple product development streams to diversify risk and enhance the company's global market opportunities.
- 15 families of patents, 33 fully granted patents.
- An experienced management team focused on commercialising the company's product pipeline.

FUTURE PLANS:

- The major focus for LCT is the progression of its Phase II clinical trials – in New Zealand and in Russia.
- LCT anticipates reporting progress from the New Zealand Trial in early 2010.
- LCT expects to complete a pivotal study (efficacy data from 50 patients) in 2011.
- LCT aims to take lead product DIABECELL® to market within 3 years.
- LCT is actively engaging clinical partners to take DIABECELL® to market.

Quality Assurance Team

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HIGHLIGHTS FOR THE YEAR

08/09

JULY 2008

Clinical benefits reported from Russian trial – LCT releases interim results describing clinical benefit in all patients who received DIABECELL® implants.

DECEMBER 2008

NeurotrophinCell success in preclinical studies – Preclinical studies suggest that LCT's NeurotrophinCell is effective in Parkinson's disease.

Collaboration with Centocor Research & Development – LCT signs research agreement with Centocor with potential for further collaboration and future licensing opportunities.

FEBRUARY 2009

LCT reports positive long term results – sustained benefit from DIABECELL® implants shown.

MAY 2009

LCT reports insulin independence in two patients – following recent implants of DIABECELL® in Russian clinical trial.

JUNE 2009

DIABECELL® clinical trial authorised by New Zealand Government – New Zealand Minister of Health, the Honourable Tony Ryall, authorises LCT's New Zealand Phase I/IIa clinical trial for insulin dependent diabetes.

LCT recognised as global leader – DIABECELL® product recognised by an international journal as at the leading edge of human health products from the new agricultural biotechnology industry.

JULY 2009

Start of DIABECELL® commercialisation program in Russia – LCT forms subsidiary, LCT Biomedical Limited (Russia), and appoints Natalia Dolgova as the first LCT Biomedical director.

New pig breeding facility opened – LCT upgrades and expands its New Zealand pig facilities to accommodate a sufficient number of pigs to support clinical trials in New Zealand and internationally over the next two years.

LCT's encapsulated choroid plexus cells used to treat hearing loss – LCT's encapsulated choroid plexus cells (NeurotrophinCell, NTCELL) shown to protect nerve cells in the inner ear from degeneration in studies done with the Bionic Ear Institute (BEI), Melbourne, Australia.

Patient Enrolment for New Zealand DIABECELL® clinical trial starts – over 200 volunteer to take part in LCT's DIABECELL® trial.

CHAIRMAN'S REPORT

08/09

Simon O'Loughlin

The past year has been another period of great success and progress for LCT.

The unique combination of disease free pigs, accredited manufacturing and laboratory facilities and intellectual property has enabled the company to achieve significant milestones this year.

Continuation of excellent results from clinical trials of DIABECELL® in Russia and authorisation of trials in New Zealand assisted the company to complete a $4.2 million private placement on 30 July 2009. Listing shares on the US OTCQX market has made them more accessible to international investors and increased exposure to capital markets.

During the year the company focused on the clinical trials in Russia and obtaining authorisation for higher dose trials in New Zealand. In view of the difficult state of the financial markets, a cash conservation programme was implemented to ensure that sufficient funds were available to support the trials. Dr Caspari stood down and Dr Tan resumed the CEO role.

It is with great sadness that I note the passing on 7 August 2009 of founding director David Collinson. David's enthusiasm will be greatly missed at the board table and company. However, he has built a strong team around him which is able to continue his aspirations.

I would like to thank my fellow board members and management and staff for making a difficult year so successful.

Your board and management team are committed to bringing DIABECELL® to market as soon as possible, enhancing shareholder value, and to progressing the product pipeline of world-first, life saving treatments to those affected by disease.

Simon O'Loughlin
Chairman

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CEO'S REPORT

08/09

Paul Tan

The past year has boosted LCT's confidence in our lead product DIABECELL®. The company is delighted to have two patients able to discontinue insulin injections following implants with DIABECELL®. We are now geared to optimising the dose, expanding our clinical program and activating strategies to get this towards market as promptly as possible.

The approval to commence the New Zealand trial is a major milestone. It followed scrutiny by international experts whose assessment led the New Zealand government to authorise the trial.

The start of our New Zealand clinical trial is a very positive development and firmly positions LCT as a global leader in the use of animal cells for the development of treatments for human disease. The New Zealand trial also allows us to expand our ongoing Russian trial and we believe we will demonstrate further patient benefit as we are using higher doses of DIABECELL®.

While these trials progress we remain in discussions with clinical teams globally, with the goal of starting studies in other locations as early as possible.

Our trials continue to produce very strong data. In May we released some preliminary data showing sustained long term clinical benefit in patients treated with the DIABECELL® implant with no remarkable adverse events. Two patients given implants came off insulin injections.

As well as clinical progress, LCT's management team has been focused on developing opportunities to commercialise DIABECELL®. In July we established a Russian subsidiary, LCT Biomedical Limited, to lead the early commercial development of DIABECELL®. We believe the Russian market offers us the quickest pathway for making our unique treatment available to the diabetic community.

Our longer term strategy for taking DIABECELL® to market is to establish partnerships with clinical service providers globally, who will administer DIABECELL® to patients directly under supply from LCT.

Other exciting developments over the year, outlined in detail in this report, include the expansion of our facilities in New Zealand and the advancement of other products in our pipeline.

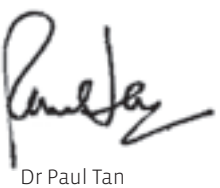
In July, we opened a new pathogen free pig breeding facility in Invercargill, Southland, New Zealand. This state-of-the-art facility is designed to meet health regulations for pig herds used as a source of medical grade tissues and gives us sufficient scale to see DIABECELL® through the trial process.

We have also reported some very encouraging developments for our NTCELL product. Studies by the Bionic Ear Institute (BEI) in Melbourne, Australia show that NTCELL (encapsulated choroid plexus cells) can protect nerve cells in the inner ear from degeneration. This development not only holds great promise for patients suffering from hearing loss, it also demonstrates the value that our technology and product pipeline offers.

Regrettably, this year we lost one of our founders, David Collinson. We now appreciate even more David's contribution to the company. We miss his enthusiasm, his mischievous grin, his wide circle of contacts and his unique perspective on issues.

I would like to take this opportunity to thank all LCT staff and shareholders for their support over the year.

We have a very exciting year ahead – with two clinical trials and product commercialisation initiatives underway. I look forward to reporting to you continued success from both the trials and our commercialisation efforts.



Dr Paul Tan
Chief Executive Officer

OBITUARY

08/09

David Collinson 1949–2009 Founding Director

David Collinson, founder and director of LCT, died at his home on Friday 7 August 2009. David established the predecessor of Living Cell Technologies Limited, Diatranz Limited, in 1987 with Professor Bob Elliott. David's son developed diabetes at the age of two. The family experienced first-hand the difficulties of daily management of the disease and the impact it had on the lifestyle of a young child. Upon learning of the possible medical complications for his son, David visited the surgery of Professor Elliott and subsequently committed himself and his money to fighting diabetes.

David served as the Company's CEO and continued as a non-executive director until his death.

David had the vision of a radical approach to treating diabetes by replacing insulin producing cells lost as a result of the disease. He believed it should be possible to restore to normal the life of diabetes sufferers. David worked tirelessly for LCT, promoting the cause to investors worldwide to join the crusade against diabetes. His persistent enthusiasm endured to the last weeks of his life as he fought against disseminated melanoma.

Prior to his death, David was made an honorary member of the Royal Society of New Zealand, a Paul Harris Rotary Fellow and a commendation from the Vice Chancellor of The University of Auckland for his contribution to medical science.

David's cheerful presence at the Company will be missed. The directors and staff of LCT share his loss with his wife Jenny, son Simon, daughter Natalie and his family.

David Collinson

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MANAGEMENT TEAM

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Paul Tan

DR PAUL TAN

Chief Executive Officer

Dr Paul Tan joined the company in 2004 as the Managing Director of LCT'S New Zealand operations. Prior to this he was Chief Executive Officer of CenTec Ltd and founding Deputy Director and Head of Health Division at Genesis Research & Development Corporation Limited. He has wide experience in all aspects of assessment and selection of products for commercialisation, expansion of intellectual property, product development and managing critical paths, timelines and establishing and managing international partnerships.

Paul has been a research fellow, associate professor in immunology and a physician rheumatologist. He holds patents relating to the therapeutic uses of microbial products and is also a member of the Management Committee of the Auckland branch of NZBio.

Professor Robert Elliot

PROFESSOR ROBERT ELLIOTT

Medical Director

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, Professor of Paediatrics and a world leader in diabetes and autoimmune related research. He is on the board of the New Zealand Child Health Foundation, Wings Trust (a NZ trust for the treatment of alcohol and substance abuse) and patron of the NZ Cystic Fibrosis Foundation. In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community.

John Cowan

MR JOHN COWAN

Finance & Administration Manager

Mr Cowan has over 30 years experience in senior finance positions in publicly listed companies with international operations and public benefit entities. He was Head of Finance & Facilities at Auckland War Memorial Museum, CFO at the University of Auckland, Company Secretary at Mair Astley Limited and held senior finance positions in the Goodman Fielder Wattie Group. He holds a BCA from Victoria University of Wellington and is a Fellow of the New Zealand Institute of Chartered Accountants.

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THE YEAR AHEAD

09/08

LCT's intention for the year ahead is to progress the clinical trials in New Zealand and Russia with the goal of commercialising the company's lead product DIABECELL® within three years.

CLINICAL

LCT is conducting clinical trials for lead product DIABECELL® in New Zealand and Russia. LCT expects to be able to report further benefit to patients as increased doses of DIABECELL® are to be implanted in the New Zealand trial. Four of the New Zealand volunteers are to receive double the initial dose used in Russia followed by a further four patients receiving triple the dose.

COMMERCIAL

LCT is focused on taking DIABECELL® to market via the fastest possible route.

In July 2009, the Company established a Russian subsidiary, LCT Biomedical Limited (Russia), to facilitate the early commercial development of DIABECELL®. LCT is engaging with clinical groups that would be capable of conducting a trial to obtain pivotal data. Information on DIABECELL® has been translated and a dossier for conducting a pivotal trial is being prepared for the Russian regulatory authorities by LCT Biomedical in Moscow.

LCT's commercial model is based on LCT being the supplier of DIABECELL®. LCT breeds high health status pigs and manufactures DIABECELL®. No other entity currently has this capability. LCT intends to establish partnerships with clinical service providers globally. The local clinical partner will be responsible for administering DIABECELL® under guidelines provided by LCT.

LCT has modelled financial projections for DIABECELL® as a high value product capable of significant revenue from sales even at low initial market penetration.

REGULATORY

LCT currently has regulatory approval to conduct clinical trials in New Zealand and Russia. LCT has on-going discussions with clinical groups in the USA and other countries and expects to develop a multicentre clinical program in accordance with the requirements of the relevant national regulatory agencies.

KEY TARGETS

- Complete implants and report results on Russian Phase I/IIa DIABECELL® trial in 2010.
- Complete implants of 8 patients in New Zealand DIABECELL® clinical trial and report on 6 month follow-up.
- Commence pivotal trial in Russia.
- Commence DIABECELL® commercialisation – initially in Russian market.
- Establish trial centers for multicenter trial program for pivotal data.
- Expand manufacturing capability to meet clinical trial and market needs.
- Progress product pipeline in Parkinson's disease and Hearing Loss.
- Develop encapsulation technology for industry clients.

Finance & Administration Team

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PRODUCTS

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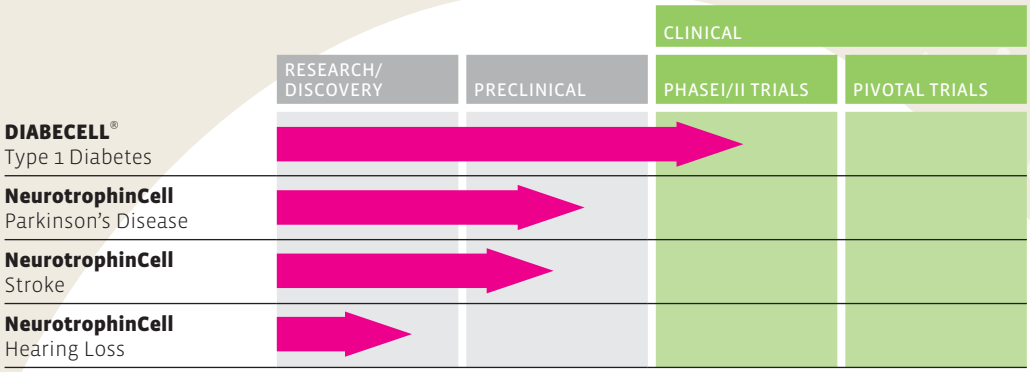
PIPELINE OF PRODUCTS



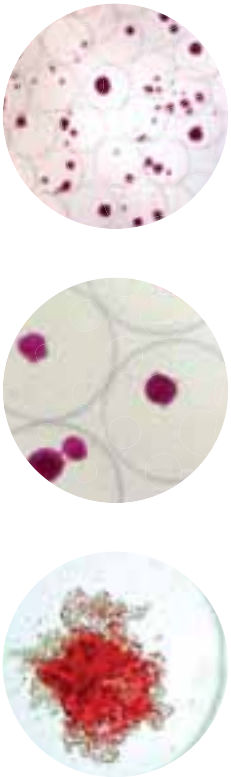
DIABECELL®

Life-changing cellular therapy for Type 1 diabetes

DIABECELL® is a porcine, insulin-producing cell product for the treatment of Type 1 diabetes. These islet cells are self-regulating and efficiently secrete insulin in the patient's body.

The cells are coated with a seaweed-derived gel to form a micro-capsule, which isolates the implanted cells from the patient's immune system. LCT's encapsulation technology means that this procedure does not require the use of immunosuppressant drugs, known to cause serious side effects.

Treatment involves introducing encapsulated porcine cells into the abdominal cavity of the patient.



Neonatal pig islets in gel microcapsules about 0.7 mm in diameter

PRODUCT DEVELOPMENT

DIABECELL® is a product designed to

- Normalise blood glucose levels
- Allow significant reduction in daily insulin injections or independence from daily insulin injections
- Eliminate episodes of life threatening low blood glucose
- Improve quality of life

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Click here to access products on the LCT website.

PRODUCTS

Product demand

- Diabetes is the world's fastest growing chronic disease that affects 240 million people worldwide and The World Health Organisation expects this number to rise to 380 million by 2025.
- Type 1 diabetes affects 5–10 % of all diabetes cases.
- Globally , the incidence of Type 1 diabetes varies from country to country and increasing in major markets of North America and Europe.
- In the USA alone, there are 30,000 new cases every year.
- Type 1 diabetes affects 100,000 Australians.
- In New Zealand there are 15,000 people with Type 1 diabetes.
- Worldwide there are 430,000 children with Type 1 diabetes.

Current Treatments

Current treatments for diabetes include insulin injections and insulin pumps. These treatments have many disadvantages, including the inability to deliver insulin effectively without causing large swings in glucose levels.

It is also possible for patients with diabetes to receive human islet cell transplant through a procedure called the Edmonton protocol. This approach however, requires the patient to undergo immunosuppression – often resulting in serious side effects. In addition, the extremely limited availability of human islets (from cadavers) makes this procedure inaccessible to most patients. Stem cell technologies are being developed but the risk of developing tumours from stem cell implants are yet to be overcome.

Limitations around current treatments have led to the use of insulin producing pig cells to deliver insulin-on-demand. The aim is to implant cells capable of producing insulin when blood glucose level is high and stop releasing insulin when blood glucose returns to normal.

DIABECELL® CLINICAL TRIALS

Click here to access clinical trials on the LCT website.

Preliminary follow-up data from the Russian trial continues to support the effectiveness of DIABECELL®. The Company is now conducting two clinical trials, one in New Zealand and one in Russia, designed to test the safety and efficacy of DIABECELL®.

The New Zealand trial proposal was referred by international experts whose assessments led to the New Zealand government authorising the trial of DIABECELL® in humans under current international regulations.

The New Zealand Trial

In June, The Ministry of Health authorised LCT to conduct its clinical trials in New Zealand. The New Zealand trials offer LCT the opportunity to add to its existing clinical data and accelerate the process of taking DIABECELL® to market.

LCT also expects the New Zealand trial to further demonstrate the effectiveness of DIABECELL® as higher doses of DIABECELL® will be used in these trials than have been used previously.

The New Zealand trial allows LCT to extend its existing Phase I/IIa clinical data with an additional eight patients, four of whom are to receive double the initial dose used in Russia followed by four patients to receive triple the dose.

About the Trial

- The trial will be conducted at Middlemore Hospital in Auckland.
- Recruitment for the trial commenced in July 2009.
- Eight patients will be enrolled, four will receive implants of 10,000 islet equivalents (IEQ/ kg) and another four 15,000 IEQ/kg.
- The trial is expected to be completed in January 2011.

Russia

Earlier this year, LCT reported insulin independence in two patients with long standing insulin dependent diabetes, following recent implants of DIABECELL® as part of the Company's Russian clinical trial.

The Phase I/II dose escalation trial has to date implanted seven insulin dependent diabetes patients with one to three implants of DIABECELL®.

Results to date

- To date, seven insulin dependent diabetes patients have been implanted.
- There have been no remarkable adverse events following implants of either dose. Repeat implants have been safe to date.
- All but one patient showed improved blood glucose control as reflected by a decrease in their glycated haemoglobin (HbA1c) level after the implant (one patient failed to attend follow up).
- Two patients have been able to discontinue insulin injections after DIABECELL® treatment.
- Capsules containing viable cells have been retrieved from second implants and porcine insulin has been detected in blood of patients following glucose tolerance tests.

NTCELL

Cellular therapy for Parkinson's disease, Alzheimer's disease, Huntington's disease and stroke

NTCELL is a **choroid plexus** cell product with the potential to treat degenerative diseases of the nervous system. These cells help produce cerebrospinal fluid as well as a range of neurotrophins (or nerve growth factors) that have been shown to protect against neuron (nerve) cell death in animal models of disease.

Product Development

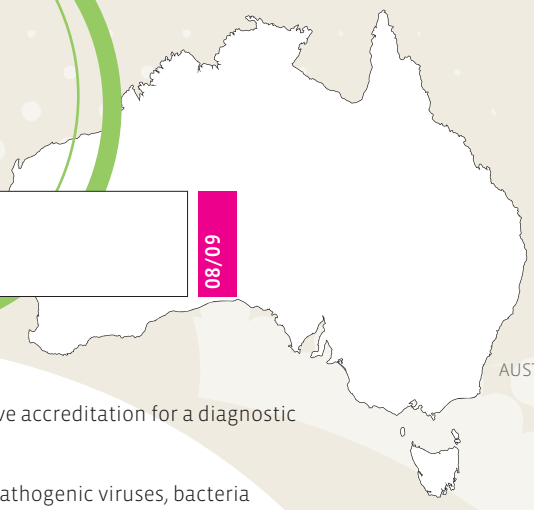
- NTCELL has been shown to protect nerve cells in the inner ear from degeneration in animal studies done with the Bionic Ear Institute, Melbourne.
- NTCELL implants ameliorate abnormal turning movements in animal models of Parkinson's disease.
- In non-human primate models of Huntington's disease, NTCELL diminishes the degeneration of striatal neurons. Brain cell damage was five times less than in control animals implanted with blank capsules. The implants are well tolerated.
- In an animal model of stroke, NTCELL implants reduced the extent of stroke (ischaemic) injury in the brain and improved use of limb.

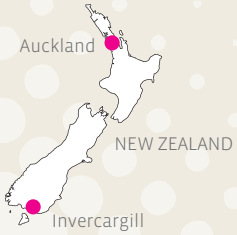
Product Demand

- In the deaf inner ear auditory nerve cells undergo continuous degeneration. The loss of nerve cells may be prevented by delivering neurotrophins (nerve cell hormones) and the residual nerve cells may be electronically stimulated with a bionic ear device. NTCELL may be used to rescue the auditory nerve from degeneration and hearing restored with the combined use of a bionic ear.
- Parkinson's disease is the result of progressive neurodegenration in an area of the brain that makes dopamine. This causes a movement disorder characteristically in the form of tremors, rigidity and slowness of movement. Other symptoms include depression and dementia. In the USA there are 500,000 people with Parkinson's disease and about 50,000 new cases each year.
- Huntington's disease is a neurodegenerative disease affecting more than 1 in every 100,000 people. Each child of an affected parent has a 50% chance of inheriting the disorder. There is no treatment for Huntington's disease. There are over 1,200 people with Huntington's disease and more than 6,000 at risk.
- Stroke is caused by the interruption of blood flow to the brain and is the third leading cause of death in most developed countries. Stroke affects more than 48,000 Australians each year. Stroke costs the Australian community over AUD 630 million per year.

LCT FACILITIES

08/09





AUCKLAND ISLANDS

- LCT is the first company globally to receive accreditation for a diagnostic xenotransplantation laboratory.
- LCT owns a biocertified pig herd free of pathogenic viruses, bacteria and parasites.
- LCT operates a designated pathogen free pig breeding facility – designed to meet global health regulations.
- LCT has Good Manufacture Practice (GMP) accreditation to manufacture animal cells for human use.

LCT is the first company worldwide to receive international accreditation for a diagnostic xenotransplantation laboratory. The certification, through International Accreditation New Zealand (IANZ), ensures that LCT's laboratory test reports are accepted in 49 countries, including the US, Canada, the UK, Australia and New Zealand.

LCT's laboratory uses specific diagnostic and monitoring tests to screen against infections that might pass from animals to humans. The accredited laboratory has the capability of testing for potential infections in recipients and to test for a range of viruses. The accredited laboratory has the capability of testing for potential infections in recipients and to test for a range of viruses.

Under LCT's GMP accreditation, the Company has a cell bioprocessing clean room for the extraction and preparation of porcine pancreatic islets. LCT also manufactures ultrapure alginate to be used for encapsulating cells. LCT's GMP process produces encapsulated pig islets that are quality controlled and certified for use in humans

LCTs encapsulated cell product is packed in specialised containers and is exportable worldwide. DIABECELL®, exported in this manner, retains its quality and function in transit for up to 72 hours' travel time.

LCT'S BIOCERTIFIED PIG HERD

As a source of cells and tissues for human therapeutics, pigs need to be bred in isolation and raised on feed that is free of mammalian components for three generations to ensure they are protected from possible infections.

LCT has the sustainable competitive advantage of having a pig herd free of common viruses, bacteria and parasites. LCT's pig herd originates from the sub-Antarctic Auckland Islands, between New Zealand and Antarctica. The pigs have effectively been quarantined and untouched by humans since being left there by Captain Bowen over 200 years ago.

LCT owns this unique asset, and in accordance with FDA guidelines, maintains two herds at pathogen free facilities in New Zealand (Auckland on the North Island and Invercargill, South Island).

The pigs have a low copy number of the ubiquitous Porcine Endogenous Retroviruses (PERV) found in the genome of all pigs. The pigs do not secrete infectious PERV.

Auckland Island pig

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LCT FACILITIES

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The combination of a pristine breeding stock, almost a decade of monitoring and specific pathogen free vigilance has ensured that LCT's biocertified pigs contain no pathogens commonly found in other pig herds.

THE HERD

- Is free of pathogenic viruses, bacteria and parasites commonly found in other herds
- Is free of swine flu virus
- Has a low copy number of pig endogenous retrovirus; no detectable secreted virus.
- Has received feed free of mammalian components for at least three generations
- Has a decade of health records and regular monitoring

PIG BREEDING FACILITIES

In July 2009, LCT announced the official opening of its new pig facility in Invercargill, Southland, New Zealand. The new designated pathogen free pig breeding facility is designed to meet health regulations for pig herds used as a source of medical grade tissues.

The new facility, with separate maternity and holding units, upgrades the company's existing facilities to accommodate a sufficient number of pigs to support clinical trials in New Zealand and internationally over the next two years.

OPPORTUNITIES TO SUPPLY THE PORCINE TISSUE MARKET

LCT currently utilises cells from neo-natal piglets for its cell therapy product portfolio. The company has identified the potential to add value by offering the remainder of tissues through either non-exclusive license or sales agreements.

LCT continues to investigate the opportunity to provide tissues from its clean pig herd for human medical devices or new biomaterials. Medical devices using tissue engineering require interdisciplinary input from specialties such as medical science, animal husbandry and cell biology – all areas of LCT's core competency.

Small Animal Facility Team

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Click here to access Encapsulation on the LCT website.

ENCAPSULATION

08/09

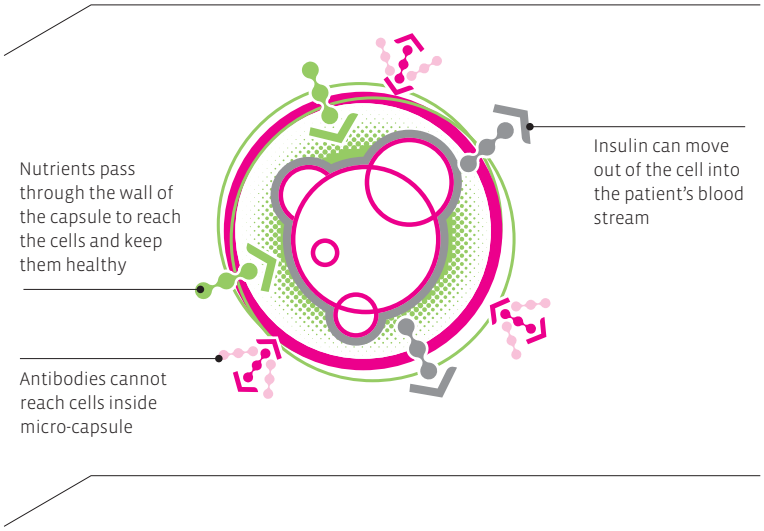
Enabling cell transplant without immunosuppressant drugs

- Patented process of coating cells in an alginate capsule.
- Encapsulation allows cells to be transplanted without the need for immunosuppressive drugs.
- Encapsulation manufactured in-house to GMP standards.
- Encapsulation research collaboration with Centocor Research and Development Inc.

LCT'S BIOCAPSULE

LCT's encapsulation technology is based on a patented process which involves wrapping healthy, living porcine cells in an alginate capsule, allowing them to be safely implanted into patients without the need for immunosuppressive drugs to prevent rejection. These cells act to replace or repair damaged tissue in patients.

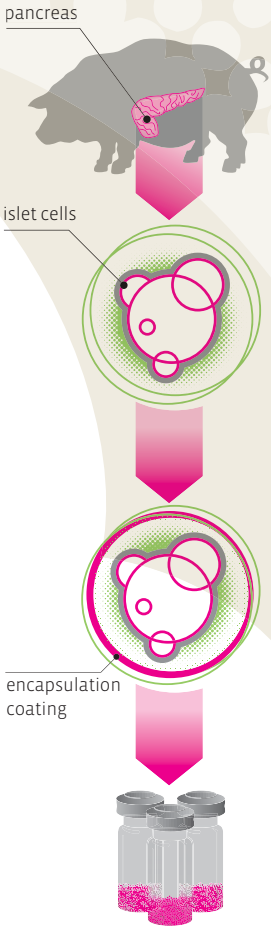
The micro-encapsulation process is a crucial component of LCT's novel cell therapy approach for treating disease. The living cells are covered in a seaweed-derived coating (alginate) to form tiny round capsules and then implanted into the patient via a laparoscopic procedure. The capsules eliminate the need for toxic immunosuppressant drugs after implantation of the cells into the human body.



LCT has characterised and purified the alginate and transformed encapsulation into a highly specialised process, enabling the control of biocapsule function and limiting the rate of degradation.

The encapsulation process is scaled for manufacture within LCT's cell manufacturing facilities (GMP accredited for the diabetes product).

Cell-Based Therapy



01.

Due to a shortage of human donor organs for cell transplants, pigs cells are used as a safe alternative

02.

Pig islet cells are isolated from the pancreas of neonatal pigs

03.

Pig islet cells are put inside an alginate micro-capsule (size of a grain of sand) ready for injection

04.

The pig islet cells in their capsules are loaded into a small syringe and implanted into the patients abdominal cavity

Click here to access Encapsulation on the LCT website.

ENCAPSULATION

08/09

THE ENCAPSULATION PROCESS

- Live cells examined to ensure safety and function.
- Live cells passed into a seaweed derived hydrogel to cover the cells (alginate micro- encapsulation).
- The resulting capsule, approximately the size of a pinhead, provides protection from the patient's immune system.
- Nutrients can pass into the cells, while insulin and other therapeutic factors can pass from the capsules into the body.
- Capsules containing cells undergo quality control assessment before the product is released for implant.

UNIQUE BENEFITS

The benefits of LCT's alginate encapsulation technology include:

- Versatility and stability in a variety of locations for multiple indications.
- Demonstrated efficacy and safety in human clinical trials in Type 1 diabetes
- Demonstrated efficacy in animal models of diabetes, Parkinson's disease, stroke, hearing loss
- Quality controlled and tested for biocompatibility and durability.

OTHER POTENTIAL APPLICATIONS

LCT's biocapsule can be used for stem cells or primary cells. It is suitable for applications that require donor cells to be isolated and protected from the immune system following implant into an unrelated recipient.

LCT offers GMP alginate and an encapsulation service to appropriate and strategic partners.

RESEARCH COLLABORATION

LCT has a research collaboration with Centocor Research & Development Incorporated, allowing Centocor access to the Company's encapsulation technology.

North Island
Pig Facility Team

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DIRECTOR'S REPORT

08/09

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

1. GENERAL INFORMATION

a] Directors

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

NAMES	APPOINTED/RESIGNED
Simon O'Loughlin	
Robert Elliott	
David Collinson	Died 7 August 2009
Laurie Hunter	
Paul Tan	
David Brookes	
Robert Caspari	Non-Executive Director from 7 January 2008 to 30 April 2009 and CEO from 29 July 2008 to 23 December 2008

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

b] Company Secretary

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

Nick Geddes FCA, FCIS

Mr Geddes is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is President and Board Chairman of Chartered Secretaries Australia and a former Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa the Middle East and Asia.

Qualifications: Chartered Accountant (Fellow of Institute of Chartered Accountants in England and Wales) and Fellow of the Institute of Chartered Secretaries (Chartered Secretaries Australia).

2. DIRECTOR INFORMATION

a] Information on Directors

Simon O'Loughlin
Independent Director and Chairman
BA Acc.
Age : 52

Simon O'Loughlin is a legal practitioner with over 25 years experience as a corporate and commercial solicitor. He has had extensive involvement in the corporate world, especially in relation to the formation, structuring and listing of small to medium sized companies.

Simon is Chairman of WCP Resources Ltd and Bondi Mining Ltd, as well as a director of Aura Energy Ltd, Petratherm Ltd, Chesser Resources Ltd and Probiomics Ltd.

Simon's knowledge of Australian Corporate Law and ASX listing rules is critical for his role on the board and its committees. He was appointed Chairman on 25 August 2006.

Robert Elliott
Medical Director
MBBS, MD, FRACP
Age: 75

Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Department of Paediatrics at the University of Auckland. Professor Elliott co-founded LCT.

He is an Emeritus Professor of Child Health research, Professor of Paediatrics and a world leader in diabetes and autoimmune related research. Professor Elliott is on the board of the New Zealand Child Health Foundation and the Wings Trust (a NZ trust for the treatment of alcohol and substance abuse). He is also patron of the NZ Cystic Fibrosis Foundation. In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community. He is a director of Somnaceutics Ltd and Breathe Easy Ltd, a NZ company that is developing a new treatment for Cystic Fibrosis.

David Collinson
Founding Director
Died 7 August 2009
Age: 60

David Collinson was a New Zealand company director who, with Professor Robert Elliott, founded LCT's research and development activity in 1987 when his son became diabetic at the age of two. David has contributed a substantial amount of private capital to the establishment of LCT and has been instrumental in raising further funding for the development and growth of LCT. He has been the driving force behind the international development of the company and was CEO until he stepped down for health reasons on 24 January 2007.

David was a director of J Collinson Ltd and was also a director of several new biotechnology companies in the food and health sector. He founded the New Zealand Textile Importers Institute.

Laurie Hunter
Independent Director
MA (Hons)
Age: 62

Laurie has over 35 years experience as a stockbroker, investment banker and corporate investor in London, Paris and San Francisco. Laurie was a Member of The Stock Exchange, London, a partner at L.Messel & Co, London, a director of Shearson Lehman Hutton and founder of Hunter Capital.

His recent focus has been on investing in and providing strategic advice to developing companies.

Paul Tan
Executive Director, CEO
MB.BS, FRACP
Age 61

Dr Paul Tan has been an executive director since 23 February 2007 and was appointed as Chief Executive Officer of the Group on 23 December 2008. Paul joined the company in 2004 as the Managing Director of LCT's New Zealand operations. Prior to this he was Chief Executive Officer of CenTec Ltd and founding Deputy Director and Head of Health Division at Genesis Research & Development Corporation Limited.

Paul has been a research fellow, associate professor in immunology and a physician rheumatologist. He holds patents relating to the therapeutic uses of microbial products and is also a member of the Management Committee of the Auckland branch of NZBio.

David Brookes
Independent Director
MB.BS, FACRRM
Age: 49

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

He currently works as a general medical practitioner and has extensive experience in rural Australia, especially in paediatric and procedural practice. His involvement in the biotechnology sector started in the mid 1990's, as an analyst for broking firm Taylor Collison Ltd. He is currently Chairman of Innovance Ltd (listed on the Newcastle stock exchange) and a director of Atcor Medical Holdings Ltd, listed on the ASX.

Robert Caspari
Independent Director (stood down 30 April 2009)
MD
Age 63
(Non-Executive Director from 7 January 2008 to 30 April 2009 and CEO from 29 July 2008 to 23 December 2008)

Dr. Caspari, based in Boulder, Colorado, was previously Senior Vice President Commercial Operations of Myogen, Inc.; Vice President and General Manager for Biopharmaceuticals at Novo Nordisk Pharmaceuticals, Inc.; Vice President Medical and Clinical Affairs of Baxter International; Senior Vice President Medical & Regulatory Affairs of Somatogen, Inc.; Vice President, Medical Affairs, Boehringer Mannheim Corporation; Senior Director of International Clinical Research at Schering-Plough Corporation; Director, Global New Product Management at Lederle Laboratories and more recently President and CEO of Aurogen, Inc.

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2. DIRECTOR INFORMATION CONTINUED

b] Meetings of Directors

Meetings of Directors and Committees held during the year were as follows:

DIRECTOR	MEETINGS OF DIRECTORS		REMUNERATION & NOMINATION COMMITTEE MEETINGS		AUDIT RISK & COMPLIANCE COMMITTEE MEETINGS	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
David Brookes	10	9	1	1	1	–
Robert Caspari (stood down 30 April 2009)	9	7	–	–	–	–
David Collinson (died 7 August 2009)	10	9	–	–	–	–
Robert Elliott	10	9	–	–	–	–
Laurie Hunter	10	9	1	1	2	2
Simon O'Loughlin	10	9	1	1	2	2
Paul Tan	10	10	–	–	–	–

3. BUSINESS REVIEW

a] Principal activities

The principal activity of the consolidated group during the financial year was:

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

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

b] Corporate structure

The companies within the consolidated group make up a vertically integrated cell therapy business operating globally, through an office in Australia (Country of Incorporation), with fully owned subsidiaries in New Zealand and the United States. The parent entity is a publicly listed company.

(ASX: "LCT"; OTCQX: "LVCLY") incorporated and domiciled in Australia.

The consolidated group has one main operating division.

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

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

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

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

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

- a fully-owned specialised source of cells from a designated pathogen-free pig herd, which has been internationally and independently reviewed;

- a GMP cell processing and manufacturing unit to enable the production of human medicines;
- international IANZ accredited diagnostic facilities for monitoring of transplant recipients;
- proprietary encapsulation technology to enable transplants without rejection; and
- a strong international intellectual property position.

This financial year has been one of significant progress for LCT, having completed construction of a new high health pig facility and making remarkable inroads with the development of its lead cell therapy product DIABECELL® in clinical trials for the treatment of Type 1 diabetes. Early stage results received from the trial in Russia have indicated clinical benefit at the lowest dose and two patients who received the medium dose not requiring insulin injections and no remarkable adverse effects.

Over the past 12 months, the company has responded to the economic downturn by focusing operations on clinical trials with its lead product, DIABECELL®. The public relations office in Melbourne was closed, US Investor Relations and the investment consultants were terminated. Dr Robert Caspari stepped down as LCT's US-based CEO and as a director. The New Zealand Minister of Health authorised and finalised conditions for the trials to be held at Middlemore Hospital in Auckland. The conditions have now been met. A research collaboration with Centocor Research & Development Inc. to explore the use of the company's encapsulation technology commenced during the year.

d] Operating Results

The consolidated loss for the year amounted to $6,123,562. (2008: Loss of $6,794,037).

4. FINANCIAL REVIEW

a] Financial Position

The net assets of the consolidated group have decreased by $5,999,858 from $11,527,248 to $5,527,390 as at 30 June 2009. The decrease was largely due to expenditure relating to the clinical trials.

b] Liquidity and Funding

As at 30 June 2009 the consolidated group had $2,868,482 cash in the bank, compared to $10,767,335 as at the previous year end.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. This is not withstanding that the parent company and the consolidated entity incurred losses for the year of $7,904,695 (2008: $6,280,860) and $6,123,562 (2008: $6,794,037) respectively.

The losses have negatively impacted the parent company and the consolidated entity's cash balances. On 30 July 2009 the parent company closed a private placement of shares raising $4.2 million which has increased the cash balance to approximately $5.5 million at the date of this report. However, unless further new funds are raised or expenditure curtailed there is significant uncertainty regarding the ability of the parent company and consolidated entity to continue as a going concern and pay their debts as they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they still believe that additional cash will be sourced by the consolidated entity.

The company continues to work with its funders and has taken the following actions to address the going concern issue and to protect the financial security of the consolidated entity. Numerous cash conservation measures have been implemented including closing the Melbourne office, standing down the US based CEO, curtailing operating expenses, terminating PR and IR contracts and consultants and ceasing non-critical capital expenditure. These measures have saved $93,859 per month. The directors are considering opportunities to further improve the cash position by applying for grants and other measures.

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

- There will be further cash injection from potential investors and grantors;
- The group will be able 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.

5. REMUNERATION REPORT

a] Remuneration policy

This report details the nature and amount of remuneration for each key management personnel of the consolidated entity, and for the executives receiving the highest remuneration.

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

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5. REMUNERATION REPORT CONTINUED

a] Remuneration policy continued

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

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

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

Key management personnel are also entitled to participate in the employee share and option arrangements.

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

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

There is no direct link between company performance and the remuneration given to directors and executives as the company is in a loss making position due to being in the research phase.

b] Key Management Personnel

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

KEY MANAGEMENT	POSITION
Directors	
Robert Elliott	Medical Director
David Collinson	Founding Director (died 7 August 2009)
Paul Tan	Executive Director and CEO
Robert Caspari	Independent Director and former CEO (stood down 30 April 2009)
Simon O'Loughlin	Independent Director and Chairman
Laurie Hunter	Independent Director
David Brookes	Independent Director
Specified Executives	
John Cowan	Finance and Administration Manager (appointed 20 October 2008)
Richard Justice	Chief Financial Officer (stood down 31 October 2008)

c] Remuneration of Key Management Personnel

Details of the remuneration for the directors and the key management personnel of the consolidated group during the year were as follows:

2009	SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT	TOTAL	% OF TOTAL THAT CONSISTS OF OPTIONS
	Cash, salary & commissions	Superannuation	Options		
Directors					
Robert Caspari (stood down 30 April 2009)	441,014	–	40,345	481,359	8.38%
Simon O'Loughlin	–	75,000	–	75,000	–
Robert Elliott	163,204	–	–	163,204	–
Paul Tan	234,811	–	–	234,811	–
David Collinson (died 7 August 2009)	100,000	–	–	100,000	–
David Brookes	30,000	20,000	19,471	69,471	28.03%
Laurie Hunter	50,000	–	–	50,000	–
Specified Executives					
Richard Justice (stood down 31 October 2008)	125,625	–	–	125,625	–
John Cowan (appointed 20 October 2008)	81,916	–	–	81,916	–
	1,226,570	**95,000**	**59,816**	**1,381,386**	

2008	SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT	TOTAL	% OF TOTAL THAT CONSISTS OF OPTIONS
	Cash, salary & commissions $	Superannuation $	Options $	$	
Directors					
Robert Caspari	25,000	–	–	25,000	–
Simon O'Loughlin	–	75,000	31,208	106,208	29%
Robert Elliott	171,714	–	–	171,714	–
Paul Tan	257,571	–	121,367	378,938	32%
David Collinson	100,000	–	–	100,000	–
David Brookes	27,500	18,333	76,469	122,302	63%
Laurie Hunter	50,000	–	15,604	65,604	24%
Charles Macek (Resigned 24 August 2007)	8,333	–	–	8,333	–
Specified Executives					
Richard Justice	233,368	–	52,791	286,159	18%
	873,486	93,333	297,439	1,264,258	

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5. REMUNERATION REPORT CONTINUED

d] Options issued as part of remuneration for the year ended 30 June 2009

Options are issued to the directors and specified executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the directors and senior executives of Living Cell Technologies Limited and its subsidiaries to align the interests of executives, directors and shareholders.

2009	TERMS & CONDITIONS FOR EACH GRANT						
	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
Robert Caspari	250,000	250,000	6 November 2008	0.11	0.30	7 January 2009	5 November 2013
Robert Caspari	150,000	150,000	6 November 2008	0.09	0.40	7 January 2009	5 November 2013
Total	**400,000**	**400,000**					

The vesting date of the options was 7 January 2009 and there were no vesting conditions attached to the options.

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

Exercise prices have been structured at levels greater than the market price at date of the original grant by the Board, which will pre-date the ultimate shareholder approval, which is required for options to be issued to directors.

Options issued as part of remuneration for the year ended 30 June 2008

2008	TERMS & CONDITIONS FOR EACH GRANT						
	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
Paul Tan	500,000	500,000	7 March 2007	0.18	0.30	23 February 2008	23 February 2013
David Brookes	150,000	150,000	27 November 2007	0.25	0.20	28 August 2008	30 November 2012
David Brookes	250,000	250,000	27 November 2007	0.23	0.30	28 August 2008	30 November 2012
Total	**900,000**	**900,000**					

e] Employment contracts of directors and senior executives

Non-executive directors are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and the company's constitution. Accordingly, there are no specific employment contracts with non-executive directors.

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

Remuneration report of directors and senior executives

	DURATION	PERIOD OF NOTICE	TERMINATION PAYMENTS
Directors			
Robert Elliott	Indefinite	60 working days	Redundancy payments of 2 weeks per year of service
Paul Tan	Indefinite	60 working days	Redundancy payments of 2 weeks per year of service
Robert Caspari	Indefinite	Nil	6 months
Specified Executives			
Richard Justice	Indefinite	30 working days	2 months
John Cowan	Indefinite	30 working days	Redundancy payments of 4 weeks for first year and 2 weeks for additional years up to 12 weeks

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6. SHARES AND OPTIONS HELD

a] Unissued Shares under Option

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

GRANT DATE	VESTING DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER OF OPTIONS 2009	NUMBER OF OPTIONS 2008
24 March 2004	25 March 2005	30 June 2010	0.21	895,000	895,000
30 August 2004	31 August 2006	30 June 2010	0.21	2,510,830	2,510,830
30 August 2004	15 January 2006	30 June 2010	0.21	467,500	825,000
30 August 2004	15 November 2005	30 June 2010	0.21	510,000	510,000
30 August 2004	31 August 2006	30 June 2010	0.21	2,025,000	2,025,000
30 August 2004	31 August 2006	30 June 2010	0.21	5,702,820	5,702,820
28 October 2004	15 November 2005	15 November 2010	0.30	1,175,000	1,625,000
5 July 2005	15 November 2005	14 November 2011	0.24	175,000	175,000
16 March 2006	16 March 2008	16 March 2011	0.23	182,000	210,000
24 November 2006	9 March 2007	9 March 2009	0.30	–	850,000
24 November 2006	24 November 2006	12 December 2011	0.22	713,464	713,464
24 November 2006	24 November 2006	12 December 2011	0.18	586,800	586,800
23 April 2007	23 April 2007	1 February 2010	0.25	3,000,000	3,000,000
25 May 2007	25 May 2008	25 May 2012	0.20	300,000	450,000
25 May 2007	25 May 2008	25 May 2012	0.30	500,000	500,000
1 July 2007	25 May 2007	1 June 2012	0.20	1,100,000	1,100,000
1 July 2007	25 May 2008	1 June 2012	0.30	1,000,000	1,000,000
31 October 2007	31 October 2007	30 November 2009	0.20	103,000	115,000
31 October 2007	31 October 2007	30 November 2009	0.20	150,000	150,000
27 November 2007	27 November 2007	27 November 2012	0.30	1,210,000	1,225,000
27 November 2007	28 August 2008	30 November 2012	0.20	150,000	150,000
27 November 2007	28 August 2008	30 November 2012	0.30	250,000	250,000
7 March 2008	23 February 2008	23 February 2013	0.30	500,000	500,000
27 July 2008	27 July 2008	25 June 2012	0.30	249,999	–
29 July 2008	29 July 2008	25 June 2012	0.30	150,000	–
5 November 2008	7 January 2009	5 May 2013	0.40	150,000	–
5 November 2008	7 January 2009	5 May 2013	0.30	250,000	–
Number of options on issue	**at 30 June**		**–**	**24,006,413**	**25,068,914**
4 August 2009	4 August 2009	31 December 2010	0.24	10,200,000	–
Total			**–**	**34,206,413**	**–**

b] Options exercised during the year

The weighted average number of years to expiry is 1.52 and the weighted average exercise price is $0.23.

During the year ended 30 June 2009, no shares were issued as a result of exercise of options during the year. All options have vested.

c] Options and Rights Holdings

Number of Options Held by Directors & Key Management Personnel over ordinary shares in the parent entity held during the financial year, including their personally related parties are:

2009	BALANCE 01/07/2008	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30/06/2009	TOTAL EXERCISABLE	TOTAL UNEXERCISABLE
Directors							
Simon O'Loughlin	950,000	–	–	–	950,000	950,000	–
Paul Tan	1,300,000	–	–	–	1,300,000	1,300,000	–
David Collinson	2,473,300	–	–	350,000	2,123,300	2,123,300	–
Robert Elliott	2,373,300	–	–	350,000	2,023,300	2,023,300	–
Laurie Hunter	400,000	–	–	–	400,000	400,000	–
David Brookes	400,000	–	–	–	400,000	400,000	–
Robert Caspari (stood down 30 April 2009)	–	400,000	–	–	400,000	400,000	–
Specified Executives							
Richard Justice (stood down 31 October 2008)	1,125,000	–	–	150,000	975,000	975,000	–
John Cowan (appointed 20 October 2008)	–	–	–	–	–	–	–
Total	**9,021,600**	**400,000**	**–**	**850,000**	**8,571,600**	**8,571,600**	**–**

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

2008	BALANCE 01/07/2007	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30/06/2008	TOTAL EXERCISABLE	TOTAL UNEXERCISABLE
Directors							
Simon O'Loughlin	950,000	–	–	–	950,000	950,000	–
Paul Tan	800,000	500,000	–	–	1,300,000	1,300,000	–
David Collinson	2,473,300	–	–	–	2,473,300	2,473,300	–
Robert Elliott	2,373,300	–	–	–	2,373,300	2,373,300	–
Laurie Hunter	400,000	–	–	–	400,000	400,000	–
David Brookes	–	400,000	–	–	400,000	–	400,000
Specified Executives							
Richard Justice (stood down 31 October 2008)	1,125,000	–	–	–	1,125,000	1,125,000	–
Total	**8,121,600**	**900,000**	**–**	**–**	**9,021,600**	**8,621,600**	**400,000**

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6. SHARES AND OPTIONS HELD CONTINUED

d] Shareholding continued

Number of Shares held by Directors & Key Management Personnel in the parent entity held during the financial year, including their personally related parties are:

2009	BALANCE 01/07/2008	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30/06/2009
Directors					
Simon O'Loughlin	367,142	–	–	–	367,142
Paul Tan	148,571	–	–	–	148,571
David Collinson	10,462,978	–	–	(103,410)	10,359,568
Robert Elliott	2,596,792	–	–	(3,666)	2,593,126
Laurie Hunter	2,645,661	–	–	–	2,645,661
David Brookes	485,000	–	–	–	485,000
Robert Caspari (stood down 30 April 2009)	–	–	–	–	–
Specified Executives					
Richard Justice (stood down 31 October 2008)	118,571	–	–	–	118,571
John Cowan (appointed 20 October 2008)	–	–	–	–	–
Total	**16,824,715**	**–**	**–**	**(107,076)**	**16,717,639**

2008	BALANCE 01/07/2007	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30/06/2008
Directors					
Simon O'Loughlin	328,571	–	–	38,571	367,142
Paul Tan	148,571	–	–	–	148,571
David Collinson	10,077,483	–	–	385,495	10,462,978
Robert Elliott	2,202,209	–	–	394,583	2,596,792
Laurie Hunter	634,956	–	–	2,010,705	2,645,661
David Brookes	–	–	–	485,000	485,000
Robert Caspari (stood down 30 April 2009)	–	–	–	–	–
Specified Executives					
Richard Justice (stood down 31 October 2008)	93,571	–	–	25,000	118,571
Total	**13,485,361**	**–**	**–**	**3,339,354**	**16,824,715**

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

7. INDEMNIFYING OFFICERS

Insurance premiums paid for directors & auditors

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of 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 $63,014.

No amount was paid in relation to auditors.

8. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

9. OTHER ITEMS

a] Significant Changes in the State of Affairs

Other than that which is outlined in this report and the financial statements, there was no change in the state of affairs of the consolidated entity during the financial year.

10. AFTER BALANCE DATE EVENTS

i] 2 July 2009: New pig breeding facility opened for New Zealand Diabetes Clinical Trial

The new pathogen free pig breeding facility in Invercargill, Southland was formally opened by the Mayor of Invercargill, Mr Tim Shadbolt. The facility is designed to meet health regulations for pig herds used as a source of medical grade tissues.

ii] 8 July 2009: Encapsulated Choroid Plexus Cells may be used to treat hearing loss

The encapsulated choroid plexus cells (NeurotrophinCell) were shown to protect nerve cells in the inner ear from degeneration in studies done with the Bionic Ear Institute (BEI), Melbourne, Australia.

iii] 22 July 2009: Living Cell Technologies Enrol Patients into New Zealand Diabetes Clinical Trial

Living Cell Technologies Limited today announced that the trial of its encapsulated pig islet cell product for insulin dependent diabetes, DIABECELL®, has commenced following authorization by the New Zealand Minister of Health and acceptance of the clinical trial protocol by the Regional Ethics Committee.

iv] 30 July 2009: Living Cell Technologies Raises A$4.2m from a Placement of Shares to Fund Clinical Trials of DIABECELL® for Type 1 Diabetes

On 4 August 2009 the board issued 25.5m ordinary shares at A$0.165 with a 2 for 5 option attached (10.2m options), exercisable at any time until 31 December 2010 at A$0.24 per share.

v] 7 August 2009: Living Cell Technologies Founding Director, David Collinson

Living Cell Technologies founder and director, David Collinson, died at his home after battling disseminated melanoma. Prior to his death, David was made an honorary member of the Royal Society of New Zealand, a Paul Harris Rotary Fellow and received a commendation from the Vice Chancellor of the University of Auckland for his contribution to medical science.

Other than noted above there were no after balance date events to disclose.

11. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 for the year ended 30 June 2009 has been received and can be found on page 35 of the financial report.

12. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Following a highly successful 2008/2009 year LCT is now well placed to leverage from its promising clinical data. The following developments are intended to be implemented in the near future:

(i) continue to expand our clinical trials;

(ii) continue to improve and expand our manufacturing capabilities;

(iii) place the Company favourably for commercialisation of our lead product DIABECELL®.

(iv) advance discussions with FDA;

(v) commence pivotal clinical trials.

These developments together with the current strategy of continuous improvement and adherence to quality control will assist in the achievement of the consolidated entity's key milestones of completing a second clinical trial, whilst identifying other countries for doing clinical trials and continue discussions with potential strategic partners.

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13. ENVIRONMENTAL ISSUES

The Consolidated entity's operations are not regulated under a law of the Commonwealth or of a State or Territory.

14. NON-AUDIT SERVICES

There were no non-audit services performed by PKF during the year or in the prior year.

15. ROUNDING OF AMOUNTS

The amounts in the directors' report have been rounded to the nearest dollar.

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

Director

Dated this 31st day of August 2009

AUDITOR'S INDEPENDENCE DECLARATION

08/09

As lead auditor for the audit of Living Cell Technologies Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) 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 year.

Arthur Milner
Partner

PKF

31 August 2009

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
New South Wales Partnership | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

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CORPORATE GOVERNANCE STATEMENT

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

The directors reviewed the governance policies in light of the ASX Corporate Governance Council's revised Corporate Governance Principles and Recommendations December 2007 which are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

Living Cell Technologies Ltd's corporate governance practices were in place throughout the year ended 30 June 2009 and were fully compliant with the Council's Principles & Recommendations apart from the following recommendations:

Recommendation 2.1 A majority of the board should be independent directors

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

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

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

The company has a formal board / committee / director evaluation process at present and there is regular discussion at board meetings about the performance of the board and its effectiveness. The Chief Executive reviews the performance of managers.

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

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director in office at the date of the annual report is included in the Directors' Report section on Directors' Information, commencing on page 2. Directors of Living Cell Technologies Limited are considered to be independent when they are independent of management and substantial shareholders; not previously a member of management or a professional advisor to the company; free from any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

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

The names of independent directors of the company are:
Simon O'Loughlin
Laurie Hunter
Dr David Brookes

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

SELECTION AND APPOINTMENT OF DIRECTORS

Generally Directors are appointed on the basis that they have skills that compliment those of the board. Hitherto appointments have been considered by the Board; however, in future the Nomination & Remuneration Committee will assess the skills required on the Board and make a recommendation to the Board as to candidates to be considered to join the Board.

TRADING POLICY

The company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market.

BOARD AUDIT RISK & COMPLIANCE COMMITTEE

A Board Audit Risk & Compliance Committee (BARCC) has been formed and is responsible for:

- overseeing and appraising the quality of the external audit and the internal control procedures, especially in the following areas:
  - financial reporting and practices;
  - business ethics, policies and practices;

- accounting policies; and
- management and internal controls;

- providing, through regular meetings, a forum for communication between the board, senior financial management staff involved in internal control procedures and the external auditors; and
- enhancing the credibility and objectivity of financial reports with other interested parties, including creditors, key stakeholders and the general public.

The Board Audit Risk & Compliance Committee charter has been posted on the Company's website.

The Committee comprises three independent directors; Dr David Brookes (Chair), Laurie Hunter and Simon O'Loughlin. The Chief Executive Officer (CEO), the Financial & Administration Manager and the Company Secretary may be invited to attend the meetings but are not members of the committee. The qualifications and experience of members are shown in the Directors' Report.

RISK

As to Risk Management, LCT's executive management team is responsible for implementing and assessing the effectiveness of risk management strategies, and internal controls across the Group.

- Business risks are assessed and reported at business unit and Group level, using both a "bottom up" and "top down" approach.
- At business unit level ("bottom up"), an assessment of key risks is undertaken by management, incorporating an evaluation of internal controls in place, and the development of corrective action where necessary to treat residual risk. Business unit assessments are monitored, updated and reported to Group level on a quarterly basis.
- At Group level ("top down"), an assessment of key risks is also undertaken by the senior management team, having regard to the business unit level assessments and other significant issues.
- Group risk assessments are monitored and updated, and then reported to the LCT Executive management team, and BARCC. Progress with the implementation of recommendations is also monitored by LCT's Executive management team.
- Through the various structures and functions outlined above, LCT believes it has established a sound system of risk oversight and management and internal control for the conduct of its operations.

The Board receives the assurance in writing from the CEO and Finance & Administration Manager required by s295A of the Corporations Act that the declaration is based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

COMPLIANCE

The Board Audit Risk and Compliance Committee is responsible for:

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

BOARD AND COMMITTEE PERFORMANCE

There has been no formal performance evaluation of the board or board committee during the financial year ended 30th June 2009. However there is regular discussion at board meetings about the performance of the board and its effectiveness.

REMUNERATION POLICIES

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

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

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

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

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REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises three independent directors and no executive directors. The Remuneration Committee presently comprises Simon O'Loughlin, Laurie Hunter and Dr David Brookes.

REMUNERATION

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

The duties of the Committee as to remuneration include the following:

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

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

NOMINATION OF DIRECTORS

The Nomination and Remuneration Committee duties as to nomination of directors include:

- devising criteria for board membership;
- identifying specific candidates with skills for nomination;
- providing advice on corporate governance;
- making recommendations to the board for new directors and membership of corporate governance committees;
- assisting the chairperson in advising directors about their performance and possible retirement; and
- monitoring management succession plans, including the CEO and line management.

COMMUNICATION WITH SHAREHOLDERS

The Company maintains a comprehensive website and emails copies of all ASX announcements to shareholders and others that express an interest in receiving communication from the Company. Copies of the last five Annual Reports are available for downloading from the investor section of the website. The site also has sections devoted to the Company's science, product news and media resources including the facility to view television news clips on the company.

In order to give shareholders an opportunity to attend the Annual General Meeting and meet the directors informally after the meeting, the AGM has been held in Sydney and Adelaide, where there are significant numbers of shareholders. Consideration will be given to holding the AGM in other centres where there are significant numbers of shareholders.

OTHER INFORMATION

Further information relating to the company's corporate governance practices and policies have been made publicly available on the company's web site. www.lctglobal.com

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INCOME STATEMENT

08/09

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED		PARENT	
		2009 $	2008 $	2009 $	2008 $
Revenue — trading	2(a)	**185,846**	32,619	**–**	–
Other income	2(b)	**995,302**	1,322,285	**390,078**	286,886
Employee benefits expense		**(3,185,803)**	(2,587,835)	**(684,411)**	(331,231)
Share based payment expense		**(170,928)**	(556,136)	**(170,928)**	(556,136)
Depreciation and amortisation expense		**(256,955)**	(194,547)	**–**	–
Finance costs		**–**	(202,125)	**–**	(202,122)
Freight and cartage		**(50,037)**	(84,551)	**–**	–
Advertising		**(196,181)**	(97,663)	**(196,181)**	(85,383)
Research and development costs		**(1,265,145)**	(651,033)	**–**	–
Impairment of loans to subsidiaries		**–**	–	**(6,356,448)**	(3,380,831)
Lease expenses		**(252,507)**	(234,552)	**(21,863)**	–
Travel — overseas		**(303,402)**	(324,403)	**(203,724)**	(232,209)
Consulting and professional fees		**(1,402,842)**	(1,474,460)	**(1,080,462)**	(825,778)
Printing and stationery		**(44,622)**	(45,166)	**(25,314)**	(28,626)
Telephone and fax		**(62,702)**	(56,660)	**(10,455)**	(3,688)
Foreign exchange gains/(losses)		**689,806**	(881,609)	**796,242**	(589,149)
Auditors remuneration	21	**(90,660)**	(70,813)	**(82,500)**	(57,750)
Other expenses		**(712,732)**	(687,388)	**(258,729)**	(274,843)
Loss before income tax		**(6,123,562)**	(6,794,037)	**(7,904,695)**	(6,280,860)
Income tax expense	3	**–**	–	**–**	–
Loss attributable to members of the parent entity		**(6,123,562)**	(6,794,037)	**(7,904,695)**	(6,280,860)
Earnings Per Share:					
Continuing operations: Basic & diluted earnings per share (cents per share)	5	**(2.57)**	(3.54)	**–**	–

The accompanying notes form an integral part of these financial statements

BALANCE SHEET

08/09

AS AT 30 JUNE 2009

	NOTE	CONSOLIDATED		PARENT	
		2009 $	2008 $	2009 $	2008 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	22	**2,868,482**	10,767,335	**2,816,148**	10,631,030
Trade and other receivables	6	**276,853**	172,930	**212,533**	33,264
Other current assets	7	**135,102**	43,974	**–**	–
TOTAL CURRENT ASSETS		**3,280,437**	10,984,239	**3,028,681**	10,664,294
NON-CURRENT ASSETS					
Property, plant and equipment	9	**2,918,011**	916,603	**–**	–
Biological assets	10	**301,581**	340,600	**–**	–
TOTAL NON-CURRENT ASSETS		**3,219,592**	1,257,203	**–**	–
TOTAL ASSETS		**6,500,029**	12,241,442	**3,028,681**	10,664,294
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	11	**738,600**	489,464	**328,428**	230,274
Short-term financial liabilities	12	**36,521**	28,785	**–**	–
Provisions	14	**197,518**	159,964	**–**	–
TOTAL CURRENT LIABILITIES		**972,639**	678,213	**328,428**	230,274
NON-CURRENT LIABILITIES					
Long term financial liabilities		**–**	35,981	**–**	–
TOTAL NON-CURRENT LIABILITIES		**–**	35,981	**–**	–
TOTAL LIABILITIES		**972,639**	714,194	**328,428**	230,274
NET ASSETS		**5,527,390**	11,527,248	**2,700,253**	10,434,020
EQUITY					
Issued Capital	16	**46,049,170**	46,049,170	**46,049,170**	46,049,170
Reserves	18	**1,468,975**	1,345,271	**1,345,774**	1,174,846
Accumulated losses		**(41,990,755)**	(35,867,193)	**(44,694,691)**	(36,789,996)
TOTAL EQUITY		**5,527,390**	11,527,248	**2,700,253**	10,434,020

The accompanying notes form an integral part of these financial statements

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STATEMENT OF CHANGES IN EQUITY

60/80

FOR THE YEAR ENDED 30 JUNE 2009

2009 CONSOLIDATED

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Convertible Instruments Reserve $	Total $
Balance at 1 July 2008	**46,049,170**	**(35,867,193)**	**170,425**	**1,174,846**	**–**	**11,527,248**
Loss attributable to members of parent entity	**–**	**(6,123,562)**	**–**	**–**	**–**	**(6,123,562)**
Total recognised income and expense	**–**	**(6,123,562)**	**–**	**–**	**–**	**(6,123,562)**
Share / Option based remuneration	**–**	**–**	**–**	**170,928**	**–**	**170,928**
Adjustments from translation of foreign controlled entities	**–**	**–**	**(47,224)**	**–**	**–**	**(47,224)**
Balance at 30 June 2009	**46,049,170**	**(41,990,755)**	**123,201**	**1,345,774**	**–**	**5,527,390**

2008 CONSOLIDATED

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Convertible Instruments Reserve $	Total $
Balance at 1 July 2007	29,872,385	(29,541,461)	(16,611)	1,009,631	77,384	1,401,328
Loss attributable to members of parent entity	–	(6,794,037)	–	–	–	(6,794,037)
Total recognised income and expense	-	(6,794,037)	-	-	-	(6,794,037)
Shares issued during the year	16,876,427	–	–	556,136	–	17,432,563
Net of transaction costs	(699,642)	–	–	–	–	(699,642)
Adjustments from translation of foreign controlled entities	–	–	187,036	–	–	187,036
Transfer from convertible instruments reserve to retained earnings	–	77,384	–	–	(77,384)	–
Cancellation of options	–	390,921	–	(390,921)	–	–
Balance at 30 June 2008	46,049,170	(35,867,193)	170,425	1,174,846	–	11,527,248

The accompanying notes form an integral part of these financial statements

FOR THE YEAR ENDED 30 JUNE 2009

2009 PARENT

	Issued Capital $	Accumulated Losses $	Option Reserve $	Convertible Instruments Reserve $	Total $
Balance at 1 July 2008	**46,049,170**	**(36,789,996)**	**1,174,846**	**–**	**10,434,020**
Loss attributable to members of the parent entity	**–**	**(7,904,695)**	**–**	**–**	**(7,904,695)**
Total recognised income and expense	**–**	**(7,904,695)**	**–**	**–**	**(7,904,695)**
Share/Option based remuneration	**–**	**–**	**170,928**	**–**	**170,928**
Balance at 30 June 2009	**46,049,170**	**(44,694,691)**	**1,345,774**	**–**	**2,700,253**

2008 PARENT

	Issued Capital $	Accumulated Losses $	Option Reserve $	Convertible Instruments Reserve $	Total $
Balance at 1 July 2007	29,872,385	(30,977,442)	1,009,631	77,384	(18,042)
Loss attributable to members of the parent entity	–	(6,280,860)	–	–	(6,280,860)
Total recognised income and expense	–	(6,280,860)	–	–	(6,280,860)
Shares issued during the year	16,876,427	–	556,137	–	17,432,564
Transaction costs	(699,642)	–	–	–	(699,642)
Transfer from convertible instruments reserve to retained earnings	–	77,384	–	(77,384)	–
Cancellation of options	–	390,922	(390,922)	–	–
Balance at 30 June 2008	46,049,170	(36,789,996)	1,174,846	–	10,434,020

The accompanying notes form an integral part of these financial statements

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED		PARENT	
		2009 $	2008 $	2009 $	2008 $
Cash from operating activities:					
Receipts from customers and government grants		**934,202**	1,011,154	**–**	–
Payments to suppliers and employees		**(7,029,060)**	(6,896,341)	**(2,644,191)**	(5,762,245)
Dividends received		**386**	406	**–**	–
Interest received		**390,900**	292,031	**390,078**	286,886
Finance costs		**–**	(5,408)	**–**	–
Net cash used in operating activities	22 (a)	**(5,703,572)**	(5,598,158)	**(2,254,113)**	(5,475,359)
Cash flows from investing activities:					
Loans to controlled entities		**–**	–	**(5,757,307)**	–
Net movement of property, plant and equipment		**(2,363,574)**	(146,878)	**–**	–
Net cash used in investing activities		**(2,363,574)**	(146,878)	**(5,757,307)**	–
Cash flows from financing activities:					
Proceeds from issue of shares		**–**	14,801,728	**–**	14,801,728
Expenses from the issue of shares		**–**	(699,642)	**–**	(699,642)
Repayment of borrowings		**(28,245)**	(39,483)	**–**	–
Net cash provided by financing activities		**(28,245)**	14,062,603	**–**	14,102,086
Net increase / (decreases) in cash and cash equivalents		**(8,095,391)**	8,317,567	**(8,011,420)**	8,626,727
Cash and cash equivalents at beginning of financial year		**10,767,335**	2,449,768	**10,631,030**	2,004,303
Exchange rate changes on cash and cash equivalents		**196,538**	–	**196,538**	–
Cash and cash equivalents at end of financial year	22 (b)	**2,868,482**	10,767,335	**2,816,148**	10,631,030

The accompanying notes form an integral part of these financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a] Basis of preparation

The financial report is a general purpose financial report that 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. Compliance with Australian Accounting Standards ensures that the consolidated entity financial report conforms to the International Financial Reporting Standards (IFRS).

The financial report covers the consolidated entity of Living Cell Technologies Limited and Controlled entities ("the economic entity" and/or "the group") and Living Cell Technologies Limited as an individual parent entity ("the parent entity" and/or "the company"). Living Cell Technologies Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated group 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 Group's functional currency and presentation currency, rounded to the nearest dollar. The report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

b] Going concern

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. This is not withstanding that the parent company and the consolidated entity incurred losses for the year of $7,904,695 (2008: $6,280,860) and $6,123,562 (2008: $6,794,037) respectively.
The losses have negatively impacted the parent company and the consolidated entity's cash balances. On 30 July 2009 the parent company closed a private placement of shares raising $4.2 million which has increased the cash balance to approximately $5.5 million at the date of this report. However, unless further new funds are raised or expenditure curtailed there is significant uncertainty regarding the ability of the parent company and the consolidated entity to continue as a going concern and pay their debts as they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they still believe that additional cash will be sourced by the consolidated entity.

The company continues to work with its funders and has taken the following actions to address the going concern issue and to protect the financial security of the consolidated entity. Numerous cash conservation measures have been implemented including closing the Melbourne office, standing down the US based CEO, curtailing operating expenses, terminating PR and IR contracts and consultants and ceasing non-critical capital expenditure. These measures have saved $93,859 per month. The directors are considering opportunities to further improve the cash position by applying for grants and other measures.

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

- There will be further cash injections from potential investors and grantors;
- The group will be able 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 23 to the financial statements. All controlled entities have a 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 economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

The financial report of Living Cell Technologies Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Board of Directors on 31 August 2009.

d] Foreign Currency Transactions and Balances

Functional and presentation currency

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

d] Foreign Currency Transactions and Balances continued

Transaction and balances

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

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

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

Group companies

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

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

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

e] Comparative Figures

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

f] Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

g] 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.

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

h] 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.

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.

Plant and equipment are measured at cost less accumulated 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 assets are:

CLASS OF FIXED ASSET	
Plant and Equipment	7.5% – 48%
Furniture, Fixtures and Fittings	9.5% – 60%
Motor Vehicles	26%
Office Equipment	18% – 80%
Leasehold improvements	7.5 – 48%

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

i] Biological Assets

Biological assets are recorded at cost. Any foreign exchange movements are taken to the Income Statement.

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

j] Investments

Investments in controlled entities are carried at the lower of cost and recoverable amount. The carrying amount of Investments is reviewed annually by directors to ensure that it is not in excess of the recoverable amount of these assets.

k] Financial assets at fair value through profit and loss

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

l] Loans and receivables

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

m] 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.

n] 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 income statement.

o] 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.

p] Leases

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

Where substantially all the risks and benefits incidental to the ownership of a leased fixed asset, but not the legal ownership, are transferred to the company, these leases are classified as finance leases. Finance leases are capitalised as an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value is brought to account. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the lease interest expense for the period and the reduction of the lease liability.

q] Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

r] Provisions

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

s] Issued Capital

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

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

t] Revenue

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

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

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

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1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

t] Revenue continued

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

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

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

u] 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 shares and options.

Issue of Shares
Share-based compensation benefits are provided to employees.

The fair value of shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares.

The fair value at grant date is independently determined using a Black-Scholes Binomial convergence pricing model that takes into account the exercise price, the term of the share, the vesting and performance criteria, the impact of dilution, the share price at grant date and the expected price, the volatility of the underlying share and the risk-free interest rate for the term of the share.

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 on the share price, dividends expected on the shares and the risk-free rate for the life of the option.

v] Borrowing Costs

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

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

w] Income Tax

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

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

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

x] Earnings per share (EPS)

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.

y] Goods and Services Tax (GST)

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

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

z] 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.

aa] New Standards and interpretations not adopted

The following Standards, amendments to standards and interpretations have been issued or amended, but not yet effective and have been identified as those which may impact the company and consolidated entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as required rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutual's.

The revised standard becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

Currently the consolidated entity operates in one business segment and several geographical segments, however the consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.

- revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs.

The revised AASB 101 will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity's has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures.

- revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

The revised AASB 123 will become mandatory for the consolidated entity's 30 June 2010 financial statements and will constitute a change in accounting policy for the consolidated entity. In accordance with the transitional provisions the consolidated entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The consolidated entity has not yet determined the potential affect of the revised standard on future earnings.

- revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the re-measurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders.

The revised standard will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential affect of the revised standard on the consolidated entity's financial report.

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1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

aa] New Standards and interpretations not adopted continued

- AASB 2008-1 Amendments to Australian Accounting Standard - Share Based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions.

AASB 2008-1 becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.

ab] Critical accounting estimates and judgments

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.

Key estimates — Impairment

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.

2 INCOME

a] Revenue – Trading

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Sale of goods	**527**	563	**–**	–
Services revenue	**185,319**	32,056	**–**	–
Total Revenue — Trading	**185,846**	**32,619**	**–**	**–**

b] Other Revenue

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
— Interest income	**390,900**	292,031	**390,078**	286,886
— Dividend income	**386**	406	**–**	–
— Other revenue	**617**	19,327	**–**	–
— Government grants	**603,399**	1,010,521	**–**	–
Total Other Revenue	**995,302**	**1,322,285**	**390,078**	**286,886**

3 INCOME TAX EXPENSE

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

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2008: 30%)				
— economic entity	**(1,837,069)**	(2,038,211)	**–**	–
— parent entity	**–**	–	**(2,371,409)**	(870,009)
Tax effect of non-allowable & non-assessable items:				
— Deductible capital expenditure	**(38,517)**	(38,745)	**(38,517)**	(38,745)
— Unrealised foreign exchange gains	**(245,756)**	244,894	**(238,873)**	176,745
— Other items (net)	**1,940**	4,024	**1,903,044**	633
— Tax effect of temporary differences	**10,913**	14,718	**–**	–
— Deferred tax asset not brought to account	**2,108,489**	1,813,320	**745,755**	731,376
Income tax expense	**–**	–	**–**	–

4 DEFERRED TAX ASSET

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Deferred tax asset relating to tax losses not recognised	**9,937,711**	7,952,755	**2,738,971**	1,993,216

The benefits of available tax losses carried forward will only be realised if the conditions for deductibility set out in note 1 occur.

5 EARNINGS / (LOSS) PER SHARE

	2009 $	2008 $
Losses used in calculation of basic and diluted EPS	**(6,123,562)**	(6,794,037)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	**238,323,752**	191,748,497

	2009 $cents	2008 $cents
Basic earnings / (loss) per share	**(2.57)**	(3.54)
Diluted earnings / (loss) per share	**(2.57)**	(3.54)

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6 TRADE AND OTHER RECEIVABLES

a] Current receivables

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Trade receivables	**–**	135,322	**–**	–
Other receivables	**276,853**	37,608	**212,533**	33,264
Total Current Trade & Other Receivables	**276,853**	172,930	**212,533**	33,264

b] Non current receivables

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Opening Balance	**–**	–	**22,400,726**	19,019,896
Amounts advanced during the year			**6,356,448**	3,380,830
Amounts repaid during the year	**–**	–	**–**	–
Provision for impairment of receivables from wholly-owned entities	**–**	–	**(28,757,174)**	(22,400,726)
Closing Balance	**–**	–	**–**	–

c] Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There is no impairment loss for the current year (2008:$Nil) by the Group and no impairment loss for the parent company in the current year (2008:$Nil).

d] Aged analysis

At 30 June 2009, there were no aged trade receivables, bad debts or doubtful debts (2008:nil).

7. OTHER ASSETS

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Other assets	**135,102**	43,974	**–**	–
Total Other Assets	**135,102**	43,974	**–**	–

8 INVESTMENTS IN SUBSIDIARIES

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Unlisted investments, at cost				
— shares in controlled entities	**–**	–	**8,161,681**	8,161,681
Less: impairment provision	**–**	–	**(8,161,681)**	(8,161,681)
Total Investments in subsidiaries	**–**	–	**–**	–

9 PROPERTY, PLANT AND EQUIPMENT

a] Detailed table

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
PLANT AND EQUIPMENT				
Capital works in progress	**1,790,160**	16,066	**–**	–
Total capital works in progress	**1,790,160**	16,066	**–**	–
Plant and equipment				
At cost	**1,317,474**	879,910	**–**	–
Less accumulated depreciation	**(553,837)**	(369,728)	**–**	–
Total plant and equipment	**763,637**	510,182	**–**	–
Furniture, fixture and fittings				
At cost	**91,560**	86,168	**–**	–
Less accumulated depreciation	**(48,994)**	(39,532)	**–**	–
Total furniture, fixture and fittings	**42,566**	46,636	**–**	–
Motor vehicles				
At cost	**16,779**	5,637	**–**	–
Less accumulated depreciation	**(7,068)**	(4,240)	**–**	–
Total motor vehicles	**9,711**	1,397	**–**	–
Office equipment				
At cost	**182,305**	169,265	**–**	–
Less accumulated depreciation	**(148,020)**	(120,276)	**–**	–
Total office equipment	**34,285**	48,989	**–**	–
Leasehold improvements				
At cost	**476,326**	455,182	**–**	–
Less accumulated depreciation	**(198,674)**	(161,849)	**-**	-
Total leasehold improvements	**277,652**	293,333	**-**	-
Total property, plant and equipment	**2,918,011**	916,603	**-**	-

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9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

b] Movements in Carrying Amounts

CONSOLIDATED	Capital works in progress $	Plant and Equipment $	Furniture, Fixtures and Fittings $	Motor Vehicles $	Office Equipment $	Leasehold Improvements $	Total $
Current Year							
Balance at 1 July 2008	**16,066**	**510,182**	**46,636**	**1,397**	**48,989**	**293,333**	**916,603**
Additions	**1,774,094**	**429,631**	**4,099**	**11,058**	**13,241**	**14,310**	**2,246,433**
Disposals	**–**	**(20,122)**	**–**	**–**	**(1,234)**	**–**	**(21,356)**
Depreciation expense	**–**	**(182,490)**	**(8,995)**	**(2,804)**	**(27,784)**	**(34,883)**	**(256,956)**
Foreign exchange movements	**–**	**26,436**	**826**	**60**	**1,073**	**4,892**	**33,287**
Balance at 30 June 2009	**1,790,160**	**763,637**	**42,566**	**9,711**	**34,285**	**277,652**	**2,918,011**
Prior Year							
Balance at 1 July 2007	–	452,620	61,374	2,164	50,933	341,998	909,089
Additions	16,066	233,883	2,809	–	36,065	28,796	317,619
Disposals	–	(15,733)	–	–	(1,503)	–	(17,236)
Depreciation expense	–	(113,846)	(10,520)	(532)	(33,037)	(36,612)	(194,547)
Foreign exchange movements	–	(46,742)	(7,027)	(235)	(3,469)	(40,849)	(98,322)
Balance at 30 June 2008	16,066	510,182	46,636	1,397	48,989	293,333	916,603

10 BIOLOGICAL ASSETS

a] Value of asset

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Pig herd: Opening balance	**340,600**	340,600	**–**	–
Effect of exchange rate movements	**(39,019)**	–	**–**	–
Total Biological Assets	**301,581**	340,600	**–**	–

b] Nature of asset

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

c] Significant assumptions

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

11 TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Unsecured				
Trade payables	**612,315**	435,061	**328,428**	230,274
Accrued expenses	**126,058**	54,169	**–**	–
Other payables	**227**	234	**–**	–
Total Trade and Other Payables	**738,600**	489,464	**328,428**	230,274

12 FINANCIAL LIABILITIES

	NOTE	CONSOLIDATED		PARENT	
		2009 $	2008 $	2009 $	2008 $
Unsecured					
Finance Lease : Current	15 (b)	**36,521**	28,785	**–**	–
: Non Current		**–**	35,981		
Total Financial Liabilities		**36,521**	64,766	**–**	–

13 CONVERTIBLE NOTES

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Balance at the beginning of the year	–	1,877,982	–	1,877,982
Accrued Interest	–	196,717	–	196,717
Net total	–	2,074,699	–	2,074,699
Converted to shares	–	(2,074,699)	–	(2,074,699)

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

All note holders elected to convert the face value of their convertible notes plus accrued interest, in line with the terms of the Convertible Note Agreement. A total of 11,885,422 shares were issued at 17.5 cents per share in settlement of the note and accrued interest, which totalled $2,074,699.

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14 PROVISIONS

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
CURRENT				
Opening balance	**159,964**	129,411	**–**	–
Amounts used	**139,024**	–	**–**	–
Unused amounts reversed	**(101,470)**	30,553	**–**	–
Balance at end of year	**197,518**	159,964	**–**	–

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.

15 CAPITAL AND LEASING COMMITMENTS

a] Operating Lease Commitments

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

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Payable — minimum lease payments				
— not later than 12 months	**180,914**	225,999	**–**	–
— between 12 months and 5 years	**481,473**	528,453	**–**	–
— greater than 5 years	**630,377**	758,667	**–**	–
	1,292,764	1,513,119	**–**	–

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

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

The animal laboratory lease is a non-cancellable lease with a 6 year lease term with 1 ½ years until expiry and a right of renewal for a further 6 year term with rent payable monthly in advance. Contingent rental provisions require the minimum lease payments to be reviewed every 2 years.

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

The land for the new designated pathogen free pig breeding facility on the South Island is a 20 year lease with rent renewal every 3 years.

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

b] Finance Lease Commitments

	NOTE	CONSOLIDATED		PARENT	
		2009 $	2008 $	2009 $	2008 $
Payable — minimum lease payments					
— no later than 12 months		**38,258**	32,383	**–**	–
— between 12 months and 5 years			40,479	**–**	–
Lease payments		**38,258**	72,862	**–**	–
Less future finance changes		**(1,737)**	(8,096)	**–**	–
Present value of lease payments		**36,521**	64,766	**–**	–

Living Cell Technologies NZ Ltd entered into an agreement with Roche Diagnostics NZ Ltd with a lease to buy a LightCycler® 480 Real Time PCR Instrument, with a 36 month term payable each month with 15 months remaining on the lease at balance date.

16 ISSUED CAPITAL

a] Issued capital

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
— 238,323,752 — Ordinary shares fully paid (2008: 238,323,752)	**46,049,170**	46,049,170	**46,049,170**	46,049,170
Total Issued Capital	**46,049,170**	46,049,170	**46,049,170**	46,049,170

b] Authorised capital

The authorised share capital of the company is 238,323,752 shares (2008: 238,323,752) 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.

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16 ISSUED CAPITAL CONTINUED

c] Movements in shares on issue

	2009		2008	
	Number of shares	$	Number of shares	$
Ordinary Shares				
Beginning of the financial year	238,323,752	46,049,170	152,846,910	29,872,385
Issued during the year				
— private share issues	–	–	64,576,740	14,695,531
— convertible notes and accrued interest converted	–	–	11,855,422	2,074,699
— staff options exercised	–	–	67,500	16,425
— options exercised	–	–	8,977,180	89,772
Transaction costs in capital raising	–	–	–	(699,642)
At reporting date	**238,323,752**	**46,049,170**	**238,323,752**	**46,049,170**

On 4 August 2009 the board issued 25.5m ordinary shares at A$0.165 with a 2 for 5 option attached (10.2m options), exercisable at any time until 31 December 2010 at A$0.24 per share.

d] Options

For information relating to Living Cell Technologies Limited employee option plan, including details of options issued and lapsed during the financial year and the options outstanding at year-end, as well as information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report in section 5.d of the Directors' Report and Key Management Personnel compensation in note 20b.

The weighted average fair value of options granted during the year was $0.1009 (2008:$0.225)

The price was calculated by using the Black Scholes option pricing model applying the following inputs:

	2009	2008
Expected share volatility (%)	**75.50**	65.57
Risk free interest rate (%)	**4.05**	6.45
Weighted average expected life of the option (years)	**4.45**	4.81
Weighted average exercise price ($)	**0.30**	0.29
Weighted average share price at grant date ($)	**0.19**	0.36

Included under the share based payments expense in the income statement is $170,928 (2008:$556,136) of equity-settled share based payment transactions.

17 CAPITAL MANAGEMENT

The capital of the consolidated group is the equity held in the group. The consolidated group and the parent entity's objective when managing capital are 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.

Management effectively manages the group's capital 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.

There were no changes to the group's approach to capital management nor were there any externally imposed capital requirements during the year.

18 SHARE CAPITAL AND RESERVES

a] 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 income statements translated at average and closing rates.

Option reserve

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

Convertible instrument reserve

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

19 CURRENCY TRANSLATION RATES

a] Detailed table

	CURRENCY	2009 AUD	2008 AUD
Year end rates used for the consolidated balance sheets, to translate the following currencies into Australian dollars (AUD), are:			
	USD	1.24	1.04
	NZD	0.80	0.79
Average rates of the year used for the consolidated income and cash flow statements, to translate the following currencies into Australian dollars (AUD), are:			
	USD	1.36	1.12
	NZD	0.82	0.86

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20 KEY MANAGEMENT PERSONNEL COMPENSATION

a] Key Management Personnel

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

Directors	**Position**
Simon O'Loughlin	Independent Director and Chairman
David Collinson	Founding Director (died 7 August 2009)
Paul Tan	Executive Director, CEO
Robert Elliott	Medical Director
Laurie Hunter	Independent Director
David Brookes	Independent Director
Robert Caspari	Director (stood down 30 April 2009)
Executives	
John Cowan	Finance & Administration Manager (appointed 20 October 2008)
Richard Justice	Chief Financial Officer (stood down 31 October 2008)

b] Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated group is set out below:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	**1,226,570**	873,486	**746,639**	444,201
Post-employment benefits	**95,000**	93,333	**95,000**	93,333
Share-based payments	**59,816**	297,439	**59,816**	176,072
Total	**1,381,386**	1,264,258	**901,455**	713,606

c] Options and Rights Holdings

Number of Options Held by Directors & Key Management Personnel over ordinary shares in the parent entity held during the financial year, including their personally related parties are:

2009	BALANCE 01/07/2008	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2009	TOTAL EXERCISABLE	TOTAL UNEXERCISABLE
Directors							
Simon O'Loughlin	950,000	–	–	–	950,000	950,000	–
Paul Tan	1,300,000	–	–	–	1,300,000	1,300,000	–
David Collinson	2,473,300	–	–	350,000	2,123,300	2,123,300	–
Robert Elliott	2,373,300	–	–	350,000	2,023,300	2,023,300	–
Laurie Hunter	400,000	–	–	–	400,000	400,000	–
David Brookes	400,000	–	–	–	400,000	400,000	–
Robert Caspari	–	400,000	–	–	400,000	400,000	–
Specified Executives							
Richard Justice	1,125,000	–	–	150,000	975,000	975,000	–
John Cowan	–	–	–	–	–	–	–
Total	**9,021,600**	**400,000**	**–**	**850,000**	**8,571,600**	**8,571,600**	**–**

All the options had vested as at balance date. Refer to 6 (a) of the remuneration report for details on vesting dates.

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

2008	BALANCE 01/07/2007	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2008	TOTAL EXERCISABLE	TOTAL UNEXERCISABLE
Directors							
Simon O'Loughlin	950,000	–	–	–	950,000	950,000	–
Paul Tan	800,000	500,000	–	–	1,300,000	1,300,000	–
David Collinson	2,473,300	–	–		2,473,300	2,473,300	–
Robert Elliott	2,373,300	–	–		2,373,300	2,373,300	–
Laurie Hunter	400,000	–	–	–	400,000	400,000	–
David Brookes	–	400,000	–	–	400,000	–	400,000
Robert Caspari	–	–	–	–	–	–	–
Specified Executives							
Richard Justice	1,125,000	–	–		1,125,000	1,125,000	–
Total	**8,121,600**	**900,000**	**–**		**9,071,600**	**8,621,600**	**400,000**

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20 KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

d] Shareholdings

Number of Shares held by Directors & Key Management Personnel in the parent entity held during the financial year, including their personally related parties are:

2009	BALANCE 01/07/2008	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30/06/2009
Directors					
Simon O'Loughlin	367,142	–	–	–	367,142
Paul Tan	148,571	–	–	–	148,571
David Collinson	10,462,978	–	–	(103,410)	10,359,568
Robert Elliott	2,596,792	–	–	(3,666)	2,593,126
Laurie Hunter	2,645,661	–	–	–	2,645,661
David Brookes	485,000	–	–	–	485,000
Robert Caspari	–	–	–	–	–
Specified Executives					
Richard Justice (stood down 31 October 2008)	118,571	–	–	–	118,571
John Cowan (appointed 20 October 2008)	–	–	–	–	–
	16,824,715	**–**	**–**	**(107,076)**	**16,717,639**

2008	BALANCE 01/07/2007	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER*	BALANCE 30/06/2008
Directors					
Simon O'Loughlin	328,571	–	–	38,571	367,142
Paul Tan	148,571	–	–	–	148,571
David Collinson	10,077,483	–	–	385,495	10,462,978
Robert Elliott	2,202,209	–	–	394,583	2,596,792
Laurie Hunter	634,956	–	–	2,010,705	2,645,661
David Brookes	–	–	–	485,000	485,000
Robert Caspari	–	–	–	–	–
Specified Executives					
Richard Justice	93,571	–	–	25,000	118,571
Total	**13,485,361**	**–**	**–**	**3,339,354**	**16,824,715**

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

The consolidated entity has applied the relief outlined in AASB 2008-4, by disclosing the full key management personnel disclosures in the directors' report only, thus not duplicating that information in the financial report. These transferred disclosures have been audited.

21 AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Remuneration of PKF Sydney:				
— Auditing or reviewing the consolidated financial report & Australian based subsidiaries	**74,500**	66,500	**74,500**	66,500
Remuneration of Ross Melville PKF Auckland:				
— Auditing New Zealand based subsidiaries	**14,280**	16,669	**–**	–
— Total	**88,780**	83,169	**74,500**	66,500

22 CASH FLOW INFORMATION

a] Reconciliation of Cash Flow from Operations with Loss after Income Tax

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Net loss for the period	**(6,123,562)**	(6,794,037)	**(7,904,695)**	(6,280,860)
Non-cash flows in loss:				
Depreciation	**256,955**	194,547	**–**	–
Accrued interest-convertible note	**–**	196,717	**–**	196,717
Transfer of convertible note instrument reserve		(77,384)		(77,384)
Net gain/(loss) on assets purchased	**–**	28,785	**–**	–
Net foreign currency (gains) / losses	**(689,806)**	881,609	**(796,242)**	589,149
Share options expensed	**170,928**	165,215	**170,928**	165,214
Impairment of loans to subsidiaries	**–**	–	**6,356,448**	–
(Increase)/decrease in trade and term receivables	**(103,923)**	(140,137)	**(179,269)**	(13,919)
(Increase)/decrease in other assets	**(6,230)**	36,883	**–**	19,261
(Increase)/decrease in inventories	**–**	4,339	**–**	–
Increase/(decrease) in trade payables and accruals	**754,512**	(196,513)	**98,717**	(73,537)
Increase/(decrease) on sale of assets	**–**	(19,201)	**–**	–
Increase/(decrease) in lease payments	**–**	39,482	**–**	–
Increase/(decrease) in provisions	**–**	50,984	**–**	–
Increase/(decrease) in employee entitlements	**37,554**	30,553	**–**	–
Cash flow from operations	**(5,703,572)**	(5,598,158)	**(2,254,113)**	(5,475,359)

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22 CASH FLOW INFORMATION CONTINUED

b] Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Cash and cash equivalents	**2,868,482**	10,767,335	**2,816,148**	10,631,030

23 CONTROLLED ENTITIES

NAME	COUNTRY OF INCORPORATION	PERCENTAGE % OWNED 2009	PERCENTAGE % OWNED 2008
Parent Entity and ultimate parent of group:			
Living Cell Technologies Ltd	Australia		
Subsidiaries of parent entity:			
Living Cell Products Pty Ltd	Australia	**100**	100
LCT Australia Pty Ltd	Australia	**100**	100
Living Cell Technologies New Zealand Ltd	New Zealand	**100**	100
Pancell New Zealand Ltd	New Zealand	**100**	100
LCT BioPharma Inc	USA	**100**	100
Fac8Cell Pty Ltd	Australia	**100**	100
DiabCell Pty Ltd	Australia	**100**	100
NeurotrophinCell Pty Ltd	Australia	**100**	100

24 RELATED PARTY TRANSACTIONS

a] Wholly-owned group transactions

(i) Parent Entity

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

(ii) Subsidiaries

Subsidiaries are detailed in note 23 to the financial statements.

(iii) Loans

All loan balances between the companies in the consolidated group have been fully provided for and eliminated on consolidation. All intercompany loan transactions to and from subsidiaries and with the parent entity are fully provided for, as set out in note 6(b).

(iv) Service Fee

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

(v) Key Management Personnel

Disclosures relating to key management personnel are set out in note 20 and the director's report. During the year a health insurance premium was paid on behalf of a director and repaid by the director through his monthly fee payments.

25 SEGMENT REPORTING

The consolidated entity only operates one business segment being the research and development and product development into Living Cell Technologies, predominantly in New Zealand.

26 FINANCIAL INSTRUMENTS

The Group'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 currency risk and interest rate risk), credit risk and liquidity risk.

Although the Group does not have documented policies and procedures, the Directors manage the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rates and foreign exchange rates.

The Group and the parent entity hold the following financial instruments:

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Financial Assets:				
Cash and cash equivalents	**2,868,482**	10,767,335	**2,816,148**	10,631,030
Receivables	**276,853**	172,930	**212,533**	33,264
Total Financial Assets	**3,145,335**	10,940,265	**3,028,681**	10,664,294
Financial Liabilities:				
Trade and sundry payables	**738,600**	489,464	**328,428**	230,274
Lease liabilities	**36,521**	64,766	**–**	–
Total Financial Liabilities	**775,121**	554,230	**328,428**	230,274

a] Market Risk

The consolidated entity's activities expose it to the financial risks 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.

b] 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 between two week term and 2 months. This investment policy is adopted to manage risks and enhance returns.

Interest Rate Risk Sensitivity Analysis

At 30 June 2009, the effect on the profit / (loss) and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

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26 FINANCIAL INSTRUMENTS CONTINUED

b] Interest rate risk continued

	NET LOSS HIGHER/LOWER		NET ASSETS HIGHER/LOWER	
	2009 $	2008 $	2009 $	2008 $
Consolidated				
+ 1% (100 basis points)	**93,015**	57,789	**93,015**	57,789
– 0.5% (50 basis points)	**(46,507)**	(28,894)	**(46,507)**	(28,894)
Parent				
+ 1% (100 basis points)	**88,654**	85,316	**88,654**	85,316
– 0.5% (50 basis points)	**(44,327)**	(42,660)	**(44,327)**	(42,660)

c] Foreign Currency Risk

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. At 30 June 2009, the group had exposure to fluctuations in foreign currency arising from the sale and purchase of goods and services in currencies other than the consolidated group's measurement currency.

	NOTE	CONSOLIDATED		PARENT	
		2009 $	2008 $	2009 $	2008 $
Financial Assets					
Cash and cash equivalents:	NZD	**1,834,954**	6,139,820	**1,806,785**	6,045,949
	USD	**89,658**	1,183,408	**89,658**	1,178,967
Trade and term receivables	NZD	**276,610**	135,322	**–**	–
Other receivables	NZD	**243**	17,214	**243**	13,082
Other assets (current)	NZD	**50,203**	43,974	**–**	–
Property, plant and equipment:	NZD	**2,789,924**	820,444	**–**	–
	USD	**82,980**	85,007	**–**	–
Biological assets	NZD	**301,581**	297,120	**–**	–
Financial Liabilities					
Trade and other payables:	NZD	**(376,592)**	(256,921)	**–**	–
	USD	**–**	(2,270)	**–**	–
Short term borrowings	NZD	**(36,521)**	(28,785)	**–**	–
Current provisions	NZD	**(197,518)**	(159,964)	**–**	–
Trade and other payables (non current)	NZD	**–**	(35,981)	**–**	–
Retained earnings:	NZD	**1,232,017**	131,161	**–**	–
	USD	**713,726**	(221,638)	**–**	–
Net exposure		**6,761,265**	8,147,911	**1,896,686**	7,237,998

The consolidated entity is mainly exposed to US dollars and New Zealand dollars.

The following sensitivity analysis is based on the foreign currency rate risk exposure in existence at the balance sheet date.

At 30 June 2009, if the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and equity would have been affected as follows:

	NET LOSS HIGHER (LOWER)		NET ASSETS HIGHER (LOWER)	
	2009 $	2008 $	2009 $	2008 $
Consolidated				
AUD/NZD 10%	**330,278**	321,572	**330,278**	308,456
AUD/NZD –5%	**(165,139)**	(160,786)	**(165,139)**	(154,228)
AUD/USD 10%	**4,374**	65,760	**4,374**	87,924
AUD/USD –5%	**(2,187)**	(32,880)	**(2,187)**	(43,962)
Parent				
AUD/NZD 10%	**(60,521)**	13,082	**131,984**	604,595
AUD/NZD –5%	**30,261**	(6,541)	**(132,394)**	(302,297)
AUD/USD 10%	**–**	1,335	**5,962**	117,897
AUD/USD –5%	**–**	(667)	**(7,077)**	(58,948)

d] Price risk

The consolidated entity is not subject to any price risk.

e] Credit risk

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

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

f] 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 and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows.

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26 FINANCIAL INSTRUMENTS CONTINUED

f] Liquidity risk continued

	WEIGHTED AVERAGE INTEREST RATE %	2009		2008	
		Less than one year $	1-5 years $	Less than one year $	1-5 years $
Consolidated					
Trade & other liabilities	nil	**738,600**	–	**489,464**	35,981
Financial Liabilities	nil	**36,521**	–	**28,785**	–
Total		**775,121**	–	**518,249**	35,981
Parent					
Trade & other payables	nil	**328,428**	–	**230,274**	–
Total		**328,428**	–	**230,274**	–

g] Net fair values of financial assets and liabilities

The carrying amount of the consolidated entity's identified financial assets and liabilities represent materially their net fair value.

27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

28 AFTER BALANCE DATE EVENTS

i] 2 July 2009: New pig breeding facility opened for New Zealand Diabetes Clinical Trial

The new pathogen free pig breeding facility in Invercargill, Southland was formally opened by the Mayor of Invercargill, Mr Tim Shadbolt. The facility is designed to meet health regulations for pig herds used as a source of medical grade tissues.

ii] 8 July 2009: Encapsulated Choroid Plexus Cells may be used to treat hearing loss

The encapsulated choroid plexus cells (NeurotrophinCell) were shown to protect nerve cells in the inner ear from degeneration in studies done with the Bionic Ear Institute (BEI), Melbourne, Australia.

iii] 22 July 2009: Living Cell Technologies Enrol Patients Into New Zealand Diabetes Clinical Trail

Living Cell Technologies Limited announced that the trial of its encapsulated pig islet cell product for insulin dependent diabetes, DIABECELL®, has commenced following authorization by the New Zealand Minister of Health and acceptance of the clinical trial protocol by the Regional Ethics Committee.

iv] 30 July 2009: Living Cell Technologies Raises A$4.2m from a Placement of Shares to Fund Clinical Trials of DIABECELL® for Type 1 Diabetes

Living Cell Technologies Limited announced that it has closed a private placement of share capital raising A$4.2m. The placement provides for the issue of up to 25.5m ordinary shares at A$0.165 with a 2 for 5 option attached (10.2m options), exercisable at any time until 31 December 2010 at A$0.24 per share. The $0.165 issue price is a 14.37% discount for the 5 day volume weighted average price to 27 July 2009.

v] 7 August 2009: Living Cell Technologies Founding Director, David Collinson

Living Cell Technologies founder and director, David Collinson, died at his home after battling disseminated melanoma. Prior to his death, David was made an honorary member of the Royal Society of New Zealand, a Paul Harris Rotary Fellow and a commendation from the Vice Chancellor of the University of Auckland for his contribution to medical science.

Other than noted above, there were no further after balance date events.

29 COMPANY DETAILS

The registered office of the company is:

Living Cell Technologies Limited
Level 9
20 Hunter Street
Sydney NSW 2001

The principal place of business is:

PO Box 23566
Hunters Corner
Manukau 2155
Auckland, New Zealand

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DIRECTORS' DECLARATION

The directors of Living Cell Technologies Limited declare that:

(a) in the directors' opinion the financial statements and notes on pages 40 to 69, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 25 to 29, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and

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

The directors have been given the declarations by the chief executive officer and the chief financial officer for the financial year ended 30 June 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Dated at 31st day of August 2009

Director

INDEPENDENT AUDITOR'S REPORT

08/09

PKF
Chartered Accountants
& Business Advisers

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 (the parent company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the parent company and the consolidated entity. The consolidated entity comprises the parent company and the entities it controlled at the year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the parent company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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*.

Auditor's 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 parent company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

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

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

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INDEPENDENT AUDITOR'S REPORT

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the parent company and consolidated entity incurred a net loss of $7,904,695 (2008: $6,280,860) and $6,123,562 (2008 : $6,794,037) respectively during the year ended 30 June 2009. These losses have had a negative impact on the cash resources of the parent company and the consolidated entity. This gives rise to a significant uncertainty regarding the ability of the parent company and the consolidated entity to continue as a going concern and pay their debts as and when they fall due, and whether they will therefore realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the parent company and the consolidated entity not continue as a going concern or be able to pay their debts as and when they fall due.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the remuneration report on pages 25 to 29 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Living Cell Technologies Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PKF

Arthur Milner
Partner
Sydney, 31 August 2009

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 27 August 2009.

1. DISTRIBUTION OF SHAREHOLDERS

Analysis of number of shareholders by size of holding.

CATEGORY OF HOLDING	NUMBER	NUMBER OF SHARES
1 – 1,000	103	28,581
1,001 – 5,000	431	1,343,851
5,001 – 10,000	307	2,611,020
10,001 – 100,000	795	29,804,685
100,001 – shares and over	200	204,535,615
Total	1,836	238,323,752

3. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares are:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE OF TOTAL SHARES
HSBC Custody Nominees (Australia) Limited	25,610,891	9.71
Coalco International Limited	24,150,408	9.15
Navigroup Management Limited	20,213,249	7.66
ANZ Nominees Limited	13,420,366	5.09
HSBC Custody nominees (Australia) Limited	12,976,584	4.92
K One W One Limited	11,061,006	4.19
Mr Graham Collinson & Mr David Collinson	9,656,227	3.66
UBS Nominees Pty Limited	5,979,840	2.27
Foundation Services Limited	4,977,626	1.89
Bushell Nominees Pty Ltd	3,847,087	1.46
Mr Hugh Green Ms Maryanne Green Mr Robert Narev	3,769,850	1.43
JP Morgan Nominees Australia Limited	3,532,450	1.34
Bell Potter Nominees Limited	3,412,636	1.29
Merryll Lynch (Australia) Nominees Pty Limited	2,853,717	1.08
Citicorp Nominees Pty Limited	2,395,486	0.91
National Nominees Limited	2,176,239	0.82
Mr Robert Bartlett Elliott	2,111,455	0.80
Ashabia Pty Ltd Superannuation Fund	1,942,399	0.74
SOF Management LLC Sanders Opportunity Fund	1,859,309	0.70
Suvale Nominees Pty Ltd	1,775,000	0.67
Total	**157,721,825**	**59.78**

2. UNMARKETABLE PARCELS

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $0.19 per unit	2,632	287	379,758

4. SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

SHAREHOLDER	NUMBER OF SHARES
Persistency Private Equity Limited	25,610,891
Coalco International Limited (Coalco)	24,150,408

5. VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

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Living Cell Technologies Limited

ABN: 14 104 028 042
Level 9
20 Hunter Street
Sydney NSW 2001

PO Box 23566
Hunters Corner
Manukau 2155
Auckland, New Zealand

www.lctglobal.com

Click here to go to the LCT website.