Annual Report

2010-2011

LCT
living cell technologies™

Contents

Click on the links to the right to jump to a page number.

living cell technologies™

INTRODUCTION

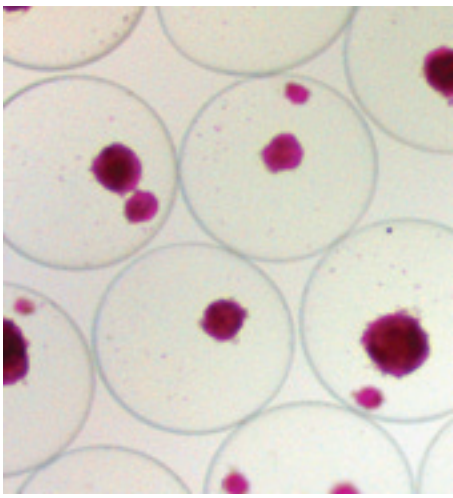
Click on the links to the right to jump to a page number.

"The Cell Implant Company"

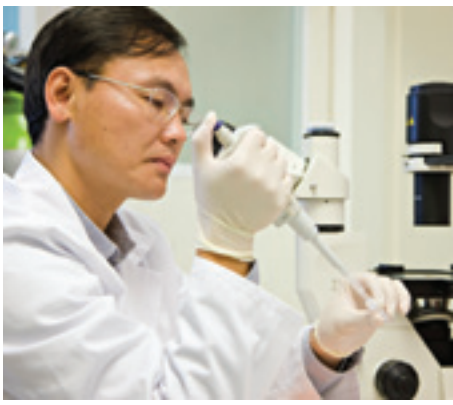
About LCT: The Cell Implant Company

Living Cell Technologies (ASX:LCT; OTCQX: LVCLY) is a global company developing products to treat life threatening human diseases. The Company's core focus is on xenotransplantation technology – the transfer of healthy functioning animal cells into humans to assist with bodily functions impaired by disease. Living Cell Technologies is the only company in the world currently involved in clinical trials in humans for xenotransplantion technology. The Company's expertise and assets in this area make it a global leader in the field.

"We were pioneers in this space and we are now also in the enviable position as the only company in the world to be in clinical trials. Many other companies and collaborations have either failed in early stage trials or they are still in early development. We are very proud to be the most advanced in this space and for helping the many patients who have been involved in our clinical trials."
Prof. Bob Elliott, founder and acting CEO.



LCT owns a biocertified pig herd in New Zealand that it uses as a safe source of cells for treating diabetes and neurological disorders. These pigs are descendents of herds on the Auckland Islands, 450km south of the South Island of New Zealand. Their isolated background has protected them from exposure to common diseases and made them excellent candidates for xenotransplant technology.



LCT's breakthrough technology is called IMMUPEL™. It is a microcapsule which surrounds and protects living cells injected into patients from immune system rejection, allowing the transplanted cells to replace or repair damaged tissue without supplementary immunosuppressive drugs.

IMMUPEL™ forms the basis for LCT's two main products: DIABECELL® and NTCELL.

DIABECELL is designed to treat patients with Type 1 diabetes, a disease of the pancreas which affects approximately 20 million people worldwide. Type 1 diabetes is a chronic disease characterised by high blood glucose levels resulting from the body not producing insulin or using it properly.

DIABECELL consists of microencapsulated pancreatic islet cells whose function assists with normal control of blood glucose levels. The more natural regulation of glucose by these cells addresses the shortcomings of existing insulin therapy, which is based on regular insulin injection. The Company began clinical trials for DIABECELL in 2007 and has now received approval for clinical trials in three jurisdictions – New Zealand, Argentina and Russia. DIABECELL has also been approved for marketing and sale in Russia.

NTCELL is designed to treat patients with Parkinson's disease and other neurological disorders. NTCELL consists of microencapsulated choroid plexus cells, (a type of brain tissue), which deliver beneficial proteins and regenerative or growth-promoting factors to the brain.

As well as its two major products aimed at treating major global health issues, LCT also offers medical-grade porcine-derived products for the repair and replacement of damaged tissues, as well as for research and other purposes.

Back to contents

Facts about Type 1 diabetes

- Diabetes is the world's fastest growing chronic disease. It has been recognised by the United Nations as a major health crisis facing all nations of the world
- Diabetes currently affects about 220 million people worldwide, and the World Health Organization (WHO) predicts diabetes deaths will likely increase by more than 50% in the next 10 years
- Type 1 diabetes represents an estimated 10% of all diabetes cases
- In Australia, diabetes is the sixth leading cause of death
- 890,000 Australians are currently diagnosed with diabetes. Total number (diagnosed and undiagnosed) of Australians with diabetes is estimated to be 1.7 million people
- In 2007, diabetes cost the US economy $174 billion and it is estimated that one in every 10 health dollars in the US is spent on diabetes
- The WHO estimates that 2.5 - 15% of annual health budgets are spent on diabetes-related illnesses

Highlights 2010-2011

NEW ZEALAND PHASE II CLINICAL TRIAL OF DIABECELL EXPANDS, RECEIVES ADDITIONAL FUNDING

Following approval from the NZ Ministry of Health to expand the trial to 14 patients, LCT's Phase IIb dosage trial in New Zealand received US$280,000 funding from NZ charity Cure Kids and US-based charity The Children with Diabetes Foundation. This has funded treatment of the final two patients in the trial, which has consistently demonstrated safe treatment and positive preliminary results.

DIABECELL REGISTERED FOR SALE AND USE IN RUSSIA

Russian subsidiary LCT Biomedical Limited received registration of DIABECELL as a marketable medical technology in Russia, allowing the sale and use of the DIABECELL technology in the treatment of Type 1 diabetes in Russia. LCT now awaits finalisation of new xenotransplantation legislation before commencing sales. The Russian Ministry of Healthcare invited LCT to assist in the formulation of these legislative changes.

FIRST PATIENTS IMPLANTED IN RECENTLY-APPROVED ARGENTINEAN DIABECELL TRIAL

Approval was received to commence a Phase II clinical trial in Buenos Aires. This is the third jurisdiction which has approved human trials of DIABECELL. The first two patients in the trial have received their implants, and LCT will continue to collect dosage data as well as assessing new refinements to its implantation and production protocols.

NTCELL DELIVERS PROMISING PRECLINICAL RESULTS FOR TREATMENT OF PARKINSON'S DISEASE

Two animal models for Parkinson's disease showed significant improvement in motor activity when implanted with NTCELL. The affected brain area also showed dramatic restoration of brain cell numbers. This represented an exciting boost to the preclinical evidence in favour of the efficacy of NTCELL.

PARTNERSHIPS WITH LEADING ASIAN HEALTHCARE COMPANIES COMBINED WITH SHARE ISSUE RAISE SIGNIFICANT CAPITAL

LCT deepened partnerships with leading Asian healthcare companies Jiangsu Aosaikang Pharmaceutical Co. (ASK) and Otsuka Pharmaceutical Factory Inc. (Otsuka) who each invested in LCT, raising a total of $4.72 million. LCT is negotiating collaborative research agreements with both companies for R&D and commercialisation of DIABECELL throughout Asia. Finally, LCT issued 9,523,810 shares to underwriters of expiring options to raise $2 million.

ENCAPSULATION TECHNOLOGY GRANTED VITAL AUSTRALIAN PATENT

The Australian Patent Office granted a key patent for IMMUPEL™, LCT's novel proprietary selectively permeable encapsulation technology which protects living cells from immune rejection. Securing this patent in this important market was a pleasing addition to LCT's strong intellectual property portfolio.

NEW BOARD APPOINTMENTS BRING WEALTH OF EXPERIENCE TO LCT

Two new directors joined the LCT Board during this time: Roy Austin and Robert Willcocks. Roy is a principal at investment bank Northington Partners, and brings deep commercial experience across multiple sectors including healthcare and biotechnology. Robert is a seasoned senior executive with legal and commercial expertise and experience in resources and public and private equity.

LCT PRESENT TO WORLD CONGRESS OF IPTA

Medical Director Professor Bob Elliott and Director of Research and Development Dr Olga Garkavenko presented papers at the World Congress of the International Pancreas and Islet Transplant Association, the leading conference in the field surrounding technologies such as DIABECELL.

Back to contents

Chairman's Report

Roy Austin

Dear Shareholders,

My first year as Chairman of the Board of Living Cell Technologies has been an eventful one with the recent market tumult that has seen investment sentiment retreat from technology and healthcare ventures. However, I'm pleased to report that LCT has delivered steady progress towards its goal of making commercial offerings of DIABECELL and NTCELL.

With the commencement of our Phase II patient trials in Argentina adding a third jurisdiction to the Company's international late-stage clinical trial program, LCT is now the clear and recognised pioneer of cell therapies globally. As the only company in clinical trials using xenotransplantation technology, LCT investors stand to benefit from the company's unique position as we move closer toward the final stages of commercialisation.

The body of evidence to support the safety and efficacy of LCT's treatment for Type 1 diabetes is growing with the completion of implants in the New Zealand trial adding to the results from the pilot Russian study. The Argentina trial will further validate the exciting premise that DIABECELL will improve the quality of life of people with unstable Type 1 diabetes though the normalisation of blood glucose levels, a significant reduction in sometimes fatal episodes of unaware low blood glucose, as well as potentially allowing significant reduction of insulin dependency.

Safety and preliminary efficacy data generated to date show promise that DIABECELL will change the paradigm for treating diabetes and potentially lead the way for other indications when it becomes the world's first approved porcine cell implant.

The market environment has changed dramatically in the last year and we are glad to have welcomed two highly experienced directors to assist LCT in navigating this environment. We of course also bid farewell to LCT's previous CEO Ross Macdonald, who we thank for his efforts during his time with the Company. The Board has commenced the process of searching for global talent to match the Company's requirements in this stage of its progress with a suitably experienced executive to lead the company as CEO. Of course, we continue to benefit from the stewardship and passion of LCT's founder Professor Bob Elliott in the position of acting CEO.

We acknowledge these are trying times for the patience of investors feeling global pressures and the inevitable impact of changes to our executive team has added to this. However, we believe that the short term impact of these changes will outweigh the benefits as we pull together a team that has the skills and experience to lead us through this final stage of development of DIABECELL and ultimately to its launch.

Investors should take heart that LCT's products and technology remain unique and supported by world-class science. The data supporting our products continues to grow and we are as excited as ever about the potential for DIABECELL and NTCELL to provide paradigm-changing treatments for some of the world's most common chronic diseases.

Finally, we were very pleased to welcome as strategic investors leading Asian healthcare companies Jiangsu Aosaikang Pharmaceutical Co. Limited ("ASK") and Otsuka Pharmaceutical Factory, Inc. ("Otsuka"). Both invested in LCT and began negotiations for research and development collaboration and commercialisation agreements.

On behalf of the Board of Directors I'd like to thank Prof. Elliott for his ongoing leadership of our Company and in this area of research globally, our staff and collaborators, and our investors who continue to believe in our ultimate goal of providing improved treatments for diseases that continue to have a devastating impact on the lives of millions of people around the world.

Roy Austin, Chairman

CEO's Report

Dear Shareholders,

Support and recognition for LCT's leadership in xenotransplantation as a highly probable improvement to the treatment of Type 1 diabetes has gathered momentum.

We were delighted to begin our latest clinical trial for DIABECELL® in Argentina. As well as providing dosage data and validating our technology with an additional jurisdictional approval, this trial also allows us to assess new developments in our implantation and cell production techniques which we believe will enhance clinical outcomes and facilitate the upscaling of DIABECELL production.

Our New Zealand Phase IIb clinical trial has also continued to progress, with New Zealand Ministry of Health approval allowing us to expand to 14 patients. We were grateful to be the recipient of two grants from the charities Cure Kids and The Children With Diabetes Foundation, which provided LCT with US$280,000 to treat the final two patients in this trial.

It is exciting to be nearing completion of this trial and we look forward to collating and announcing the final results.

Our Russian program reached a key milestone with approval of DIABECELL for marketing and sale in Russia. We now await finalisation of new xenotransplant legislation before sales can commence.

Most recently we announced the commencement of a Phase IIb trial, in a third country – Argentina. LCT has the most advanced xenotransplantation technology under development and is the only company that has secured the necessary regulatory approval in three separate jurisdictions. We continue to command a significant leadership role and the blueprint for this technology to be accelerated in trials for various diseases around the world.

As well as furthering our clinical program, we undertook several strategic actions to expand our partnership network and address cash flow. As well as a share issue, capital was raised during the year from deepening partnerships with Jiangsu Aosaikang of China and Otsuka of Japan. Both are leading healthcare researchers and developers in their respective countries and Asia generally, and we are pleased to welcome them as collaborators in bringing our products to these massive markets.

In addition to our progress with DIABECELL, our pipeline has grown in value with preclinical results supporting NTCELL's action in animal models of Parkinson's disease. This builds on our work exploring the potential for treating a variety of neurological damage scenarios including Huntington's, hearing loss and stroke. With a steadily aging population, worldwide research and investment into these issues is a key focus area for big pharmaceutical companies.

Professor Bob Elliott

As we move towards the conclusion of Phase II testing, we thank you for your continued support through challenging times, and look forward to sharing with you the fruits of our continued efforts through 2012.

Professor Bob Elliott,
Founder and Acting Chief Executive Officer

Products

Click here to find out more about DIABECELL® on the LCT website

DIABECELL®

DIABECELL is an insulin-producing cell product for the treatment of Type 1 diabetes. Sourced from porcine (pig) tissue, these pancreatic islet cells are self-regulating and efficiently secrete insulin in the patient's body. Living Cell Technologies' IMMUPEL™ technology platform provides the biocapsules which surround and protect the islet cells from the transplantee's immune system.

The treatment is simple. It involves introducing a specific quantity of DIABECELL into the abdominal cavity of the patient in a simple laparoscopic (keyhole) procedure. The use of LCT's unique proprietary IMMUPEL™ technology means that this procedure does not require the use of immunosuppressive drugs. This is a significant benefit as these drugs are usually required long-term and are often toxic as well as having other undesirable side effects.

Currently diabetes is a chronic disease, the symptoms of which are managed by regular blood glucose level monitoring and insulin injections. For many patients, this impacts significantly on quality of life and symptoms are generally characterised as worsening over time. The value of DIABECELL lies in its promise of restoring near-normal insulin regulation, reducing the need for regular injections and constant monitoring of blood glucose levels. Logically, reducing the severity of disease means that chronic effects of the disease may be mitigated or even prevented.

Preliminary clinical trial information has shown that two patients with long standing insulin dependent diabetes did not require daily insulin injections after treatment with DIABECELL for a period of up to 32 weeks after treatment. The majority of patients treated to date with low initial doses have shown improvement of diabetes control with better glycated haemoglobin (%HbA1c) levels.

Other clinical results have included: a significant reduction in episodes of clinically significant low blood glucose; improved blood glucose control and reduced need for insulin injections.

To date DIABECELL has been trialled in three different clinical settings: New Zealand, Russia and Argentina. The long term safety of DIABECELL has been demonstrated in at least one patient whose implanted cells are still producing insulin after more than ten years.

The Russian trials allowed Living Cell Technologies to register DIABECELL as a marketable medical product within Russia, where it now awaits new legislation regarding xenotransplantation before sales can commence.

The New Zealand trial was expanded, with approval from the Ministry of Health, to 14 patients. This trial has been generously supported with funding from leading diabetes charities. Diabetes Research Foundation and The Children With Diabetes Foundation, as well as New Zealand-based children's health charity Cure Kids.

Most recently, Living Cell Technologies received approval to initiate clinical trials in a third setting in Buenos Aires, Argentina. The first two patients from this trial have received treatment, and LCT will continue to build and validate its safety and dosing data, while simultaneously assessing the effects of new refinements in its manufacturing and implantation processes.

Finally, commercial interest in DIABECELL has continued to rise. In 2011, leading Asian healthcare companies Jiangsu Aosaikang Pharmaceutical Co. Limited ('ASK") and Otsuka Pharmaceutical Factory, Inc. ("Otsuka") both invested in LCT and began negotiations for research, development and commercialisation collaboration agreements spanning Asia.

SUMMARY OF CLINICAL RESULTS – A COMPELLING CASE TO SUPPORT ACCELERATED DEVELOPMENT

Patients implanted with LCT's DIABECELL as part of the company's ongoing trials show great benefit from the treatment, which has an excellent safety profile. There have been no remarkable adverse events in any of the patients. The Company is now focused on optimising the patient results through further alteration to dose, frequency and administration of DIABECELL.

In a preliminary trial in Russia which commenced four years ago, DIABECELL was shown to be safe even in multiple doses, and achieved undoubted evidence of efficacy with the abolition of Type 1 diabetes in two of nine patients for periods of up to 32 weeks. A second trial was started in New Zealand, using a single variable dose in a group of Type 1 diabetic patients experiencing the life threatening complications of unaware hypoglycemia. At least 20% of Type 1 diabetics develop unaware hypoglycemia over time, and it is responsible for up to 8% of deaths and many disease related complications. Those with unaware hypoglycemia have no awareness when their blood glucose changes.

The results-to-date indicate a high rate of successful abolition of this complication, with best results coming from smaller rather than larger doses. Patients were also able to significantly reduce the amount of insulin needed on a daily basis. Even more important, these results have been attained without the use of immune suppressing drugs, which represents a world first in xenotransplantation.

Phase II clinical trials are typically used by physicians to determine the most effective dosage of any treatment before moving onto Phase III trials which look at the benefit of that treatment and dosage over a much larger group of patients. The earlier clinical trial results of DIABECELL in Russia and New Zealand have helped the company determine that lower dosages had greater benefit than larger dosages.

The current dose-finding trial, considered to be Phase IIb, being conducted in Argentina, will see patients given two low dosages over a period of three months. DIABECELL has already proven, in clinical trials, to be a beneficial treatment. This additional data generated in Argentina will help the company to refine the dosage further to achieve even better patient outcomes.

Case Study

The roller coast journey for one Type 1 diabetes sufferer – it's no fun park

Karen Skinner describes life prior to receiving the implants of DIABECELL as a roller coaster with no end in sight. "I had no idea when my blood sugars were dropping. It seemed like I was always just a collapsed heap and ambulances needed to be called."

Skinner was the third New Zealand patient to receive the DIABECELL implants in the Phase II clinical trial. "I started to notice the changes a few months after I received the implants. I started to feel this new sensation, one I had never felt before. It was very odd and hard to describe, but I suppose it may be what other people with diabetes also feel when their blood sugar is dropping, sort of shaky and ill. A normal blood sugar count should be above 4 (millimoles per litre) but I started to feel this new sensation at about 3.5. This means I now have more than enough time to have a sandwich or something sweet before my mind becomes a blur and I didn't know what is going on and need help."

Skinner says, since this hypoglycaemic awareness began, she hasn't had any major problems with managing her blood sugar. She has also reduced the amount of insulin she needs. "The reduction happened gradually starting with 10 per cent less, a few months after the implants, and then increasing to almost half the insulin I needed before the procedure. It has leveled off since then and now I need about 30 per cent less insulin. For me that's still a big improvement but the most important thing that has come from participating in the trial is that I can tell when my blood sugars are changing. I'm able to do many things I wasn't able to do before such as drive without the stress of putting myself or others in danger. Overseas travel is also now on my agenda, with my blood sugars now much more stable than they have been in the last 26 years. I feel like I'm still on a bit of a ride, though rather than a roller coaster my life now feels more like an easy carousel ride. It also feels like a ride that I may be able to get off someday soon with these kinds of medical discoveries."

Partnerships

Partnerships

The US-based Juvenile Diabetes Research Foundation (JDRF) provided significant funding towards the Phase II New Zealand DIABECELL trial. JDRF is a world leader in setting the agenda for diabetes research and the largest charitable funder and advocate for Type 1 diabetes research worldwide.

Jiangsu Aosaikang Pharmaceutical Co. Limited ("ASK") is a strategic investor in LCT and discussions are underway for the formation of a collaborative research agreement. Such an agreement will allow a right of first refusal for ASK to negotiate a licence to commercialise the use of DIABECELL in China. ASK is a private research-based pharmaceutical company, based in Nanjing, China. Established in 2005, ASK develops, produces and markets pharmaceuticals and healthcare products, and has over sixty pharmaceutical products in the market place.

Otsuka Pharmaceutical Factory, Inc. ("Otsuka") is a leading Japanese healthcare company; the main research and development arm of the Otsuka Group of companies. Otsuka have invested $3 million in LCT and commenced negotiations for a collaborative research and licence agreement for the research, development and commercialisation of DIABECELL in Japan and other Asian countries except China.

The eminent market positions of both Jiansu Aosaikang and Otsuka Pharmaceutical place them in strong positions to bring new products to their huge respective marketplaces. Their considerable expertise in commercialisation combined with their in-house scientific expertise render them excellent choices as partners throughout the commercialisation process.

Products

Click here to find out more about IMMUPELTM on the LCT website

IMMUPEL™ technology

LCT's encapsulation technology, IMMUPEL™, is based on a patented process which involves wrapping healthy, living cells in a tiny capsule made of alginate (a compound derived from seaweed). LCT selects alginate of defined chemical and physical characteristics, which is purified to international Good Manufacturing Practice (GMP) standards for cell encapsulation.

Once implanted into another living organism, the encapsulation protects the cells from the local immune system so that they function normally or encourage repair without inducing immune rejection. This means patients who receive IMMUPEL-based products do not require drugs that induce immunosuppression. This is a major benefit of encapsulation technology, as immunosuppressive drugs are often toxic and/or have other undesirable side effects.

Encapsulation permits oxygen and nutrients to diffuse inwards to keep the transplanted cells alive and functioning, while secreted products of these cells are able to exit the capsule and exert the desired benefit.

The technology is amenable to delivery of many different types of living cells including insulin-producing islets, choroid plexus, stem cells, Schwann cells, and more.

LCT's expertise in this area allows it to tailor the IMMUPEL capsules for a wide range of applications since the basic properties of the biocapsule can be maintained while tailoring the system to the desired application, including membrane characteristics like flux, wall strength, and biocompatibility.

This expertise and breadth of applicability gives the IMMUPEL platform considerable value. It also increases the attractiveness of LCT as a potential development partner as IMMUPEL receives increasing validation through clinical trials and preclinical work.

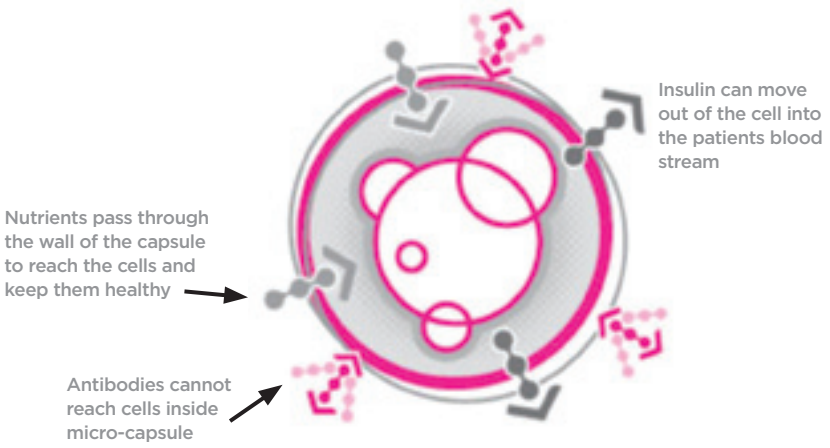


Figure 1 The IMMUPEL biocapsule

Pig herd

Our herd and associated facilities

One of Living Cell Technologies' core assets is its biocertified pig herd, which provide the tissues that form the basis for our therapeutic products. The key feature of our herd is their descent from a population on the Auckland Islands, 450km south of the South Island of New Zealand. Left behind by early sailors, this population was isolated from the diseases endemic to pig populations worldwide.

The herd is provided with the highest standard of care in two customised pathogen-free facilities in New Zealand – one at Auckland, on the North Island and one at Invercargill, South Island. Ensuring the pigs remain within these facilities preserves its unique status.

One particularly beneficial characteristic of the herd is that it does not secrete the infectious Porcine Endogenous Retroviruses (PERV) normally found in pigs. The reason for this is that the herd has a very low number of copies of these viral segments in its genome, another beneficial characteristic which is maintained through preventing interbreeding with other populations.

LCT considers its herd to be the purest source of cells and tissue for transplantation worldwide. This unique asset reinforces LCT's scientific expertise and experience in the field of xenotransplation, as well as enhancing the security of its DIABECELL and NTCELL products which are derived from LCT's herd.

Other Products

Click here to find out more about our products on the LCT website

The IMMUPEL platform's versatility is made clear in the positive early-stage results from LCT's research into the treatment potential of NTCELL, which is aimed at neurodegenerative disease.

NTCELL is the second major product in development at Living Cell Technologies. NTCELL is a product using cells from from the choroid plexus (a region in the brain). Choroid plexus cells help produce cerebrospinal fluid as well as a range of neurotrophins (or nerve growth factors) that have been shown to protect against nerve cell death in animal models of disease.

Pre-clinical primate studies targeting neurological disorders have shown that NTCELL is well tolerated with no evidence of adverse side effects. Furthermore, the treatment significantly protected against the degeneration of neurons - brain cell damage in primates treated with the NTCELL product was five times less than in control animals in a Huntington's disease (HD) model.

HD is caused by a defective gene and usually strikes between the ages of 30 and 45, although it may appear earlier or later. Every child of an HD parent has a 50% risk of inheriting this genetic disease. There is a gradual physical, emotional and cognitive deterioration over 10 to 25 years, leading to total incapacitation and eventual death.

The potential for NTCELL to treat other neurological diseases such as Parkinson's disease (PD) is also supported by preclinical evidence. In this example, NTCELL would be implanted in the substantia nigra - the area of the brain degraded in Parkinson's patients - to mitigate damage and restore damaged tissue.

LCT has conducted animal model studies of PD, which have shown that NTCELL provides a significant benefit. In these model systems, subjects recovered from the characteristic turning movement abnormality associated with PD and demonstrated increased dopamine activity in the affected area of the brain.

Intriguingly, studies conducted with the Bionic Ear Institute demonstrate encapsulated porcine choroid plexus cells have been shown to protect nerve cells in the inner ear from degeneration, suggesting potential uses for NTCELL in the area of hearing loss. Gradual age-related hearing loss is common, affecting an estimated one-third of individuals between the ages of 65 and 75, and close to half of those older than 75.

The area of neurological damage is increasingly prominent in medical research as a steadily aging population and extended lifespan means age-related neurological diseases increase in incidence each year, placing greater strain on healthcare systems and driving investment into treatments. LCT's leadership position in the xenotransplantation space ensures a competitive advantage as the NTCELL product range builds its supporting data and begins moving towards the clinic.

CORPORATE

Click on the links to the right to jump to a page number.

Directors Report

The directors present their report, together with the financial statements, on the parent entity (refered to hereafter as the 'Company') and the entities it controlled for the year ended 30 June 2011.

1/ General Information

A/ DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows: Directors were in office for the entire period unless otherwise stated.

NAMES	POSITION	APPOINTED/RESIGNED
Roy Austin	Independent director & Chairman	Appointed 25 February 2011
David Brookes	Independent director	Not re-elected at AGM 18 November 2010
Susanne Clay	Alternate director for Professor Elliott	Appointed 15 December 2010 Resigned 12 July 2011
Robert Elliott	Medical director, Chairman & Acting CEO	
Robert Finder	Independent director	Resigned 14 March 2011
Laurie Hunter	Independent director	
Ross Macdonald	CEO	Appointed 2 August 2010 Resigned 24 June 2011
David McAuliffe	Independent director	Resigned 18 November 2010
Simon O'Loughlin	Independent director	Not re-elected at AGM 18 November 2010
Paul Tan	CEO	Resigned 23 September 2010
Bernard Tuch	Independent director	Appointed 20 July 2011
Robert Willcocks	Independent director	Appointed 29 March 2011

Paul Tan was CEO until he resigned on 23 September 2010. Ross Macdonald was appointed from this date until his resignation on 24 June 2011 when Robert Elliot assumed the title.

B/ PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

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

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

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

2/ Director Information

A/ INFORMATION ON DIRECTORS

Roy Austin
Independent director & Chairman
Qualifications BCom, CA
Age: 63

Experience & expertise
Mr Austin is a consultant to investment banking firm Northington Partners in New Zealand. He brings considerable commercial depth to the LCT Board with over 25 years' investment transaction experience across multiple sectors including healthcare and biotechnology. His experience includes capital raisings, mergers and acquisitions, IP commercialisation, venture capital and international business development.

Mr Austin is Chairman of New Zealand based Cure Kids, a child health research charitable trust and its commercial biotech venture capital fund, Cure Kids Ventures Limited.

He holds a number of other directorships in private companies, has a BCom and is a member of the New Zealand Institute of Directors and the New Zealand Institute of Chartered Accountants.

He was appointed to the board on 25 February 2011.

Special Responsibilities
Mr Austin became the Acting Chairman of the Board following Dr Macdonald's resignation on 24 June 2011.

He was elected Chairman on 20 July 2011.

He is the Chair of the Remuneration & Nomination committee and a member of the Audit Risk & Compliance committee.

Robert Elliott
Medical director & Acting CEO
(since Ross Macdonald's resignation on 24 June 2011)
Qualifications MBBS, MD, FRACP
Age: 77

Experience & expertise
Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Director of Paediatrics at The University of Auckland. Professor Elliott co founded LCT. He is an Emeritus Professor of Child Health Research and a world leader in diabetes and autoimmune related research.

In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community. In 2011 he was awarded the prestigious World Class New Zealander (Life Sciences) award.

He is on the board of Cure Kids, Wings Trust (a NZ trust for the treatment of alcohol and substance abuse) and patron of the NZ Cystic Fibrosis Foundation. He is a director of Breath Easy Limited, a New Zealand company that is developing a new treatment for cystic fibrosis.

He was appointed to the board on 15 January 2004.

Special Responsibilities
Professor Elliott became Chairman of the board on 18 November 2010. He became Acting CEO on Dr Macdonald's resignation on 24 June 2011 when Mr Austin became Acting Chairman.

Laurie Hunter
Independent director
Qualifications MA (Hons)
Age: 64

Experience & expertise
Mr Hunter has over 40 years experience as a stockbroker, investment banker and corporate investor in London, Paris and San Francisco. Mr Hunter was a Member of The Stock Exchange, London, a partner at L. Messel and Co, London, a director of Shearson Lehman Hutton and founder of Hunter Capital. His recent focus has been on investing and providing strategic advice to developing companies.

Mr Hunter currently serves on a number of boards including Madagascar Oil Limited where he is chairman and CEO.

He was appointed to the board on 25 August 2006.

Special Responsibilities
Mr Hunter is the Chair of the Audit Risk & Compliance committee and a member of the Remuneration & Nomination committee.

Ross Macdonald
CEO (Appointed 2 August 2010, resigned 24 June 2011)
Qualifications PhD
Age: 53

Experience & expertise
Dr Macdonald has a 22 year career history in the pharmaceuticals industry. Most recently he was Vice President of Business Development for Sinclair Pharmaceuticals Ltd, a UK based specialty pharmaceuticals company. Prior to that he was Vice President, Corporate Development for Stiefel Laboratories Inc, the largest independent dermatology company in the world and acquired by GlaxoSmithKline in 2009 for £2.25b. He joined Stiefel following that company's acquisition of Palo Alto based Connetics Corporation for US$650m in 2006. At that time Dr Macdonald was Connetics' Vice President, Business Development, a position he had held for over 5 years.

Before joining Connetics Dr Macdonald was Vice President of Research & Development with FH Faulding & Co Limited and a former managing director of Soltec Research Pty Ltd. He is a director of CNSBio Pty Ltd, Hatchtech Pty Ltd and a non executive director of ASX listed Telesso Technologies Ltd.

He was appointed to the board on 2 August 2010.

Special Responsibilities
Dr Macdonald was CEO.

Bernard Tuch
Independent director
Qualifications BSc, MBBS (Hons), FRACP and PhD
Age: 60

Experience & expertise
Dr Tuch is currently employed as a senior scientist with CSIRO Australia in a cell transplantation project. He was previously a Professor at the University of New South Wales, where he carried out extensive research in islet xenotransplantation over many decades. He is a director of Sydney Cell Therapy Foundation Pty Limited and is a Specialist Practitioner, Endocrinology, Prince of Wales Private Hospital, Sydney and is affiliated with universities in India and USA.

Directors Report

His experience includes capital raising to support his considerable research team and a large international scientific publication list. He has had previous scientific collaborations with LCT and knows the company's direction intimately.

He was appointed to the board on 20 July 2011.

Special Responsibilities
Not yet assigned

Robert Willcocks
Independent director
Qualifications BA, LLM
Age: 62

Experience & expertise
Mr Willcocks is a senior executive with an extensive legal and business background working in particular with Australian listed public companies. He has a Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney. Mr Willcocks was a partner with the law firm Stephen Jaques & Stephen (now Mallesons Stephen Jaques) from 1980 until 1994, where he was a member of the Corporate Advisory Group with an emphasis on the mining and oil and gas sectors. As corporate adviser he has undertaken assignments in a range of industry sectors.

Mr Willcocks has been a director and Chairman of a number of Australian Securities Exchange (ASX) listed public companies. He is a director of ASX listed ARC Exploration Limited, and Hong Kong Stock Exchange listed APAC Resources Ltd.
He is also chairman and director of Trilogy Funds Management Ltd, a Responsible Entity under Australian law.

He was appointed to the board on 29 March 2011.

Special Responsibilities
Mr Willcocks is a member of both the Audit Risk & Compliance committee and the Remuneration & Nomination committee.

B/ COMPANY SECRETARY

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

Nick Geddes, FCA, FCIS

Nick is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is past President and past 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).

C/ MEETINGS OF DIRECTORS

During the financial year, 24 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Risk & Compliance Committee Meetings		Remuneration & Nomination Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R Austin	6	6				
D Brookes	8	8	3	3		
S Clay Alternate for R Elliott	2	2				
R Elliott	20	18				
R Finder	14	13			1	1
L Hunter	20	12	3		1	
R Macdonald	18	17				
D McAuliffe	8	7			1	1
S O'Loughlin	8	7	3	3		
P Tan	5	5				
R Willcocks	3	3				

3/ Business Review

A/ CORPORATE STRUCTURE

The companies within the consolidated group make up a vertically integrated cell therapy business with its registered office in Australia, and wholly owned subsidiaries in New Zealand, Russia and the United States. The parent entity is a public listed company (ASX : "LCT"; OTCQX: "LVCLY") incorporated and domiciled in Australia.

The consolidated group has one main operating division.

The research, development, production and clinical division is located in Auckland, New Zealand. The facility includes GMP manufacturing and IANZ accredited diagnostic laboratories, as well as separate designated pathogen free pig facilities.

B/ REVIEW OF OPERATIONS

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

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 a good manufacturing practice (GMP) manufacturing unit for the production of cell based therapeutics, as well as an internationally accredited diagnostic laboratory for monitoring potential viruses. This integrated infrastructure will enable 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:

Back to contents

Directors Report

- 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 implants without rejection; and
- a strong international intellectual property position.

This financial year has been one of significant progress for LCT with the completion of implants in the Phase II dose finding clinical trials of DIABECELL® in New Zealand and the registration of DIABECELL in Russia.

C/ OPERATING RESULTS

The consolidated loss of the consolidated group for the financial year after providing for income tax and eliminating minority equity interests amounted to $6,795,708. This represented a 19.77% increase on the loss reported for the year ended 30 June 2010.

4/ Financial Review

A/ FINANCIAL POSITION

The net assets of the consolidated group have increased by $520,614 from 30 June 2010 to $6,760,236 in 2011. The increase has largely resulted from the following factors:

- Investment by Jiangsu Aosaikang Pharmaceutical (ASK) of $1.7million for a 5% interest in LCT on 4 March 2011.
- On 12 April 2011, LCT entered into an agreement with Otsuka Pharmaceutical Factory to raise $3m through a placement of shares. For the placement Otsuka was issued 19million shares for $2.28m and a further 6 million shares for an unsecured mandatory converting security of $720,000 which was converted on 22 April 2011.
- LCT announced on 31 December 2010, the completion of the first closing of a share purchase and Convertible Security Agreement with New York based Investment Fund SpringTree Special Opportunities Fund, LP (SpringTree). The agreement provides for the issues of up to A$5.25m worth of shares over an 18 month period. This part of the agreement was terminated post year end. The agreement also provided for a A$500,000 converting security. Throughout the period, LCT received funds of A$325k from the conversion of the converting security. SpringTree were also given 3.5m options at an exercise price of A$0.1989 exercisable prior to 31 December 2013 and 1,682,692 ordinary shares as a commencement fee.
- Continued development of DIABECELL and NTCELL.

B/ LIQUIDITY & FUNDING

As at 30 June 2011 the consolidated group had $4,504,677 cash in the bank (2010: $3,121,524) which, based on anticipated levels of operational cash flow requirements, would allow the consolidated group to fund current operations for approximately 6 months.

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 consolidated entity incurred losses for the year of $6,795,708 (2010: $5,674,059) and experienced net cash outflows from operations of $5,723,151 for the year ended 30 June 2011. The losses have therefore negatively impacted the consolidated entity's cash balances. 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. While 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 is taking action to address the going concern issue and to protect the financial security of the consolidated entity. The directors are considering opportunities to further improve the cash position by better focusing activities, applying for grants, discussing collaborations, licensing arrangements 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 partners, licensees 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 (audited)

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

A/ REMUNERATION POLICY

The remuneration policy of Living Cell Technologies Limited has been designed to align key management personnel 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 key management personnel and directors to run and manage the consolidated group, and align the interests of directors, executives and shareholders.

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

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

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on achievement of goals established by the Board. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

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

The Board's policy is to remunerate non executive directors at market rates for time, commitment and responsibilities. The remuneration 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.

B/ EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, among the five Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Directors Report

	TERMS AND CONDITIONS FOR EACH GRANT						
Key Management Personnel	Position held as at 30 June 2011 and any change during the year	Contract details termination	Options /Rights %	Performance Based %	Termination payments %	Fixed Salary/Fees %	Total %
Robert Elliott	Medical director & acting CEO	60 days notice Redundancy payment of 2 weeks per year of service	-	-	-	100	100
Ross Macdonald	Managing director & CEO	6 months notice Redundancy payment of 4 weeks for first year and 2 weeks for each year thereafter	-	-	34	66	100
Paul Tan	Managing director & CEO	Resigned on 2 September 2010 60 days notice Redundancy payment of 2 weeks per year of service	-	-	18	82	100
Susanne Clay	Chief Business Officer	30 working days notice Redundancy payment of 2 weeks for first year and 1 week for each six months thereafter	25	13	-	62	100
John Cowan	Finance & Administration Manager	30 working days notice Redundancy payment of 4 weeks for first year and 2 weeks for each year thereafter up to 12 weeks	-	-	-	100	100

The employment terms and conditions of key management personnel and group executives are formalised in contracts of employment. There are no fixed term contracts.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of 1 months notice prior to termination of contract. A contracted person deemed to be employed on a permanent basis may terminate their employment by providing at least 1 month's notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

C/ REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2011

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

TABLE OF BENEFITS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2011							
Directors & Key Management Personnel		Salary, fees and leave $	Bonus $	Pension and superannuation $	Options/ Rights $	Termination benefits $	Total $
R Austin	2011	**16,666**		**-**	**10,437**	**-**	**27,103**
	2010	-		-	-	-	-
D Brookes	2011	**33,167**		**8,500**	**25,065**	**-**	**66,732**
	2010	53,765		14,985	65,760	-	134,510
D Collinson	2011	-		-	-	-	-
	2010	15,919		-	-	-	15,919
R Elliott	2011	**139,966**		**-**	**-**	**-**	**139,966**
	2010	154,159		-	-	-	154,159
R Finder	2011	**32,492**		**2,924**	**19,789**	**-**	**55,205**
	2010	34,404		3,096	51,916	-	89,416
L Hunter	2011	**50,000**		**-**	**-**	**-**	**50,000**
	2010	50,000		-	-	-	50,000
R Macdonald	2011	**266,666**		**36,184**	**-**	**155,000**	**457,850**
	2010	-		-	-	-	-
D McAuliffe	2011	**20,833**		**-**	**19,789**	**-**	**40,622**
	2010	37,500		-	51,916	-	89,416
S O'Loughlin	2011	**20,833**		**-**	**-**	**-**	**20,833**
	2010	56,250		-	-	-	56,250
P Tan	2011	**177,975**		**-**	**-**	**38,385**	**216,360**
	2010	294,485		-	-	-	294,485
R Willcocks	2011	**12,500**		**-**	**4,677**	**-**	**17,177**
	2010	-		-	-	-	-
S Clay	2011	**163,688**	**34,547**	**3,834**	**64,455**	**-**	**266,524**
	2010	48,426		-	-	-	48,426
J Cowan	2011	**120,339**		**2,397**	**-**	**-**	**122,736**
	2010	127,272		-	-	-	127,272
Total Directors & Key Management Personnel	2011	**1,055,125**	**34,547**	**53,839**	**144,212**	**193,385**	**1,481,108**
	2010	872,180	-	18,081	169,592	-	1,059,853

Directors Report

D/ OPTIONS AND RIGHTS GRANTED

Options are issued to the directors and specified executives as part of their remuneration. Each share option converts to one ordinary share of Living Cell Technologies Limited on exercise. 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 interest of executives, directors and shareholders.

Details of the options granted as remuneration to those key management personnel and executives during the year ended 30 June 2011:

	Vested No.	Vesting Date	Granted No.	Grant Date	Value per option at grant date $	Exercise price $	Expiry Date	No. lapsed during the year
Directors								
R Austin	-	25 Feb 2012	150,000	28 Nov 2011	0.0810	0.1500	28 Nov 2016	-
R Austin	-	25 Feb 2012	250,000	28 Nov 2011	0.0733	0.2500	28 Nov 2016	-
R Macdonald	-	2 Aug 2011	500,000	2 Aug 2010	0.1521	0.2795		500,000
R Willcocks	-	29 Mar 2012	150,000	28 Nov 2011	0.0524	0.1000	28 Nov 2016	-
R Willcocks	-	29 Mar 2012	250,000	28 Nov 2011	0.0422	0.2000	28 Nov 2016	-
Specified Executives								
Susanne Clay	150,000	15 Mar 2011	150,000	27 May 2010	0.2230	0.3000	15 Mar 2015	-
Susanne Clay	150,000	15 Mar 2011	150,000	27 May 2010	0.2094	0.4000	15 Mar 2015	-
Total	**300,000**		**1,600,000**					**500,000**

All options were issued by Living Cell Technologies Limited and entitle the holder to ordinary shares in Living Cell Technologies Limited for each option exercised.

All options issued in 2011 and 2010 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 years full time service.

Exercise prices in 2011 and 2010 have been structured at levels greater than the market price at the 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.

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

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

Details of the options granted as remuneration to those key management personnel and executives during the year ended 30 June 2010:

	Vested No.	Vesting Date	Granted No.	Grant Date	Value per option at grant date $	Exercise price $	Expiry Date	No. lapsed during the year
D Brookes	-	23 Sep 2010	250,000	19 Nov 2009	0.1721	0.3500	19 Nov 2014	-
D Brookes	-	23 Sep 2010	250,000	19 Nov 2009	0.1912	0.2500	19 Nov 2014	-
D McAuliffe	-	23 Sep 2010	250,000	19 Nov 2009	0.1721	0.3500	19 Nov 2014	-
D McAuliffe	-	23 Sep 2010	150,000	19 Nov 2009	0.1912	0.2500	19 Nov 2014	-
R Finder	-	23 Sep 2010	250,000	19 Nov 2009	0.1721	0.3500	19 Nov 2014	-
R Finder	-	23 Sep 2010	150,000	19 Nov 2009	0.1912	0.2500	19 Nov 2014	-
Total	**-**		**1,300,000**		**-**	**-**		**-**

Options

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

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE ($)	NUMBER UNDER OPTION
5 July 2005	14 November 2011	0.24	175,000
24 November 2006	12 December 2011	0.18	713,464
24 November 2006	12 December 2011	0.18	586,800
25 May 2007	25 May 2012	0.20	300,000
25 May 2007	25 May 2012	0.30	500,000
1 July 2007	1 June 2012	0.20	950,000
1 July 2007	1 June 2012	0.30	1,000,000
27 November 2007	27 November 2012	0.30	990,000
27 November 2007	30 November 2012	0.20	150,000
27 November 2007	30 November 2012	0.30	250,000
7 March 2008	23 February 2013	0.30	500,000
27 July 2008	25 June 2012	0.30	249,999
29 July 2008	25 June 2012	0.30	150,000
5 November 2008	5 November 2013	0.40	150,000
5 November 2008	5 November 2013	0.30	250,000
23 September 2009	19 November 2014	0.25	550,000
23 September 2009	19 November 2014	0.35	750,000
27 May 2011	15 March 2015	0.30	150,000
27 May 2011	15 March 2015	0.40	150,000
4 January 2011	4 January 2014	0.20	3,500,000
25 February 2011	28 November 2016	0.15	150,000
25 February 2011	28 November 2016	0.25	250,000
29 March 2011	28 November 2016	0.10	150,000
29 March 2011	28 November 2016	0.20	250,000
Total		**-**	**12,815,263**

Back to contents

Directors Report

Option holders do not have any rights to participate in any issues of shares or other interests in the company or a controlled entity.

There have been no unissued shares or interests under option in the company or a controlled entity during or since reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2011, no ordinary shares of Living Cell Technologies Limited were issued on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of these shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

6/ Other Items

INDEMNITY AND INSURANCE OF OFFICERS AND AUDITORS

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $44,750.

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

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.

EVENTS SUBSEQUENT TO REPORTING DATE

20 July 2011 Prestigious medical researcher appointed to the board of directors Dr Bernard Tuch was appointed to the board bringing vast research and clinical experience in islet transplantation.

20 July 2011 Investment banker appointed chairman

Mr Roy Austin, a current director with extensive investment banking experience, was appointed chairman of the board.

26 July 2011 SpringTree facility terminated by mutual consent

The Share Purchase and Convertible Security Agreement with SpringTree Special Opportunities fund, LP was terminated with effect from 2 August 2011 by mutual consent. The balance of the converting security of $175,000 is not affected by the termination.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

To further improve the consolidated group's profit and maximise shareholder wealth, the following developments are intended for implementation in the near future:

- Complete monitoring and data management of the New Zealand clinical trial.
- Complete implants, monitoring and data management of the clinical trial in Argentina.
- Continue development of NTCELL.

ENVIRONMENTAL ISSUES

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Companies Act 2001 is set out on page 30.

NON AUDIT SERVICES

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

- all non audit services are reviewed and approved by the audit, risk & compliance committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non audit services provided during the year ended 30 June 2011: $2,380 (2010: NIL).

This report is made in accordance with a resolution of directors pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed on behalf of the directors

Director: .....

Dated 25 August 2011

Auditor's Independence Declaration

PKF

Chartered Accountants
& Business Advisers

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements as set out in 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.

PKF

PKF

Tim Sydenham
Partner
Sydney, 25 August 2011

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

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 the 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 Limited's corporate governance practices were in place throughout the year ended 30 June 2011 and to the date of signing the directors report and were fully compliant with the Council's Principles and recommendations apart from the following recommendation:

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

The company does not have a formal board/committee/director evaluation process at present although there is regular discussion at board meetings about the performance of the board and its effectiveness.

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 18. 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 the independent directors of the company are: Roy Austin, Laurie Hunter, Bernard Tuch and Robert Willcocks.

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. 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.

Corporate Governance Statement

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; Laurie Hunter (Chair), Robert Willcocks and Roy Austin. 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 Evaluation

There has been no formal performance evaluation of the board or board committee during the financial year ended 30 June 2011. 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, is included in the remuneration report, which is contained within the Directors' Report.

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three independent directors and no executive directors. The Remuneration Committee presently comprises Roy Austin (Chair), Laurie Hunter and Robert Willcocks.

Remuneration

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the directors themselves; 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 who 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.

FINANCIALS

Click on the links to the right to jump to a page number.

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
REVENUE			
Sale of goods		**463**	548
Services revenue		**176,075**	300,390
Grant income		**1,743,598**	989,702
Other income		**776**	216,149
Interest income		**141,988**	166,293
Dividend income		**256**	387
Total revenue		**2,063,156**	1,673,469
EXPENSES			
Research & development		**(5,059,381)**	(4,058,277)
Administrative costs	2	**(3,119,127)**	(2,960,560)
Occupancy costs		**(571,192)**	(549,254)
Finance costs	2	**(83)**	(1,551)
Net foreign exchange (loss)/gain		**(109,081)**	222,114
Total expenses		**(8,858,864)**	(7,347,528)
Loss before income tax expense		**(6,795,708)**	(5,674,059)
Income tax expense	3	**-**	-
Loss attributable to members of the parent entity		**(6,795,708)**	(5,674,059)
Other comprehensive income			
Exchange differences on translating foreign operations net of tax		**(152,829)**	(214,922)
Total other comprehensive income		**(152,829)**	(214,922)
Total comprehensive loss attributable to members of the parent entity		**(6,948,537)**	(5,888,981)

Earnings Per Share:

Continuing operations:			
Basic earnings/ (loss) per share (cents)		**(2.30)**	(2.13)
Diluted earnings/ (loss) per share (cents)		**(2.30)**	(2.13)

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

Statement of Financial Position

As at 30 June 2011

	Note	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	21	**4,504,677**	3,121,524
Trade and other receivables	7	**167,203**	711,256
Other current assets	8	**39,054**	11,925
TOTAL CURRENT ASSETS		**4,710,934**	3,844,705
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,471,449**	2,793,819
Biological assets	10	**289,249**	304,842
TOTAL NON-CURRENT ASSETS		**2,760,698**	3,098,661
TOTAL ASSETS		**7,471,632**	6,943,366
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**520,497**	411,111
Short-term financial liabilities	12	**-**	7,383
Provisions	13	**190,899**	285,250
TOTAL CURRENT LIABILITIES		**711,396**	703,744
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		**711,396**	703,744
NET ASSETS		**6,760,236**	6,239,622
EQUITY			
Issued capital	15	**59,353,196**	52,430,728
Reserves	17	**1,064,294**	1,473,708
Accumulated losses		**(53,657,254)**	(47,664,814)
TOTAL EQUITY		**6,760,236**	6,239,622

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

Statement of Changes in Equity

As at 30 June 2011

CONSOLIDATED 2011	Ordinary Shares $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Convertible Securities $	Total $
Balance as at 1 July 2010	52,430,728	(47,664,814)	(91,721)	1,565,429	-	6,239,622
Loss attributable to members of parent entity	-	(6,795,708)	-	-	-	(6,795,708)
Total other comprehensive income	-	-	(152,829)	-	-	(152,829)
Total comprehensive income	-	(6,795,708)	(152,829)	-	-	(6,948,537)
Shares issued during the year	6,551,340	-	-	-	-	6,551,340
Convertible securities issued during the year	-	-	-	-	1,220,000	1,220,000
Conversion of notes	1,045,000	-	-	-	(1,045,000)	-
Share issue transaction costs	(708,552)	-	-	262,150	-	(446,402)
Share based remuneration	-	-	-	144,213	-	144,213
Options expired during year	34,680	803,268	-	(837,948)	-	-
Balance at 30 June 2011	59,353,196	(53,657,254)	(244,550)	1,133,844	175,000	6,760,236

CONSOLIDATED 2010	Ordinary Shares $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Convertible Securities $	Total $
Balance as at 1 July 2009	46,049,170	(41,990,755)	123,201	1,345,774	-	5,527,390
Loss attributable to members of parent entity	-	(5,674,059)	-	-	-	(5,674,059)
Total other comprehensive income	-	-	(214,922)	-	-	(214,922)
Total comprehensive income	-	(5,674,059)	(214,922)	-	-	(5,888,981)
Shares issued during the year	6,751,478	-	-	-	-	6,751,478
Share issue transaction costs	(369,920)	-	-	-	-	(369,920)
Share based remuneration	-	-	-	219,655	-	219,655
Balance at 30 June 2010	52,430,728	(47,664,814)	(91,721)	1,565,429	-	6,239,622

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

Statement of Cash Flows

For the year ended 30 June 2011

	Note	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
Cash from operating activities:			
Receipts from customers and grants (GST inclusive)		**2,595,319**	1,399,685
Payments to suppliers and employees (GST inclusive)		**(8,507,519)**	(7,372,992)
Dividends received		**256**	387
Interest received		**188,793**	109,102
Net cash used in operating activities	21(a)	**(5,723,151)**	(5,863,818)
Cash flows from investing activities:			
Payment for plant and equipment		**(194,582)**	(279,605)
Proceeds from disposal of property, plant and equipment		**617**	3,540
Net cash used in investing activities		**(193,965)**	(276,065)
Cash flows from financing activities:			
Proceeds from issue of shares		**6,350,090**	6,751,478
Proceeds from the issue of convertible notes		**1,220,000**	-
Expenses from the issue of shares		**(245,152)**	(369,920)
Payment of finance lease liabilities		**(7,383)**	(29,138)
Net cash provided by financing activities		**7,317,555**	6,352,420
Net increase in cash and cash equivalents		**1,400,439**	212,537
Cash and cash equivalents at beginning of year		**3,121,524**	2,868,482
Effect of exchange rates on cash holdings in foreign currencies		**(17,286)**	40,505
Cash and cash equivalents at end of financial year	21(b)	**4,504,677**	3,121,524

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

Notes to the Financial Statements

For the year ended 30 June 2011

1/ Statement of Significant Accounting Policies

A/ BASIS OF PREPARATION

This general purpose financial report for the year ended 30 June 2011 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 with International Financial Reporting Standards (IFRS) as issued by the international accounting standards board (IASB).

The financial report covers the consolidated entity of Living Cell Technologies Limited and its controlled entities. Living Cell Technologies Limited is a listed 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 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.

The financial report of Living Cell Technologies Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Board of Directors on 25 August 2011.

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 consolidated entity incurred losses for the year of $6,795,708 (2010: $5,674,059) and experienced net cash outflows from operations of $5,723,151 for the year ended 30 June 2011. The losses have therefore negatively impacted the consolidated entity's cash balances. 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 is taking action to address the going concern issue and to protect the financial security of the consolidated entity. The directors are considering opportunities to further improve the cash position by better focusing activities applying for grants, discussing collaborations, licensing arrangements 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 partners, licensees 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 22 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.

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.

Notes to the Financial Statements

For the year ended 30 June 2011

Transactions and balances

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

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

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

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 statement of financial position. These differences are recognised in the statement of comprehensive income 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, other short term highly liquid investments with original maturities of three months or less.

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.

Plant and equipment

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

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

Depreciation

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

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

Class of Fixed Asset	
Buildings	8.5%
Plant and equipment	7.5%–80.4%
Furniture, fixtures and fittings	9.5%–60%
Motor vehicles	26%–30%
Office equipment	18%–80.4%
Leasehold improvements	7.5%–48%

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

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

I/ BIOLOGICAL ASSETS

Biological assets are recorded at cost. Any foreign exchange movements are taken to the statement of comprehensive income.

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 statement of comprehensive income 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 statement of comprehensive income.

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.

Notes to the Financial Statements

For the year ended 30 June 2011

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.

Convertible securities issued by the group have been recognised within equity as they convert to ordinary shares on or before the expiration date of the agreement.

T/ REVENUE RECOGNITION

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

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

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

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

Issue of Options

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

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

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 income 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 reporting date.

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

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

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

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

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 statement of financial position are shown inclusive of GST.

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

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/ ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The following Standards, amendments to standards and interpretations have been adopted in the current period and have affected the disclosures in these financial statements:

AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards

Effective: Annual periods beginning on or after 1 January 2011

Expected implementation: Year commencing 1 January 2011

Amends the requirements of the previous version of AASB 124 to:

* Provide a partial exemption from related party disclosure requirements for government related entities.
* Clarify the definition of a related party.
* Include an explicit requirement to disclose commitments involving related parties.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process

Effective: Annual periods beginning on or after 1 January 2011

Expected implementation: Year commencing 1 January 2011

* Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences.
* Other changes are more substantial, such as the current/non current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

Note: The amendments made to the guidance to AASB 118 'Revenue' regarding determining whether an entity is acting as agent or principal have no explicit application date and we understand that they are taken to be immediately applicable.

Notes to the Financial Statements

For the year ended 30 June 2011

AB/ ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but are not yet effective, and have not been adopted by the Company for the reporting period ended 30 June 2011.

The Company has assessed the impact of these new standards, amendments and interpretations, and set below information that is expected to be relevant to the Company's financial statements.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9

Effective: Annual periods beginning on or after 1 January 2013

Expected implementation: Year commencing 1 January 2013

AASB 9 introduces new requirements for classifying and measuring financial assets, as follows:

* Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
* Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss.
* All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
* The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines

IFRS 10 Consolidation (Not yet issued by the AASB)

Effective: Annual periods beginning on or after 1 January 2013

Expected implementation: Year commencing 1 January 2013

IFRS 10 replaces AASB 127 and 3 key elements of control. According to IFRS 10 an investor controls an investee if and only if the investor has all the following:

* Power over the investee;
* Exposure, or rights, to variable returns from its involvement with the investee; and
* The ability to use its power over the investee to affect the amount of the investor's returns.

Additional guidance is provided in how to evaluate each of the three limbs above.

IFRS13 Fair Value Measurement (Not yet issued by the AASB)

Effective: Annual periods beginning on or after 1 January 2013

Expected Implementation: Year commencing 1 January 2013

IFRS13:

* Defines fair value
* Sets out in a single IFRS a framework for measuring fair value; and
* Requires disclosures about fair value measurement.

Fair value is defined as:

"the market price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)"

The standard does not require fair value measurements in addition to those already required or permitted by other IFRSs.

AC/ CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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/ Loss for the Year

EXPENSES

Loss before income tax includes the following expenses:

	CONSOLIDATED	
	2011 $	2010 $
Employee benefits		
Wages & salaries	**1,940,158**	1,386,788
Share based payments	**144,213**	184,976
Contribution to employees' savings plans	**47,608**	18,083
Staff training	**16,863**	3,206
Accident compensation	**54,293**	51,022
Total employee benefits	**2,203,135**	1,644,075
Depreciation of property, plant & equipment		
Buildings	**166,660**	160,357
Plant & equipment	**152,363**	178,016
Furniture, fixtures & fittings	**24,357**	29,267
Total depreciation	**343,380**	367,640
Loss/ (gain) on disposal of plant, property & equipment	**20,379**	(14)
Interest on finance leases	**83**	1,551
Operating lease rentals	**226,865**	229,452
Audit fees	**89,082**	86,559

Notes to the Financial Statements

For the year ended 30 June 2011

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	
	2011 $	2010 $
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2010: 30%)		
Economic entity	**(2,038,712)**	(1,702,218)
Tax effect of non allowable & non assessable items:		
Deductible capital expenditure	**(66,462)**	(51,833)
Unrealised foreign exchange gains	**83,851**	(12,376)
Other items (net)	**44,661**	57,194
Tax effect of temporary differences	**(24,690)**	20,460
Deferred tax asset not brought to account	**2,001,352**	1,688,773
Income tax expense	**-**	-

4/ Tax Losses

	CONSOLIDATED	
	2011 $	2010 $
Unused tax losses for which no deferred tax asset has been recognised	**42,848,723**	36,177,552
Potential tax benefit @ 30%	**12,854,617**	10,853,265

The benefit will only be obtained if:

* The companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised.
* The companies continue to comply with the conditions for deductibility imposed by the law.
* No changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

5/ Earnings / (Loss) Per Share

A/

	CONSOLIDATED	
	2011 $	2010 $
Losses used in calculation of basic & diluted EPS	**(6,795,708)**	(5,674,059)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**295,321,784**	265,956,265
Weighted average number of ordinary shares and convertible securities outstanding during the year used in calculating diluted EPS	**295,321,784**	265,956,265

B/

	CONSOLIDATED	
	2011 cents	2010 cents
Basic earnings / (loss) per share	**(2.30)**	(2.13)
Diluted earnings / (loss) per share	**(2.30)**	(2.13)

6/ Parent Entity Disclosures

	2011 $	2010 $
Current assets	**4,330,765**	2,995,332
Total assets	**4,330,765**	2,995,332
Current liabilities	**(171,718)**	(101,954)
Total liabilities	**(171,718)**	(101,954)
Loss	**(6,203,480)**	(6,408,089)
Comprehensive loss	**(6,203,480)**	(6,408,089)
Accumulated losses	**(50,299,513)**	(44,694,692)
Issued capital	**59,353,196**	52,430,728
Options reserve	**1,133,844**	1,565,430
Convertible securities reserve	**175,000**	-
Shareholders' equity	**4,159,047**	2,893,377

The parent company has no guarantees, contingent liabilities or capital commitments.

Notes to the Financial Statements

For the year ended 30 June 2011

7/ Trade and Other Receivables

A/ CURRENT RECEIVABLES

For the year ended 30 June 2011

	CONSOLIDATED	
	2011 $	2010 $
Trade receivables	**139,529**	501,529
Other receivables	**27,674**	209,727
Total Current Trade and Other Receivables	**167,203**	711,256

B/ 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 (2010:$Nil) by the Group.

C/ AGED ANALYSIS

At 30 June 2011, there were no aged trade receivables, bad debts or doubtful debts (2010:$Nil).

8/ Other Assets

For the year ended 30 June 2011

	CONSOLIDATED	
	2011 $	2010 $
Other assets	**39,054**	11,925
Total Other Assets	**39,054**	11,925

9/ Property, Plant and Equipment

A/ DETAILED TABLE

	CONSOLIDATED	
	2011 $	2010 $
Buildings on leased land		
High Health Pig Facility		
At cost	**1,784,630**	1,875,590
Less accumulated depreciation	**(266,017)**	(131,944)
Total buildings	**1,518,613**	1,743,646
Plant and Equipment		
At cost	**1,443,201**	1,454,145
Less accumulated depreciation	**(814,838)**	(736,180)
Total plant and equipment	**628,363**	717,965
Furniture, fixture and fittings		
At cost	**95,416**	95,552
Less accumulated depreciation	**(61,354)**	(57,409)
Total furniture, fixture and fittings	**34,062**	38,143
Motor vehicles		
At cost	**15,497**	16,332
Less accumulated depreciation	**(6,912)**	(5,600)
Total motor vehicles	**8,585**	10,732
Office equipment		
At cost	**185,952**	192,913
Less accumulated depreciation	**(121,353)**	(165,455)
Total office equipment	**64,599**	27,458
Leasehold improvements		
At cost	**464,445**	488,274
Less accumulated depreciation	**(247,218)**	(232,399)
Total leasehold improvements	**217,227**	255,875
Total property, plant and equipment	**2,471,449**	2,793,819

Notes to the Financial Statements

For the year ended 30 June 2011

B/ MOVEMENTS IN CARRYING AMOUNTS

	Capital works in progress $	Buildings INVGL HH Pig Facility $	Plant and Equipment $	Furniture, Fixtures and Fittings $	Motor Vehicles $	Office Equipment $	Leasehold Improvements $	Total $
Current Year								
Balance at 1 July 2010	**-**	**1,743,646**	**717,965**	**38,143**	**10,732**	**27,458**	**255,875**	**2,793,819**
Additions	**-**	**4,976**	**127,211**	**4,765**	**-**	**56,484**	**1,146**	**194,582**
Disposals	**-**	**-**	**(18,072)**	**-**	**-**	**(1,998)**	**-**	**(20,070)**
Depreciation expense	**-**	**(140,093)**	**(152,363)**	**(6,860)**	**(1,590)**	**(15,907)**	**(26,567)**	**(343,380)**
Foreign exchange movements	**-**	**(89,916)**	**(46,378)**	**(1,986)**	**(557)**	**(1,438)**	**(13,227)**	**(153,502)**
Balance at 30 June 2011	**-**	**1,518,613**	**628,363**	**34,062**	**8,585**	**64,599**	**217,227**	**2,471,449**
Prior Year								
Balance at 1 July 2009	1,790,160	-	763,637	42,566	9,711	34,285	277,652	2,918,011
Additions	85,430	1,875,590	149,467	3,002	5,155	10,714	6,799	2,136,157
Disposals	-	-	(14,394)	-	(946)	(362)	-	(15,702)
Depreciation expense	-	(129,391)	(179,115)	(7,732)	(3,230)	(17,206)	(30,967)	(367,641)
Transfer to High Health Pig Facility	(1,875,590)	-	-	-	-	-	-	(1,875,590)
Foreign exchange movements	-	(2,553)	(1,630)	307	42	27	2,391	(1,416)
Balance at 30 June 2010	-	1,743,646	717,965	38,143	10,732	27,458	255,875	2,793,819

10/ Biological Assets

A/ VALUE OF ASSET

	CONSOLIDATED	
	2011 $	2010 $
Pig herd: Opening balance	**304,842**	301,581
Effect of exchange rate movements	**(15,593)**	3,261
Total Biological Assets	**289,249**	304,842

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	
	2011 $	2010 $
Unsecured		
Trade payables	**363,335**	286,741
Accrued expenses	**157,162**	124,370
Total Trade and Other Payables	**520,497**	411,111

12/ Financial Liabilities

		CONSOLIDATED	
	Note	2011 $	2010 $
Unsecured			
Finance lease: Current	14(b)	**-**	7,383
Total Financial Liabilities		**-**	7,383

13/ Provisions

	CONSOLIDATED	
	2011 $	2010 $
CURRENT		
Opening balance	**285,250**	197,518
Amounts used	**221,660**	163,998
Unused amounts reversed	**(316,011)**	(76,266)
Balance at end of year	**190,899**	285,250

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

Notes to the Financial Statements

For the year ended 30 June 2011

14/ Capital and Leasing Commitments

A/ OPERATING LEASE COMMITMENTS

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

	CONSOLIDATED	
	2011 $	2010 $
Payable - minimum lease payments		
- not later than 12 months	**222,217**	231,691
- between 12 months and 5 years	**826,344**	884,286
- greater than 5 years	**118,255**	520,539
	1,166,816	1,636,516

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

The lease of offices and laboratories in Auckland, New Zealand, is a non-cancellable lease with 4 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 4 years until expiry and rent payable in advance. Contingent rental provisions require the minimum lease payments to be reviewed every 2 years.

The land for the new designated pathogen free pig breeding facility in 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 7 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.

The lease of three copiers is a non-cancellable lease expiring on 27 February 2014.

There are no commitments for capital expenditure.

B/ FINANCE LEASE COMMITMENTS

	CONSOLIDATED	
	2011 $	2010 $
- less than 1 year	**-**	7,469
- later than 5 years	**-**	-
Lease payments	**-**	7,469
Less future finance changes	**-**	(86)
Present value of lease payments	**-**	7,383

Living Cell Technologies New Zealand Limited entered into an agreement with Roche Diagnostics NZ Ltd to lease to buy a LightCycler® 480 Real Time PCR Instrument, with a 36 month term payable each month. The lease expired in October 2010.

C/ OTHER COMMITMENTS

Phase II Clinical trials have now been completed in New Zealand, however ongoing monitoring is being administered by the Centre for Clinical Research (CCREP) on behalf of Living Cell Technologies New Zealand. The company has a contractual commitment to pay CCREP a further $391k over the remaining period of the trial.

15/ Issued Capital

A/ ISSUED CAPITAL

	2011 $	2010 $
332,412,275 Ordinary shares fully paid (2010: 274,266,196)	**63,292,346**	55,703,432
Share issue costs written off against share capital	**(3,939,150)**	(3,272,704)
Total Issued Capital	**59,353,196**	52,430,728

B/ AUTHORISED CAPITAL

The authorised share capital of the company is 332,412,275 shares (2010 : 274,266,196) of nil par value.

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

C/ MOVEMENTS IN SHARES ON ISSUE

	2011 Number of shares	2011 $	2010 Number of shares	2010 $
Ordinary Shares				
Beginning of the financial year	274,266,196	52,430,728	238,323,752	46,049,170
Issued during the year				
- private share issues	48,201,204	6,551,340	34,223,604	6,388,401
- convertible notes	9,944,875	1,045,000	-	-
- staff options exercised	-	-	42,500	8,925
- options exercised	-	-	1,676,340	354,152
Transaction costs in capital raising	-	(673,872)	-	(369,920)
At reporting date	**332,412,275**	**59,353,196**	**274,266,196**	**52,430,728**

Notes to the Financial Statements

For the year ended 30 June 2011

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 of the Directors' Report and Key Management Personnel compensation in note 19(c).

The weighted average fair value of options granted during the year was $0.09 (2010: $0.13)

The fair value of each option at grant data was calculated by using the Black-Scholes option pricing model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price and the share price at grant date. For each option granted volatility has been calculated using the share prices from the 20 day price to issue date.

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

	2011
Offer dated 27 May 2010	
The assessed fair value at date of grant was:	
Expected share volatility (%)	102.39
Risk free interest rate (%)	4.50
Weighted average expected life of the option (years)	5.00
Weighted average exercise price ($)	0.35
Weighted average share price at grant date ($)	0.29

	2011
Offer dated 2 August 2010	
The assessed fair value at date of grant was:	
Expected share volatility (%)	76.39
Risk free interest rate (%)	4.50
Weighted average expected life of the option (years)	6.00
Weighted average exercise price ($)	0.28
Weighted average share price at grant date ($)	0.23

	2011
Offer dated 4 January 2011	
The assessed fair value at date of grant was:	
Expected share volatility (%)	115.89
Risk free interest rate (%)	4.75
Weighted average expected life of the option (years)	3.00
Weighted average exercise price ($)	0.20
Weighted average share price at grant date ($)	0.13

	2011
Offer dated 25 February 2011	
The assessed fair value at date of grant was:	
Expected share volatility (%)	102.39
Risk free interest rate (%)	4.75
Weighted average expected life of the option (years)	5.00
Weighted average exercise price ($)	0.21
Weighted average share price at grant date ($)	0.11

	2011
Offer dated 29 March 2011	
The assessed fair value at date of grant was:	
Expected share volatility (%)	84.00
Risk free interest rate (%)	4.75
Weighted average expected life of the option (years)	5.00
Weighted average exercise price ($)	0.16
Weighted average share price at grant date ($)	0.08

Included in the consolidated loss for the year is share based payments expense of $144,212 (2010: $184,976).

Back to contents

Notes to the Financial Statements

For the year ended 30 June 2011

16/ Capital Management

The capital of the consolidated group is equity held in the group. The consolidated group's objective when managing capital is 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 structure by assessing the group's financial risks and adjusting the capital structure in response to changes in these risks and the market. These responses include the issue of additional shares and/or convertible securities.

During the year, LCT issued convertible securities to Otsuka and SpringTree as an alternative capital raising method.

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

17/ Share Capital and Reserves

RESERVES

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

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

Convertible Securities Reserve
The convertible securities reserve reflects converting securities not yet converted as at year end.

18/ Currency Translation Rates

	CURRENCY	2011 AUD	2010 AUD
Year end rates used for the consolidated statement of financial position to translate the following currencies into Australian dollars (AUD), are:			
	USD	0.94	1.17
	NZD	0.77	0.81
Average rates of the year used for the consolidated statements of comprehensive income and cash flows, to translate the following currencies into Australian Dollars (AUD), are:			
	USD	1.02	1.14
	NZD	0.77	0.80

19/ 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
Roy Austin	Independent director (appointed - 25 February 2011)
David Brookes	Independent director (not re-elected at AGM - 18 November 2010)
Robert Elliott	Medical Director & Chairman
Robert Finder	Independent director (resigned - 14 March 2011)
Laurie Hunter	Independent Director
Ross Macdonald	CEO (appointed 2 August 2010, resigned - 24 June 2011)
David McAuliffe	Independent Director (resigned - 18 November 2010)
Simon OLoughlin	Independent director (not re-elected at AGM - 18 November 2010)
Paul Tan	CEO (resigned - 23 September 2010)
Robert Willcocks	Independent director (appointed - 29 March 2011)
Executives	
Susanne Clay	Chief Business Officer (resigned - 12 July 2011)
John Cowan	Finance & Administration Manager

B/ COMPENSATION

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

	2011 $	2010 $
Short term employee benefits	**1,089,672**	872,180
Post employment benefits	**53,839**	18,081
Termination payment	**193,385**	.
Share based payments	**144,212**	169,592
Total	**1,481,108**	1,059,853

Notes to the Financial Statements

For the year ended 30 June 2011

C/ OPTIONS AND RIGHTS HOLDINGS

	Balance 01/07/2010	Granted as Remuneration	Options Exercised	Options Expired	Balance 30/06/2011	Total Exercisable	Total Unexercisable
Directors							
Roy Austin	-	400,000	-	-	400,000	-	400,000
David Brookes	900,000	-	-	-	900,000	900,000	-
Robert Elliott	-	-	-	-	-	-	-
Robert Finder	400,000	-	-	-	400,000	400,000	-
Laurie Hunter[1]	1,700,264	-	-	-	1,700,264	1,700,264	-
Ross Macdonald[2]	-	500,000	-	(500,000)	-	-	-
David McAuliffe	400,000	-	-	-	400,000	400,000	-
Simon O'Loughlin	950,000	-	-	(150,000)	800,000	800,000	-
Paul Tan	1,300,000	-	-	(300,000)	1,000,000	1,000,000	-
Robert Willcocks	-	400,000	-	-	400,000	-	400,000
Specified Executives							
John Cowan	-	-	-	-	-	-	-
Susanne Clay	-	300,000	-	-	300,000	300,000	-
Total	**5,650,264**	**1,600,000**	**-**	**(950,000)**	**6,300,264**	**5,500,264**	**800,000**

	Balance 01/07/2009	Granted as Remuneration	Options Exercised	Options Expired	Balance 30/06/2010	Total Exercisable	Total Unexercisable
Directors							
David Brookes	400,000	500,000	-	-	900,000	400,000	500,000
David Collinson	2,123,300	-	-	(2,123,300)	-	-	-
Robert Elliott	2,023,300	-	-	(2,023,300)	-	-	-
Robert Finder	-	400,000	-	-	400,000	-	400,000
Laurie Hunter	1,700,264	-	-	-	1,700,264	1,700,264	-
Ross Macdonald	-	-	-	-	-	-	-
David McAuliffe	-	400,000	-	-	400,000	-	400,000
Simon O'Loughlin	950,000	-	-	-	950,000	950,000	-
Paul Tan	1,300,000	-	-	-	1,300,000	1,300,000	-
Specified Executives							
John Cowan	-	-	-	-	-	-	-
Susanne Clay	-	-	-	-	-	-	-
Total	**8,496,864**	**1,300,000**	**-**	**(4,146,600)**	**5,650,264**	**4,350,264**	**1,300,000**

(1) 1.3m options are held by a related entity Bell Potter Nominees.

(2) Ross Macdonald's options were due to vest on 2 August 2011; however these were forfeited on his resignation before the vesting date.

D/ SHAREHOLDINGS

	Balance 01/07/2010	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2011
Directors					
Roy Austin	-	-	-	-	-
David Brookes	545,000	-	-	(545,000)	-
Robert Elliott	2,633,126	-	-	125,000	2,758,126
Robert Finder	-	-	-	-	-
Laurie Hunter[2]	2,645,661	-	-	-	2,645,661
Ross Macdonald	-	-	-	-	-
David McAuliffe	-	-	-	-	-
Simon O'Loughlin	387,142	-	-	(300,000)	87,142
Paul Tan	208,571	-	-	-	208,571
Robert Willcocks	-	-	-	-	-
Specified Executives					
John Cowan[1]	-	-	-	20,000	20,000
Susanne Clay[3]	-	-	-	50,000	50,000
Total	**6,419,500**		**-**	**(650,000)**	**5,769,500**

	Balance 01/07/2009	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2010
Directors					
David Brooks	485,000	-	-	60,000	545,000
David Collinson	10,359,568	-	-	-	10,359,568
Robert Elliott	2,593,126	-	-	40,000	2,633,126
Laurie Hunter	2,645,661	-	-	-	2,645,661
David McAuliffe	-	-	-	-	-
Simon O'Loughlin	367,142	-	-	20,000	387,142
Paul Tan	148,571	-	-	60,000	208,571
Specified Executives					
John Cowan	-	-	-	-	-
Susanne Clay	-	-	-	-	-
Total	**16,599,068**	**-**	**-**	**180,000**	**16,779,068**

(1) The shares are held by a related entity, Custodial Securities Limited.
(2) The shares are held by a related entity, Bell Potter Nominees.
(3) The shares are held by S Clay's spouse.

Notes to the Financial Statements

For the year ended 30 June 2011

20/ Auditors' Remuneration

	2011 $	2010 $
Remuneration of PKF Sydney:		
- Auditing or reviewing the consolidated financial report and Australian based subsidiaries	**74,500**	73,000
Remuneration of PKF Ross Melville Auckland:		
- Auditing the New Zealand based subsidiaries	**12,202**	13,559
Other services	**2,380**	-
Auditors remuneration	**89,082**	86,558

21/ Cash Flow Information

A/ RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX

	2011 $	2010 $
Net loss for the period after income tax expense	**(6,795,708)**	(5,674,059)
Non cash flows in loss:		
Depreciation	**343,380**	367,640
Net gain on disposal of property, plant and equipment	**20,379**	(3,407)
Net foreign currency losses/ (gains)	**109,081**	(222,664)
Share options expensed	**144,213**	219,655
Changes in assets and liabilities:		
Decrease/(increase) in trade and term receivables	**467,597**	(434,403)
(Increase)/decrease in other assets	**(27,128)**	123,177
Increase/(decrease) in trade payables and accruals	**109,386**	(327,489)
(Decrease)/increase in employee entitlements	**(94,351)**	87,732
Cash flow from operations	**(5,723,151)**	(5,863,818)

B/ RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to:

	2011 $	2010 $
Cash and cash equivalents	**4,504,677**	3,121,524

The group also has two business mastercard facilities with Westpac NZ for $40,000 and $200,000 respectively. These are both undrawn as at year end.

22/ Controlled Entities

NAME	COUNTRY OF INCORPORATION	PERCENTAGE % OWNED 2011	PERCENTAGE % OWNED 2010
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
LCT Biomedical Ltd	Russia	**100**	100
Fac8Cell Pty Ltd	Australia	**100**	100
DiabCell Pty Ltd	Australia	**100**	100
NeurotrophinCell Pty Ltd	Australia	**100**	100

23/ 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 22 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.

iv) Service Fee

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

v) Key Management Personnel

Disclosures relating to key management personnel are set out in note 19 and the directors' report.

Notes to the Financial Statements

For the year ended 30 June 2011

24/ 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.

25/ 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.

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

The group holds the following financial instruments:

	CONSOLIDATED	
	2011 $	2010 $
Financial Assets:		
Cash and cash equivalents	**4,504,677**	3,121,524
Trade and other receivables	**167,203**	711,256
Total Financial Assets	**4,671,880**	3,832,780
Financial Liabilities:		
Trade and other payables	**520,497**	411,111
Lease liabilities	**-**	7,383
Total Financial Liabilities	**520,497**	418,494

A/ MARKET RISK

The consolidated entity's activities expose it to the financials 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 6 months. This investment policy is adopted to manage risks and enhance returns.

Interest Rate Risk Sensitivity Analysis

At 30 June 2010, the effect on profit / (loss) and equity as a result of changes in the interest rate, based on interest income at the average rate for the year, with all other variables remaining constant would be as follows:

	CONSOLIDATED	
	2011 $	2010 $
+ 1% (100 basis points)	**35,497**	34,906
- 0.5% (50 basis points)	**(17,748)**	(17,453)

C/ FOREIGN CURRENCY RISK

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. At 30 June 2011, 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.

		2011 $	2010 $
Financial Assets			
Cash and cash equivalents:	NZD	**2,844,894**	165,232
	USD	**18,213**	42,909
Trade and other receivables	NZD	**161,993**	396,379
	USD	**5,279**	245,809
Other assets (current)	NZD	**-**	11,439
Property, plant and equipment	NZD	**2,421,809**	2,718,877
	USD	**38,998**	67,753
Biological assets	NZD	**289,249**	304,842
Financial Liabilities			
Trade and other payables:	NZD	**(332,925)**	(296,773)
	USD	**(632)**	(1,466)
Short term borrowings	NZD	**-**	(7,383)
Current provisions	NZD	**(190,899)**	(285,250)
Retained earnings:	NZD	**2,868,640**	1,924,330
	USD	**(73,480)**	128,685
Net exposure		**8,051,139**	5,415,383

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 reporting date.

Notes to the Financial Statements

For the year ended 30 June 2011

At 30 June 2011, if the Australian dollar moved, as illustrated in the table below, based on all year end balances in foreign currency, with all other variables held constant, post tax profit/(loss) and equity would have been affected as follows:

CONSOLIDATED	NET LOSS HIGHER (LOWER)		NET ASSETS HIGHER (LOWER)	
	2011 $	2010 $	2011 $	2010 $
AUD/NZD 10%	**673,195**	522,261	**386,331**	329,828
AUD/NZD -5%	**(336,598)**	(26,131)	**4,668**	(164,914)
AUD/USD 10%	**(9,335)**	(61,480)	**(1,987)**	(74,349)
AUD/USD -5%	**4,668**	30,740	**994**	37,174

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 recognise financial assets, is the carrying amount, net of any allowances for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Receivable balances are monitored on an 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'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.

CONSOLIDATED			
	< Less than 1 year $	1 - 5 years $	> greater than 5 years $
Trade and other liabilities	520,497		-
Total	**520,497**		**-**

G/ NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of the consolidated entity's identified financial assets and liabilities are a reasonable approximation of their fair value.

26/ Contingent Liabilities and Contingent Assets

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

27/ Events Subsequent to Reporting Date

A/ 20 JULY 2011 PRESTIGIOUS MEDICAL RESEARCHER APPOINTED TO THE BOARD OF DIRECTORS

Dr Bernard Tuch was appointed to the board bringing vast research and clinical experience in islet transplantation.

B/ 20 JULY 2011 INVESTMENT BANKER APPOINTED CHAIRMAN

Mr Roy Austin, a current director with extensive investment banking experience, was appointed chairman of the board.

C/ 26 JULY 2011 SPRINGTREE FACILITY TERMINATED BY MUTUAL CONSENT

The Share Purchase and Convertible Security Agreement with SpringTree Special Opportunities Fund, LP was terminated with effect from 2 August 2011 by mutual consent. The balance of the converting security of $175,000 is not affected by the termination.

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

28/ Company Details

The registered office of the company is:

Living Cell Technologies Limited

Level 3, 70 Pitt Street
Sydney NSW 2000
+61-2-9239-0277

The principal place of business is:

PO Box 23566
Hunters Corner, Manukau 2155
Auckland, New Zealand
+64-9-276-2690

Directors' Declaration

The directors of Living Cell Technologies limited declare that:

a) in the directors' opinion the financial statements and notes on pages 18 to 71, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 18 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 2011 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) 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 2011, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

Dated at 25th day of August 2011

Director

Independent Auditor's Report

PKF
Chartered Accountants
& Business Advisers

Report on the Financial Report

We have audited the accompanying financial report of Living Cell Technologies Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of 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 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 controls 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, compromising 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 company'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.

Independent Auditor's Report

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion the financial report of Living Cell Technologies Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

PKF

Tim Sydenham, Partner
Sydney, 25 August 2011

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

Additional ASX Information

The shareholders information set out below was applicable as at 30 September 2011.

1/ Distribution of Shareholders

Analysis of number of shareholders by size of holding.

CATEGORY OF HOLDING	NUMBER	NUMBER OF SHARES
1 – 1,000	122	33,208
1,001 – 5,000	448	1,384,532
5,001 – 10,000	360	3,005,115
10,001 – 100,000	963	37,306,981
100,001 – shares and over	257	295,591,295
Total	2,150	337,321,131

2/ Unmarketable Parcels

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $0.055 per unit	9,091	755	2,683,232

3/ Twenty Largest Shareholders

SHAREHOLDER	NUMBER OF SHARES	% OF TOTAL SHARES
National Nominees Limited	45,296,385	13.43
HSBC Custody Nominees (Australia) Limited	28,520,388	8.45
Otsuka Pharmaceutical Factory Limited	25,000,000	7.41
Coalco International Limited	24,150,408	7.16
Navigroup Management Limited	20,213,249	5.99
Jiangsu Aosaikang Pharmaceutical Co Limited	14,334,080	4.25
K One W One Limited	11,061,006	3.28
Mr Graeme Collinson & Mr David Collinson	10,149,846	3.01
JP Morgan Nominees Limited	8,705,946	2.58
Citicorp Nominees Pty Limited	5,026,188	1.49
Foundation Services Limited	4,977,626	1.48
ERIS Pty Ltd	3,847,087	1.14
Mr Hugh Green, Ms Marianne Green & Mr Robert Narev	3,829,850	1.14
4 Eyes Limited	3,000,000	0.89
Mr Robert Elliot	2,712,126	0.80
Mr Michael Bushell	2,306,571	0.68
Bell Potter Nominees Limited	2,176,911	0.65
ABN Amro Clearing Society Nominees Pty Limited	1,984,194	0.59
BT Portfolio Services Limited	1,752,620	0.52
Forsyth Barr Custodians Limited	1,748,321	0.52
Total: top 20 holders of ordinary shares	**220,792,802**	**66.54**

Additional ASX Information

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	24,150,408

5/ Voting Rights

All ordinary shares carry one vote per share without restriction.

Living Cell Technologies Limited

ABN: 14 104 028 042
Level 3, 70 Pitt Street
Sydney NSW 2000

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

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