living cell technologies™

2018 - 2019 ANNUAL REPORT

Contents

From the Chairman

Your Board comprises people with a wide range of skill sets, including commercial, clinical, scientific and company expertise. We have robust debates that allow for informed comments and advice from our differing areas of expertise. The company is the richer for this. The recent addition of Professor Carolyn Sue to the Board means we now have a practising neurologist on the Board with scientific skills and with a great wealth of knowledge and expertise in the field of Parkinson's disease.

Early stage biotechnology is risky

Biotechnology companies such as LCT are inherently high-risk enterprises. After securing regulatory approval based on animal trials, LCT moved from an encouraging initial clinical trial in four people with end-stage Parkinson's disease to a larger trial in people with mid-stage Parkinson's disease that lasted two years. The aim was to secure provisional consent from regulatory authorities to treat paying patients in New Zealand. While there was some clinical benefit especially in the group that received 80 microcapsules, the magnitude and the duration of this effect may not be sufficient to satisfy the New Zealand regulators that the product could be marketed.

The company is examining the feasibility of carrying out a further clinical trial with NTCELL which would likely take place outside of New Zealand, as a treatment to delay or prevent the natural progression of the disease.

This requires the agreement of patients, neurologists, neurosurgeons and regulators, and, eventually of course, the support of those with funds to allow the implementation of a trial that might involve 60 people over several years. As you may understand, making a decision on this is neither an easy matter nor one that can be made rapidly.

Targeting migraine and obesity

To spread the risk and diversify our product portfolio, the Board has invested in two separate small molecule products for the treatment of obesity and migraine, thanks to the efforts and relationships of CEO Dr Ken Taylor. These are in pre-clinical phase at present and should be ready for testing in clinical trials next year with the goal of completing a Phase I clinical study within one to two years.

If such a study is successful, the product candidates will be attractive prospects for out-licence to big pharma companies due to the large market potential for treatment of migraine and obesity.

Already as an outcome of this research a patent for the migraine small molecule was published in May this year. Also in the same month a patent application for the obesity small molecule was filed. The patents are held by the University of Auckland and licensed to LCT.

Dr Taylor will go into more detail on these projects in his report.

Future Board changes

Earlier this year Laurie Hunter announced that he would not re-stand as a Board member at this year's AGM. We are tremendously grateful for his contribution over the past 13 years. The Board has considered appointing someone with a similar skill set of business acumen and commercialisation expertise.

A group of shareholders have nominated two candidates for Board positions and have also suggested removing both Robert Willcocks and Dr Ken Taylor from the Board. We see no wisdom in removing either director from the Board, as both have considerable independent skillsets which complement those of other Board members. The Board would be the poorer without their expertise and contributions.

We have consulted externally about suitable candidates and expect to complete our due diligence by the November AGM on a short list of candidates at which time we will advise shareholders of our recommendation.

Finances

LCT has sufficient cash reserves to continue its research portfolio with the small peptides projects with the University of Auckland, and to take at least one project to completion. LCT will need to raise significant capital if it is decided to pursue a further clinical trial of NTCELL in Parkinson's disease.

Thanks

On behalf of the Board, I would like to thank the small and dedicated team at LCT, led by Dr Ken Taylor, for their ongoing commitment and perseverance. Their enthusiasm and professionalism cannot be overstated.

Thank you also to those shareholders who have reached out to the Board during the year with suggestions and advice. We are most fortunate to have such passionate and engaged supporters.

Finally, I would like to thank my Board colleagues, public relations consultants and the secretariat for their expertise and dedication in helping to direct LCT. While the past 12 months have been challenging, the company remains focused on delivering positive outcomes for both shareholders and patients.

Bernie Tuch
INTERIM CHAIRMAN

2018-2019 Significant events

13 AUGUST 2018

Funding

LCT's 20 percent research and development rebate from Callaghan Innovation has been extended for a further two years.

31 AUGUST 2018

Board changes

Roy Austin steps down from his role as Chairman and from his position on the company's board, effective immediately. The board appoints Dr Bernie Tuch as interim chairman and appoints LCT CEO Dr Ken Taylor to the board as an Executive Director.

2 NOVEMBER 2018

NTCELL® Parkinson's trial: patient data 18 months after NTCELL implantation

Initial analysis of the 18-month data in the Phase IIb study of NTCELL® for Parkinson's disease shows a statistically significant improvement ($p = <0.05$) in the UPDRS in the patients who received 80 NTCELL capsules implantation to the putamen on both sides of the brain as compared to the placebo group that received sham surgery. No benefit was observed when 120 NTCELL capsules were implanted.

21 JANUARY 2019

NTCELL® Phase I/IIa Parkinson's trial: Patient data 4 years after implantation show safety and some efficacy

The four-year follow-up of the three remaining patients in the Phase I/IIa study of NTCELL® for Parkinson's disease finds Patient 1, four years after implantation continues to show a clinically significant improvement in Parkinson's disease symptoms as measured by UPDRS and the motor subscale. Patient 3, after two years of follow-up requested DBS treatment and withdrew from further evaluation. Patients 2 and 4, four years after implantation show no change from their study entry score.

1 MARCH 2019

NTCELL Medical Advisory Board announced

The medical advisory board comprises Professor Roger Barker, Cambridge, UK, Dr Patrik Brundin, Michigan, USA, Professor Thomas Foltynie, London, UK, Professor Carolyn Sue, Sydney, Australia and Dr Barry Snow, Auckland, NZ. At each data milestone LCT reviews the findings with the NTCELL medical advisory board to determine the next appropriate steps.

7 MAY 2019

Dr Carolyn Sue appointed non-executive director

Dr Carolyn M. Sue is appointed a non-executive director, effective 16 May 2019. Mr Laurie Hunter will be stepping down from the Board at the expiration of his term.

13 MAY 2019

NTCELL® Parkinson's trial – patient data 2 years after implantation

At 24 months post-implant the four people with Parkinson's disease who received 80 capsules continue to show a benefit as measured by the change in the Unified Parkinson's Disease Rating Scale (UPDRS Part III in the off state). This was greater than the 2 placebo group patients in that section of the trial, but not when compared to all the 6 placebo patients (4 from the other groups) in whom responses were quite varied. Recipients of 40 capsules showed no difference from placebo.

23 JULY 2019

Parkinson's trial – 2 year data analysis shows successful outcome

The entire data for the two years of the Phase IIb trial of NTCELL® in Parkinson's disease has been extensively analysed by statisticians and other experts. There was a clinically relevant effect observed (<-6.45 points from baseline) in both the 80- and 40-capsule group. No clinically relevant effect was seen in the 120 group. The effect of 80 capsules was greater than that of 40 capsules. When the placebo group was included in the analysis, the treatment effect was clinically relevant at weeks 52-104 for the 80-capsule group, and at week 52 for the 40-capsule group.

From the CEO

Over the past 12 months LCT management has focused on progressing three potential product projects.

In NTCELL we have completed the follow-up of patients in both clinical studies as well as in-depth analysis of all safety and efficacy data. We also completed preclinical studies of human brain pericytes to try and define the cellular site of action of NTCELL and identify active secretions.

We have also advanced our work on the two long-acting peptides licensed from the University of Auckland. Both product opportunities have progressed very well and are exciting opportunities for development and then out-license to treat obesity and migraine, which both address sizeable global markets.

NTCELL

In May 2019 LCT received 24-month follow-up data in the Phase IIb study of NTCELL® for Parkinson's disease. We then spent several months undertaking further in-depth analysis of all data from the study.

The analysis process included robust discussions with and advice and recommendations from our NTCELL Medical Advisory Board, the Data Safety Monitoring Board, Medsafe and statisticians with extensive clinical trial experience.

We also had to take account of a number of additional factors: there are not currently any comparable examples of approved disease-modifying treatments for Parkinson's disease; there is a well-documented placebo response in clinical trials; and the two NTCELL trials we conducted involved small patient numbers.

Adding further to the challenges of analysing the results was the need to address the sometimes competing views of stakeholders, including patients, expert neurologists, regulatory authorities and investors, while ensuring the data was examined critically and impartially.

Most important is understanding what information regulatory authorities would require to grant consent to market NTCELL, as well as what compelling data and expert opinion neurologists would require to recommend NTCELL neurosurgical implantation to their patients.

Two years of data

The 18-patient, Phase IIb trial of NTCELL encapsulated porcine choroid brain cells studied three groups of six patients. The active cohorts received 40 microcapsules, 80 microcapsules and 120 microcapsules implanted on each side of the brain. Two patients from each group had sham surgery.

The key measure of efficacy was motor function in the off state, that is, when recipients were not taking anti-Parkinsonian medications. Patients were scored using the Unified Parkinson's Disease Rating Scale standard (UPDRS).

26 weeks

At the initial study endpoint of 26 weeks post-implant there was not a statistically significant difference between the groups who received NTCELL and the placebo group. At this point the study was unblinded (patients then knew if they were treated with placebo) and it was agreed to continue to monitor patients out to two years post-implant as per an extended trial protocol.

52 weeks

The one-year efficacy data showed a statistically significant improvement in the UPDRS Part III in the off state in the patients who received 40 or 80 NTCELL capsules implantation to the putamen on both sides of the brain as compared to the placebo group. No benefit was observed when 120 NTCELL capsules were implanted. There was evidence of inflammation in this group, which may have compromised efficacy.

From the CEO

78 weeks

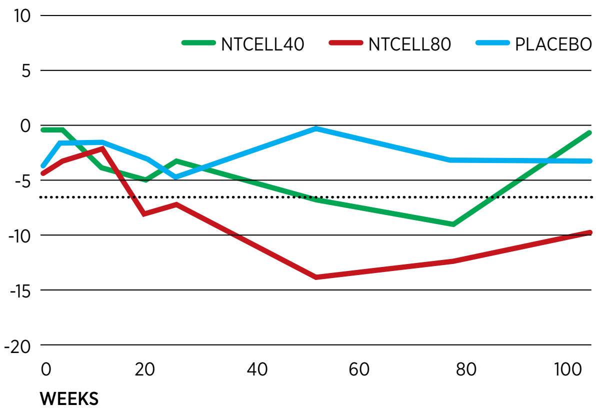
At 18 months post-implant, data showed a statistically significant improvement ($p = <0.05$) in the UPDRS in the patients who received 80 NTCELL capsules implantation to the putamen on both sides of the brain as compared to the placebo group.

104 weeks

In May 2019, at 24 months post-implant there was a clinically relevant effect observed (<-6.45 points from baseline) in both the 80- and 40-capsule group. The effect of 80 capsules was greater than that of 40 capsules. When the placebo group was included in the analysis, the treatment effect was clinically relevant at weeks 52-104 for the 80-capsule group, and at week 52 for the 40-capsule group.

MOTOR EXAM OFF

Change from baseline



Work is now underway to complete the final study reports for both the Phase I/IIa and Phase IIb trials. Once these are completed, we will no longer monitor the patients in either study and they will be free to pursue other treatments for their Parkinson's disease.

The future for NTCELL

We continue to work with regulatory authorities in New Zealand. Small patient numbers from the Phase I/IIa and Phase IIb studies combined with the lack of compelling efficacy compared to the placebo mean there is insufficient data at present to allow conditional approval under the current Medicines Act. This opinion is complicated by proposed changes to the New Zealand Medicines Act legislation.

A Phase III clinical study is a large undertaking, particularly for a small biotechnology company like LCT. A Phase III study of NTCELL would be a five-year commitment at least. It could not likely take place in Auckland or indeed New Zealand due to the large patient numbers required. The resources required in manufacturing, regulatory approval and placement of an international study are considerable and require in-depth due diligence.

The design of a clinical protocol to target more compelling efficacy data is optimised by guidance from pre-clinical studies on the neuroprotective mechanism of action of NTCELL. Unfortunately, our studies of NTCELL protecting human brain pericytes did not identify a site of action for NTCELL or identify a single active constituent. Thus, the study was terminated.

Professor Carolyn Sue and Dr Barry Snow attended the International Congress of Parkinson's Disease and Movement Disorders in France in September. At the conference they met with prospective investigators to discuss potential trial protocols, patient numbers and appropriate clinical endpoints.

Long-acting peptides show promise

The partnership with the University of Auckland is making good progress on the two studies currently underway. LCT's stated goal is to complete a Phase I clinical study within one to two years.

There is large global market potential for treatments for migraine and obesity. If a Phase I study proves our novel treatment candidates can be administered once daily, they will be attractive candidates for out-licence to global pharmaceutical companies.

The pre-clinical science underway at the University is led by Professor Debbie Hay. Professor Hay is a current James Cook Fellow whose research aims to contribute to the development of medicines to treat migraine, cancer, lymphatic insufficiency, cardiovascular disease, obesity and diabetes, whilst revealing fundamental mechanisms of cell signalling.

Long-acting pramlintide for obesity

"Pramlintide is currently marketed for the treatment of diabetes. In patients with diabetes, pramlintide is known to cause weight loss. By structural modification, we are developing a drug to treat morbid obesity. The development of therapies for the treatment of obesity has been historically controversial. Nevertheless, there is a huge need for treatment options. We are excited by the preclinical activity to date of our lead compound that has been generated using a novel chemistry platform."

Professor Debbie Hay and
Distinguished Professor Margaret Brimble

The target of this project is a single daily injection to achieve significant weight loss in morbidly obese patients.

The research is on track to identify a lead compound, which will be a patented derivative of pramlintide, which is currently on the market as a treatment for diabetes and is known to cause weight loss in patients.

Progress confirms the lead compound candidates can be synthesised. We have developed an analytical method for measuring blood levels. A Phase I safety study, which could take place in New Zealand, would aim to show that blood levels support a daily dose of long-acting pramlintide. Moreover, we can measure **efficacy after single dosing** in a Phase I study.

I met with representatives of a well-known global pharmaceutical company during my visits to overseas meetings earlier this year. As a result of this engagement, LCT has signed a Confidential Disclosure Agreement (CDA) relating to a novel delivery device to dispense the dose to patients.

Global pharmaceutical business development groups have shown much interest in this project, in particular, and it shows good potential for delivering a return to LCT. We anticipate a one to two year out-licensing exit that would create significant shareholder value.

Long-acting Calcitonin Gene-Related Peptide (CGRP) for migraine

"Elevated Calcitonin Gene-Related Peptides has been recognised as a key player in migraine. Antibodies and other blockers which inhibit the actions of CGRP are of great interest to large pharmaceutical companies around the world. The product market success will be determined by the product with the most advantageous dosing and frequency characteristics. Our biology and chemistry groups at the University of Auckland have the expertise to be globally competitive in this field and have developed a novel method to manufacture the products."

Professor Debbie Hay and
Distinguished Professor Margaret Brimble

The chemistry involved in this second project with the University of Auckland is similar to the anti-obesity project, meaning there are efficiencies in the use of the time and expertise of the chemistry and biological researchers. Professor Debbie Hay is an internationally recognised expert in this biological area.

The project is also targeting a once-daily dose, this time of a long-acting CGRP antagonist as a treatment for migraine. There are existing trial protocols in place for similar products that we can follow. Moreover in a Phase I study we can **measure efficacy after a single dose**.

Both the treatment of migraine and the prevention of obesity represent massive global markets. Thus the interest of pharmaceutical companies in acquiring early stage product candidates that they can progress to market approval.

The future for LCT

The best opportunity for LCT to provide a return to shareholders is to pursue the two projects with the University of Auckland with a view to out-licensing in the short term. These two projects have interest from global pharmaceutical companies which could take on the clinical development of the targets, a global market potential and encouraging high-quality pre-clinical data.

This strategy for LCT focuses on creating shareholder value with the current cash available.

Ken Taylor
CEO

Directors' report

For the year ended 30 June 2019

Directors' report

The directors present their report, together with the financial statements of the consolidated entity, being Living Cell Technologies Limited (LCT, the company) and its controlled entities, for the financial year ended 30 June 2019.

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

1. General information

Information on directors

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

BERNARD TUCH

Independent director Interim Chairman (Age: 68)
Qualifications: BSc, MBBS (Hons), FRACP, PhD, GAICD

Experience

Dr Tuch is an Honorary Professor at The University of Sydney where he is supervising a bioengineering diabetes cell therapy project. Previously, he was a senior scientist with CSIRO Australia. He is a director of Sydney Cell Therapy Foundation Pty Limited, the not-for-profit Australian Foundation for Diabetes Research, and is a Specialist Practitioner, Endocrinology, at the Prince of Wales Private Hospital & St Vincent's Private Hospital, Sydney. He is also an Adjunct Professor at Monash University.

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

Special responsibilities

Dr Tuch is chairman of the Remuneration and Nomination Committee. He was appointed to the board on 20 July 2011.

Other directorships in listed entities held in the previous three years

No directorships in listed entities held in the previous three years.

ROBERT ELLIOTT

Non-executive director (Age: 85)
Qualifications: MBBS, MD, FRACP

Experience

Professor Elliott trained as a paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Director of Paediatrics at The University of Auckland. Professor Elliott co-founded LCT. He is an Emeritus Professor of Child Health Research and a world leader in diabetes and autoimmune related research. He resigned from the position of Director, Clinical Research and Innovation on 27 February 2015.

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

He is on the board of Cure Kids and patron of the NZ Cystic Fibrosis Foundation. He is a director and shareholder of Breathe Easy Limited, Kopu Limited, Visregen Technologies Limited, Fac8 Limited and NZeno Limited.

Special responsibilities

Professor Elliott resigned as Chairman of the Diatranz Otsuka Limited board of directors in January 2018.
He was appointed to the LCT board on 15 January 2004.

Other directorships in listed entities held in the previous three years

No directorships in listed entities held in the previous three years.

LAURIE HUNTER

Independent director (Age: 72)
Qualifications: MA (Hons)

Experience

Mr Hunter has over 40 years' experience as a stockbroker, investment banker and corporate investor in London, Paris and San Francisco. He 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.

Special responsibilities

Mr Hunter is a member of the Audit, Risk and Compliance Committee. He was appointed to the LCT Board on 25 August 2006.

Other directorships in listed entities held in the previous three years

Mr Hunter resigned from the Board of listed company StratMin Global Resources Plc on 16 February 2016.

ROBERT WILLCOCKS

Independent director (Age: 71)
Qualifications: BA, LLM

Experience

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

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

Special responsibilities

Mr Willcocks is chairman of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee. He was appointed to the board on 29 March 2011.

Other directorships in listed entities held in the previous three years

No directorships in listed entities held in the previous three years.

CAROLYN SUE

Independent director (Age: 56)
Qualifications: PhD, MB, BS, FRACP

Experience

Professor Sue has a background in neurological science and medicine in relation to chronic illnesses. She is the Head of Neuroscience Research at the Kolling Institute at Sydney's Royal North Shore Hospital, and Director of Neurogenetics, Director of the National Centre for Adult Stem Cell Research and a Senior Staff Specialist in the Department of Neurology at Royal North Shore Hospital. Professor Sue is also the incoming Chair of the Education committee for the International Movement Disorder Society.

Professor Sue was recognised as a Member in the General Division of the Order of Australia in the 2019 Queen's Birthday honours for her service to medicine.

Special responsibilities

Professor Sue is a member of our medical advisory board. Professor Sue was appointed to the board on 16 May 2019.

Other directorships in listed entities held in the previous three years

No directorships in listed entities held in the previous three years.

KEN TAYLOR

Executive director (Age: 76)
Qualifications: MPharm, PhD

Experience

Dr Taylor has had a prestigious international career in both academia and business. He completed a postdoctoral fellowship in Pharmacology and Experimental Therapeutics at the Johns Hopkins University School of Medicine in Maryland, USA, and subsequently held a joint appointment in neurosciences at Princeton University and the Squibb Institute of Medical Research in Princeton, New Jersey. He joined Roche Australia and was soon promoted to the role of Medical Director, Australia, before becoming Managing Director of Roche New Zealand. In 1990, Ken was appointed Managing Director of the Roche UK affiliate and then transferred to Syntex in Palo Alto, California to convert the corporate pharmaceutical company to the Roche Bioscience Research Centre.

Prior to joining LCT, Dr Taylor was CEO of Antipodean Pharmaceuticals where he managed the Phase I and II studies of its lead compound in Parkinson's disease.

New Zealand-born Dr Taylor holds Honours and Doctorate degrees in pharmaceutical chemistry and pharmacology from the University of Otago School of Medicine and completed a business management program at IMD in Lausanne, Switzerland.

He holds a number of other directorships in private companies.

Special responsibilities

Ken Taylor was appointed to the board on 31 August 2018.

Other directorships in listed entities held in the previous three years

No directorships in listed entities held in the previous three years.

ROY AUSTIN

Independent director, resigned (Age: 71)
Qualifications: BCOM, FCA

Experience

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

Mr Austin is Chairman of New Zealand-based Cure Kids, a child health research charitable trust and its commercial biotech venture capital fund, Cure Kids Ventures Limited. He is a director of NZX-listed company CDL Investments New Zealand Limited. In 2017 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to children's health and the community.

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

Special responsibilities

Mr Austin was elected Chairman on 20 July 2011.

He is a member of the Remuneration and Nomination Committee; a member of the Audit, Risk and Compliance Committee and resigned from Diatranz Otsuka Limited board of directors in January 2018 (since 1 November 2011).

He was appointed to the LCT board on 25 February 2011 and resigned from the chairmanship and board on 31 August 2018.

Other directorships in listed entities held in the previous three years

No directorships in listed entities held in the previous three years.

Principal activities and significant changes in nature of activities

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

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

Directors' report

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

2. Operating and financial review

Operations

The loss after income tax from continuing operations has increased from a loss of $(374,492) in the year ended 30 June 2018 to a loss of $(3,181,363).

Revenue and other income increased from $767,220 to $769,677 and research and development expenses have decreased from $(3,390,078) to $(3,328,905).

Governance expenses in the previous year included exploration of collaboration opportunities. Shareholder expenses are similar to last year.

R&D loss tax credit of $296,154 (2018: $201,802) was received in exchange for forgoing NZD1,100,000 (2018: NZD800,000) of tax losses.

Financial position

Net assets of the consolidated entity have decreased from $7,135,323 to $4,138,491 mainly due to ongoing research and development expenditure and new product opportunities with the Auckland University.

Cash and cash equivalents decreased from $6,861,663 to $4,907,957 due to completing current clinical studies and investing into product opportunities while containing costs. This balance is projected to allow the current level of operations to continue for approximately 16 months if no further funds are raised. The directors also acknowledge that the expenditure in relation to the operating activities are predominantly discretionary and no material expenditure has been committed as at the date of this financial statement. Cash outflow in relation to operating activities is being managed by the directors to the extent of funding available.

The directors have prepared this report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- The consolidated entity 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.

Business strategies and prospects for future years

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

The in-depth analysis of the entire Phase IIb study of NTCELL data by statisticians and other experts indicates to progress NTCELL towards a marketable product LCT would have to undertake a larger Phase III study which would require further resources and clinical study design.

Strategies to achieve the above mission include:

- With expert input explore the feasibility of a confirmative larger Phase III study in NTCELL.
- Continue with our initial proof-of-principle projects that led to the designed and establishment of research partnerships with the globally recognised Chemical Sciences department at the University of Auckland to proceed with therapeutic targets that include migraine and anti-obesity.

Prospects for future years include execution of the above strategies to create value for shareholders by maximising the number and quality of target opportunities for achieving revenues in the near term.

In common with other biotech companies, there is a risk that these prospects for future years will not be achieved, depending on the outcomes of trials and research projects. These risks are mitigated by diversifying targets and reducing dependency on the outcome of any single research project.

3. Other items

Significant changes in state of affairs

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

Events after the reporting date

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

Environmental issues

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

Company secretary

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

Mark Licciardo (B Bus (Acc), GradDip CSP, FGIA, GAICD) has been the joint company secretary since 1 January 2016.

Elizabeth McGregor (BA (Hons), MBA, GIA (Cert)) has been the joint company secretary since 30 August 2018.

Dividends

There was no dividend paid, recommended or declared during the current financial year.

Meetings of directors

During the financial year, 13 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' meetings		Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Roy Austin	1	1	1	1	1	1
Robert Elliott	7	7	-	-	-	-
Bernard Tuch	7	7	-	-	4	4
Laurie Hunter	7	5	2	2	-	-
Robert Willcocks	7	7	2	2	4	4
Carolyn Sue	1	1	-	-	-	-
Ken Taylor	5	5	-	-	-	-

Indemnification and insurance of officers and auditors

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $70,500 (2018: $70,500).

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

Shares

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

2019 Key management personnel shareholdings	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at end of year
Bernard Tuch [2]	36,800	-	-	36,800
Robert Elliott	4,776,269	-	333,000	5,109,269
Laurie Hunter [1]	2,645,661	-	-	2,645,661
Robert Willcocks	-	-	-	-
Carolyn Sue	-	-	-	-
Roy Austin	-	-	-	-
Ken Taylor	-	-	-	-
Daya Uka	-	-	-	-
	7,458,730	**-**	**333,000**	**7,791,730**

2018 Key management personnel shareholdings	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at end of year
Bernard Tuch [2]	36,800	-	-	36,800
Robert Elliott	4,776,269	-	-	4,776,269
Laurie Hunter [1]	2,645,661	-	-	2,645,661
Robert Willcocks	-	-	-	-
Roy Austin	-	-	-	-
Ken Taylor	-	-	-	-
	7,458,730	**-**	**-**	**7,458,730**

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

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
1 July 2014	1 July 2020	$0.1000	250,000
1 July 2014	1 July 2020	$0.1400	100,000
1 July 2015	1 July 2021	$0.1000	250,000
1 July 2015	1 July 2021	$0.1900	100,000
1 July 2017	1 July 2020	$0.1130	600,000
13 December 2018	1 September 2020	$0.0310	1,100,000
13 December 2018	13 December 2021	$0.0487	250,000
13 December 2018	13 December 2022	$0.0487	2,400,000
Options at 30 June 2019			**5,050,000**

Non-audit services

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

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

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2019: $2,857 (2018: $2,778).

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2019 has been received and can be found on page 20 of the financial report.

4. Remuneration Report (audited)

Remuneration policy

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

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

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

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

Key management personnel receive company contributions to KiwiSaver in New Zealand and Superannuation Fund in Australia by the law, which is currently 3% and 9.5% respectively, and do not receive any other retirement benefits. One director has sacrificed part of his director's fees to his superannuation fund.

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

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

The board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration and nomination committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting, the current maximum is $450,000 which was approved at the 2007 AGM and does not include any predetermined performance-based remuneration.

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

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

Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, in consultation with key management personnel to ensure support. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs contribute to the strategies approved by the board.

Performance in relation to the KPIs is assessed annually, with options being awarded depending on the extent to which the measures are achieved.

The earnings of the LCT Group for the five years to 30 June 2019 are summarised below:

	2019	2018	2017	2016	2015
Revenue and other income	769,677	767,220	1,166,624	841,447	1,044,639
Loss after income tax	(3,181,363)	(374,492)	(4,090,257)	(3,093,163)	(7,043,402)

The factors that are considered to affect total shareholders return ("TSR") are summarised below;

Share price at financial year end (cents)	0.024	0.025	0.11	0.07	0.05
Total dividend declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.56)	(0.07)	(0.76)	(0.69)	(1.75)

Employment details of members of key management personnel

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

		Performance-based remuneration		
Key management personnel	**Position held**	**Bonus %**	**Shares %**	**Options %**
Ken Taylor	Chief Executive	-	-	5

Service agreements

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

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

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

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

Directors' report

Remuneration details for the year ended 30 June 2019

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

			Short term	Post-employment	Share-based payments	
Year ended 30 June 2019	**Cash salary/ fees $**	**Bonus $**	**Total short-term benefits $**	**Pension and superannuation $**	**Options and rights $**	**Total benefits and payments $**
Directors						
Bernard Tuch	61,172	-	61,172	5,495	27,900	94,567
Roy Austin	11,667	-	11,667	-	-	11,667
Robert Elliott	50,000	-	50,000	-	27,900	77,900
Laurie Hunter	50,000	-	50,000	-	27,900	77,900
Robert Willcocks	50,000	-	50,000	-	27,900	77,900
Carolyn Sue	6,249	-	6,249	-	-	6,249
KMP						
Ken Taylor	380,952	-	380,952	-	9,187	390,139
Daya Uka	145,074	-	145,074	-	5,878	150,952
	755,114	**-**	**755,114**	**5,495**	**126,665**	**887,274**
Year ended 30 June 2018						
Directors						
Roy Austin	70,000	-	70,000	-	-	70,000
Robert Elliott	50,000	-	50,000	-	-	50,000
Laurie Hunter	50,000	-	50,000	-	-	50,000
Bernard Tuch	45,716	-	45,716	4,284	-	50,000
Robert Willcocks	50,000	-	50,000	-	-	50,000
KMP						
Ken Taylor	361,074	-	361,074	-	31,980	393,054
	626,790	**-**	**626,790**	**4,284**	**31,980**	**663,054**

Securities received that are not performance related

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

Options granted, vested and lapsed during the year

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

Directors	Number of options	Exercise price per option $	Value per option at grant date $	Grant date	Vesting date	Expiry date	Vested during period %	Forfeited during period %
Bernard Tuch	600,000	0.0487	0.0465	13-Dec-18	13-Dec-18	13-Dec-22	100	-
Laurie Hunter	600,000	0.0487	0.0465	13-Dec-18	13-Dec-18	13-Dec-22	100	-
Robert Elliott	600,000	0.0487	0.0465	13-Dec-18	13-Dec-18	13-Dec-22	100	-
Robert Willcocks	600,000	0.0487	0.0465	13-Dec-18	13-Dec-18	13-Dec-22	100	-
KMP								
Ken Taylor	250,000	0.0487	0.0441	13-Dec-18	13-Dec-19	13-Dec-21	-	-
Daya Uka	300,000	0.0310	0.0235	01-Sep-18	01-Aug-19	01-Sep-20	-	-

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

The weighted average fair value of options granted during the year was $0.0396 (2018: $0.0553). The fair value of each option at grant date was calculated by using the Black Scholes option pricing model that takes into account the expected volatility, risk-free interest rate, expected life of the option, exercise price and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the option's life.

During the year ended 30 June 2019, no ordinary shares of LCT were issued on the exercise of options grants. No further shares have been issued since that date. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options were issued by Living Cell Technologies Limited and entitle the holder to ordinary shares in Living Cell Technologies Limited for each option exercised.

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

Key management personnel options and rights holdings

Directors	Balance at the beginning of the year	Granted as remuneration	Exercised	Expired	Balance at the end of the year	Vested during the year	Vested and exercisable	Total non-exercisable
2019								
Roy Austin[2]	-	-	-	-	-	-	-	-
Robert Elliott	-	600,000	-	-	600,000	600,000	600,000	-
Bernard Tuch	-	600,000	-	-	600,000	600,000	600,000	-
Robert Willcocks	-	600,000	-	-	600,000	600,000	600,000	-
Laurie Hunter	-	600,000	-	-	600,000	600,000	600,000	-
Carolyn Sue	-	-	-	-	-	-	-	-
Ken Taylor	2,100,000	250,000	-	800,000	1,550,000	250,000	850,000	850,000
Daya Uka	-	300,000	-	-	300,000	300,000	300,000	300,000
Total	**2,100,000**	**2,950,000**	**-**	**800,000**	**4,250,000**	**2,950,000**	**3,550,000**	**1,150,000**
2018								
Roy Austin	-	-	-	-	-	-	-	-
Robert Elliott	-	-	-	-	-	-	-	-
Bernard Tuch	-	-	-	-	-	-	-	-
Robert Willcocks	-	-	-	-	-	-	-	-
Laurie Hunter	-	-	-	-	-	-	-	-
Ken Taylor	1,500,000	600,000	-	-	2,100,000	-	1,500,000	600,000
Total	**1,500,000**	**600,000**	**-**	**-**	**2,100,000**	**-**	**1,500,000**	**600,000**

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

2 Resigned during the year on the 31 August 2018.

Directors' report

This concludes the Remuneration Report which has been audited.

Corporate governance statement

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

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

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

Bernard Tuch
Director

Dated: 29 August 2019

Auditor's independence declaration

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF LIVING CELL TECHNOLOGIES LIMITED

As lead auditor of Living Cell Technologies Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 29 August 2019

Financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue			
Revenue and other income	2	**769,677**	**767,220**
Expenses			
Research and development		(3,328,905)	(3,390,078)
Governance		(567,352)	(463,773)
Shareholder		(223,537)	(297,093)
General		-	(66,779)
Loss on disposal of equipment		(93,938)	-
Total expenses	3	**(4,213,732)**	**(4,217,724)**
Operating loss		**(3,444,055)**	**(3,450,504)**
Foreign exchange gain/(loss)		(33,462)	(125,790)
Sale of joint venture	24	-	3,000,000
Loss before income tax		**(3,477,517)**	**(576,294)**
R&D loss tax credit		296,154	201,802
Income tax expense	4	-	-
Loss after income tax from continuing operations		(3,181,363)	(374,492)
Loss attributable to members of the parent entity		**(3,181,363)**	**(374,492)**
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		(137,306)	16,890
Total other comprehensive income		**(137,306)**	**16,890**
Total comprehensive income attributable to members of the parent entity		**(3,318,669)**	**(357,602)**
Earnings per share			
Continuing operations			
Basic earnings/(loss) per share (cents)	5	(0.56)	(0.07)
Diluted earnings/(loss) per share (cents)	5	(0.56)	(0.07)

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

Consolidated statement of financial position

As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	18	4,907,957	6,861,663
Trade and other receivables	6	487,588	304,080
Inventories	8	1,058	1,019
Total current assets		**5,396,603**	**7,166,762**
Non-current assets			
Property, plant and equipment	7	178,798	304,439
Biological assets		99,047	95,413
Other financial assets		85,172	42,179
Total non-current assets		**363,017**	**442,031**
TOTAL ASSETS		**5,759,620**	**7,608,793**
Liabilities			
Current liabilities			
Trade and other payables	8	1,551,409	414,118
Short-term provisions	9	69,720	59,352
Total current liabilities		**1,621,129**	**473,470**
Total liabilities		**1,621,129**	**473,470**
NET ASSETS		**4,138,491**	**7,135,323**
Equity			
Issued capital	10	74,371,070	74,371,070
Reserves	11	4,125,017	3,940,486
Accumulated losses		(74,357,596)	(71,176,233)
Total equity attributable to equity holders of the company		**4,138,491**	**7,135,323**
TOTAL EQUITY		**4,138,491**	**7,135,323**

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

	Ordinary shares $	Accumulated losses $	Foreign currency translation reserve $	Option reserve $	Total $
2019					
Balance as at 1 July 2018	74,371,070	(71,176,233)	3,780,717	159,769	7,135,323
Total other comprehensive income for the year	-	(3,181,363)	-	-	(3,181,363)
Total other comprehensive income	-	-	137,306	-	137,306
Transaction with equity holders in their capacity as owners					
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Share-based remuneration	-	-	-	142,330	142,330
Option exercised	-	-	-	-	-
Expired options	-	-	-	(95,105)	(95,105)
Balance as at 30 June 2019	**74,371,070**	**(74,357,596)**	**3,918,023**	**206,994**	**4,138,491**
2018					
Balance as at 1 July 2017	74,339,770	(70,801,741)	3,797,607	182,704	7,518,340
Total other comprehensive income for the year	-	(374,492)	-	-	(374,492)
Total other comprehensive income	-	-	(16,890)	-	(16,890)
Transaction with equity holders in their capacity as owners					
Shares issued during the year	40,750	-	-	-	40,750
Transaction costs	(9,450)	-	-	-	(9,450)
Share-based remuneration	-	-	-	81,074	81,074
Option exercised	-	-	-	(16,987)	(16,987)
Expired options	-	-	-	(87,022)	(87,022)
Balance as at 30 June 2018	**74,371,070**	**(71,176,233)**	**3,780,717**	**159,769**	**7,135,323**

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers and grants (GST inclusive)		946,963	1,129,072
Payments to suppliers and employees (GST inclusive)		(3,035,248)	(4,834,636)
Interest received		97,755	135,258
Net cash used in operating activities	18	**(1,990,530)**	**(3,570,306)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,322)	(2,990)
Sale of 50% share in DOL		-	3,000,000
Payment for bond security		(42,993)	-
Net cash used by investing activities		**(53,315)**	**2,997,010**
Cash flows from financing activities			
Proceeds from issue of shares		-	40,750
Payment of transaction costs		-	(9,450)
Net cash provided by financing activities		**-**	**31,300**
Effect of exchange rates on cash holdings in foreign currencies		90,139	(126,374)
Net increase in cash and cash equivalents held		(1,953,706)	(668,370)
Cash and cash equivalents at beginning of the year		6,861,663	7,530,033
Cash and cash equivalents at end of financial year		**4,907,957**	**6,861,663**

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

Notes to the consolidated financial statements

For the year ended 30 June 2019

1. About this report

A. Basis of preparation

This general purpose financial report for the year ended 30 June 2019 has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities. Compliance with Australian Accounting Standards ensures that the consolidated entity financial report conforms to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report covers the consolidated entity of Living Cell Technologies Limited and its controlled entities. Living Cell Technologies Limited (hereafter referred to as LCT, the consolidated entity and the Group) is a listed for profit public company, incorporated and domiciled in Australia.

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

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

B. Critical accounting estimates and judgements

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

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

The separate financial statements and notes of the parent entity, Living Cell Technologies Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity disclosures are included in note 17.

C. Going concern

Cash and cash equivalents decreased from $6,861,663 to $4,907,957 due to completing current clinical studies and investing into product opportunities while containing costs. This balance is projected to allow the current level of operations to continue for approximately 16 months if no further funds are raised. The directors also acknowledge that the expenditure in relation to the operating activities are predominantly discretionary and no material expenditure has been committed as at the date of this financial statement. Cash outflow in relation to operating activities is being managed by the directors to the extent of funding available.

The directors have prepared this report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- The consolidated entity 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.

2. Revenue and other income

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. Grant income comprises Callaghan Innovation grants. There are no unfulfilled conditions.

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

Interest revenue is recognised as the interest accrued using the effective interest method.

	2019 $	2018 $
Other Income		
Grant income	636,657	608,477
Interest income	123,251	149,476
Services provided	9,769	9,105
Other income	-	162
	769,677	**767,220**

3. Expenses

Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

Share-based payments

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

Issue of options

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

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

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.

Governance

Governance expenses include directors' fees, travel and meeting expenses, company secretary costs and legal expenses related to governance.

Shareholder

Shareholder expenses include listing fees, registry costs, audit, annual general meeting and annual report costs.

	2019 $	2018 $
Expenses include the following:		
Employee benefits		
Wages and salaries	859,229	1,566,365
Contributions to employees' savings plans	13,271	27,664
Share-based payments	47,224	(20,884)
Staff training	1,112	3,255
Total employee benefits	**920,836**	**1,576,400**
Depreciation		
Plant and equipment	1,358	1,606
Furniture, fixtures and fittings	50,940	60,459
Total depreciation	**52,298**	**62,065**
Lease payments	233,318	194,026

4. Income tax expense

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.

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.

Reconciliation of income tax to accounting loss

	2019 $	2018 $
Loss before income tax (but after R&D tax credit)	(3,477,517)	(576,294)
Effective tax rate	28%	27.5%
	(973,705)	**(158,481)**
Add tax effect of:		
- Non-deductible expenditure	7,498	12,621
- Capital losses claimed	-	(825,000)
- Deferred tax asset not brought into account	966,207	970,860
Income tax expense	**-**	**-**

Tax losses

	2019 $	2018 $
Unused tax losses for which no deferred tax asset has been recognised	36,739,220	43,161,738
Potential tax benefit at 27.5% AU (previously 30%)	8,421,362	9,679,015
Potential tax benefit at 28% NZ	1,058,820	2,858,293

The benefit will only be obtained if:

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

A R&D loss tax credit of $296,153 (2018: $201,802) was received from NZ Inland Revenue in exchange for forgoing NZD $1,100,000 (2018: NZD $800,000) of tax losses.

5. Earnings/(loss) per share

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

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

- costs of servicing equity (other than dividends)
- the after-tax effect of dividends and interest associated

with dilutive potential ordinary shares that have been recognised as expenses; and

- other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Reconciliation of earnings to profit or loss from continuing operations

	2019 $	2018 $
Profit/(loss) used in calculation of basic and diluted EPS	(3,181,363)	(374,492)
	2019 Number of shares	**2018 Number of shares**
Weighted average number of ordinary shares outstanding during the year, used in calculating basic EPS	571,440,981	571,354,954
Weighted average number of ordinary shares and convertible securities outstanding during the year, used in calculating diluted EPS	571,440,981	571,354,954
	2019	**2018**
Basic earnings/(loss) per share (cents)	(0.56)	(0.07)
Diluted earnings/(loss) per share (cents)	(0.56)	(0.07)

6. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an expected credit loss allowance.

	2019 $	2018 $
Grant receivables	21,803	-
Trade receivables	238,997	177,762
Prepayments	21,286	44,799
Accrued interest	77,001	51,504
Other receivables	128,501	30,015
Total current trade and other receivables	**487,588**	**304,080**

Aged analysis

At 30 June 2019, there were no past due trade receivables (2018: Nil). The ageing analysis of trade receivables is as follows:

	2019 $	2018 $
0 – 30 days	21,803	-
31 – 60 days	-	-
61 – 90 days	-	-
	21,803	**-**

Allowance for impairment

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. There is no expected credit loss allowance for the current year (2018: $Nil) for the consolidated entity.

7. 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. Cost includes purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

The carrying amount 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. 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.

Depreciation

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

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate DV
Plant and equipment	8 – 50%
Leasehold improvements	10 – 16%

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

Cost	Plant and equipment $	Leasehold improve-ments $	Total $
Balance at 1 July 2018	357,087	141,445	498,532
Additions	10,608	-	10,608
Disposals	(25,519)	(128,930)	(154,449)
Foreign exchange movement	14,750	5,846	20,596
Balance June 2019	**356,926**	**18,361**	**375,287**
Accumulated depreciation			
Balance at 1 July 2018	160,247	33,846	194,093
Depreciation expense	40,953	10,858	51,811
Disposals	(16,724)	(40,097)	(56,821)
Foreign exchange movement	6,012	1,394	7,406
Balance June 2019	**190,488**	**6,001**	**196,489**
Carrying amount June 2019	**166,438**	**12,360**	**178,798**
Carrying amount June 2018	**196,840**	**107,599**	**304,439**

8. Trade and other 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.

	2019 $	2018 $
Unsecured liabilities		
Trade payables	1,459,051	304,573
Other payables	728	14,300
Accrued expenses	91,631	95,245
Total trade and other payables	**1,551,410**	**414,118**

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

9. Provisions

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

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.

	2019 $	2018 $
Opening balance	59,352	101,859
Leave accrued	74,584	114,823
Leave taken	(64,216)	(157,330)
Balance at the end of the year	**69,720**	**59,352**

10. Issued capital

	No. of shares	Issue price	$
Balance as at 1 July 2017	**570,816,081**		**74,339,770**
Issued shares	625,000	**0.07**	40,750
Share issue transaction costs net of tax			(9,450)
Balance as at 30 June 2018	**571,441,081**		**74,371,070**
Issued shares	-	-	-
Share issue transaction costs net of tax	-	-	-
Balance as at 30 June 2019	**571,441,081**		**74,371,070**

Ordinary shares

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.

The company does not have par value in respect of its shares.

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.

Notes to the consolidated financial statements

For the year ended 30 June 2019

For information relating to the Living Cell Technologies Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, as well as information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report in section 5 of the Directors' Report and Key Management Personnel compensation in note 14.

The weighted average fair value of options granted during the year was $0.0396 (2018: $0.0553)

Capital management

Capital of the consolidated entity is managed to safeguard the ability to continue as a going concern so that it can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Consolidated entity's capital comprises shares.

There are no externally imposed capital requirements.

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

11. Reserves

Foreign currency translation reserve

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

Option reserve

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

12. Currency translation rates

	NZD 2019	NZD 2018
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	0.95	0.91
Weighted average rates for the year used for the consolidated statements of profit or loss and other comprehensive income and cash flows, to translate the following currencies into Australian dollars (AUD), are:	0.93	0.92

NZD = NZ dollar

13. Capital and leasing commitments

	2019 $	2018 $
Minimum lease payments		
Within 12 months	159,725	193,897
Between 12 months and 5 years	83,861	100,479
Greater than 5 years	-	-
Total	**243,586**	**294,376**

Finance leases

The consolidated entity has no finance leases (2018: Nil).

Capital commitments

The consolidated entity has no capital commitments (2018: Nil).

14. Key management personnel disclosures

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

	2019 $	2018 $
Short-term employee benefits	755,114	626,790
Post-employment benefits	5,495	4,284
Share-based payments	126,665	31,980
Total	**887,274**	**663,054**

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the group's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

The remuneration report contained in the directors' report contains details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2019.

Other key management personnel transactions

For details of other transactions with key management personnel, refer to note 16: Related party transactions.

15. Controlled entities

Principles of consolidation

All controlled entities have a 30 June financial year end.

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

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

	Country of incorporation	% owned* 2019	% owned* 2018
Parent entity and ultimate parent of the group:			
Living Cell Technologies Ltd	Australia		
Subsidiaries:			
Living Cell Products Pty Ltd	Australia	100	100
LCT Australia Pty Ltd	Australia	100	100
Living Cell Technologies New Zealand Ltd	New Zealand	100	100
NeurotrophinCell Pty Ltd	Australia	100	100

** Percentage of voting power is in proportion to ownership.*

16. Related parties

Parent entity

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

Subsidiaries

Subsidiaries are detailed in note 15 to the financial statements.

Related party

Diatranz Otsuka Limited (DOL) and Living Cell Technologies New Zealand Limited provide services to each other on a cost-plus margin basis. In the prior year Living Cell Technologies Limited sold its 50% shareholding in the joint venture company Diatranz Otsuka Limited to the other 50% shareholder, Otsuka Pharmaceutical Factory Inc (OPF) for $3,000,000. All transactions were provided at arm's length.

Loans

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

Key management personnel

Disclosures relating to key management personnel have been set out in note 14 and the Directors' Report.

17. Parent entity disclosures

Statement of financial position

	2019 $	2018 $
Current assets	2,531,815	4,720,068
Total assets	2,531,815	4,720,068
Current liabilities	(72,964)	(111,798)
Total liabilities	(72,964)	(111,798)
Net assets	**2,458,851**	**4,608,270**
Accumulated losses	(72,119,216)	(69,922,574)
Issued capital	74,371,073	74,371,073
Reserves	206,994	159,771
Total equity	**2,458,851**	**4,608,270**

Statement of profit or loss and other comprehensive income

Profit/(loss) after income tax	364,146	2,218,621
Total comprehensive income	**364,146**	**2,218,621**

The parent company has no guarantees, contingent liabilities or capital commitments as at 30 June 2019 and 30 June 2018.

18. Cash flow information

Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to items in the consolidated statement of financial position as follows:

	2019 $	2018 $
Cash and cash equivalents	**4,907,957**	**6,861,663**

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

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments.

Notes to the consolidated financial statements

For the year ended 30 June 2019

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

	2019 $	2018 $
Profit/(loss) for the year	**(3,181,363)**	**(374,492)**
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in loss:		
- Depreciation	52,298	62,065
- Net loss on disposal of asset	93,938	163
- Sale of joint venture	-	(3,000,000)
- Net foreign currency (gains)/losses	33,462	125,790
- Share options expensed	47,225	(22,935)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(183,508)	272,020
- (Increase)/decrease in other assets	(39)	69,633
- Increase/(decrease) in trade and other payables	1,137,089	(660,043)
- Increase/(decrease) in employee benefits	10,368	(42,507)
Cash flow used in operations	**(1,990,530)**	**(3,570,306)**

19. Segment reporting

General information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

20. Financial risk management

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

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

The group holds the following financial instruments:

	2019 $	2018 $
Financial assets:		
Cash and cash equivalents	4,907,957	6,861,663
Trade and other receivables	487,588	259,281
Total financial assets	**5,395,545**	**7,120,944**
Financial liabilities:		
Financial liabilities at amortised cost	–	–
Trade and other payables	1,551,410	308,184
Total financial liabilities	**1,551,410**	**308,184**

Liquidity risk

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

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

	Within one year		One to five years		Over five years	
Financial assets – cash flows realisable	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Trade and other receivables	487,588	259,281	-	-	-	-
Trade and other payables	(1,551,410)	(308,184)	-	-	-	-
Total anticipated outflows	**(1,063,822)**	**(48,903)**	**-**	**-**	**-**	**-**

Interest rate risk

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

Interest rate risk sensitivity analysis

At 30 June 2019, 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:

	2019 $	2018 $
+ 1.0% (100 basis points)	55,865	57,316
– 0.5% (50 basis points)	(27,933)	(28,658)

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

Credit risk

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

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

Foreign currency risk

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

	NZD Total $
2019 consolidated	
Cash and cash equivalents	2,395,206
Trade and other receivables	462,731
Trade and other payables	(1,475,026)
2018 consolidated	
Cash and cash equivalents	2,253,742
Trade and other receivables	237,901
Trade and other payables	(280,448)

Foreign currency risk sensitivity analysis

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

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

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

	Increase by 5%	Decrease by 5%
2019	143,766	(158,899)
2018	107,989	(119,357)

Price risk

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

21. Remuneration of auditors

	2019 $	2018 $
Remuneration of the auditor of the parent entity, BDO, for:		
Auditing or reviewing the consolidated financial report and the Australian-based subsidiaries	70,000	80,000
Remuneration of other auditors of subsidiaries for:		
Auditing the New Zealand-based subsidiaries	14,457	13,130
Other services	2,857	2,778
Total	**87,314**	**95,908**

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

22. Contingent assets and liabilities

The Company issued two bank bonds over the Pig facility lease of $43,919 (2018: $42,179), and 23 Edwin Street lease of $41,253 (2018: nil) both secured by a term deposit.

In the opinion of the of the directors, the company did not have any other contingencies as at 30 June 2019 (2018; nil).

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

23. Events occurring after the reporting date

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

24. Summary of significant accounting policies

A. Inventories

Inventories of raw materials are measured at the lower of weighted average cost and net realisable value.

B. Biological assets

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

C. Joint venture

Interest in joint venture operations

The company in the prior year sold its 50% shareholding in the joint venture company Diatranz Otsuka Limited to the other 50% shareholder, Otsuka Pharmaceutical Factory Inc (OPF) for $3,000,000.

D. Foreign currency transactions and balances

Functional and presentation currency

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

Transaction and balances

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

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

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income. Foreign currency transactions are recorded at the spot rate on the date of the transaction.

Group companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to consolidated entity's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

E. Comparative amounts

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

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

F. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the tax authorities. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

G. Adoption of new and revised accounting standards

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

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.
Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.
Due to the current trading environment we believe this to have no impact on the Group's financial statements.
At present the company has two contracts with customers; a service contract and a grant contract. Revenue from these contracts are recognised when the performance obligations are satisfied.

Impact of adoption

The consolidated entity has adopted AASB 9 and AASB 15 for the financial year ended 30 June 2019. The Accounting Standards were adopted using the transitional rules that allow for comparatives not to be restated. The adoption of AASB 9 and AASB 15 did not result in any change to the opening retained earnings as at 1 July 2018.

H. Accounting standards and interpretations issued but not yet effective

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets); depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components; variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date; by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and additional disclosure requirements.
The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The consolidated entity will adopt this standard from 1 July 2019. On adoption, the consolidated entity will be required to capitalise operating lease commitments (as disclosed in Note 13) on the balance sheet. This will result in a non-current asset representing the right-of-use asset inherent in the lease, and the related current and non-current liability associated with the future lease payments. The asset will be valued at the present value of future minimum lease payments and depreciated over the term of the lease.

Based on the current terms of the leases the impact of the adoption of this standard will not have a significant impact on the consolidated entity's 2019 financial statements.

25. Company details

The registered office of the company is:

Living Cell Technologies Limited
Level 7, 330 Collins Street
Melbourne, VIC 3000
Australia

Directors' declaration

The directors of Living Cell Technologies Limited declare that:

1. the financial statements and notes for the year ended 30 June 2019 are in accordance with the Corporations Act 2001 and:

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

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

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

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

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

   • the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated: 29 August 2019

Bernard Tuch
Director

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Living Cell Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Living Cell Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going Concern

Key audit matter	*How the matter was addressed in our audit*
Note 1 (c) to the financial report discloses the going concern assumption and the Group's ability to fund the ongoing research, corporate and operating expenses. The Group's annual going concern assessment is a key audit matter due to the size of research and operational expenditure activities, the Group's history of operating losses and negative operating cash flows and the degree of estimation and assumptions required to be made by the Group concerning future cash flows makes this a Key Audit Matter	In assessing the going concern assumption and the Group's future expenditure we undertook, amongst others, the following audit procedures: • Reviewed management's assumptions in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of signing of the financial statements. • Assessing the accuracy of the forecasts by comparing previous forecasts with the Group's actual results. • Assessing the adequacy of the Group's disclosures within the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Living Cell Technologies Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO
Gareth Few

Gareth Few
Partner

Sydney, 29 August 2019

ASX additional information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 20 September 2019.

1. Substantial shareholders

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

Shareholders	Number of shares
Milford Asset Management	36,078,640

2. Voting rights

Ordinary shares

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

Options

No voting rights.

3. Distribution of equity security holders

As at 20 September 2019

Number of shares held	Number of holders	Total shares
1 – 1,000	175	38,748
1,001 – 5,000	393	1,235,323
5,001 – 10,000	357	2,944,039
10,001 – 100,000	1,324	52,997,898
100,001 shares and over	498	514,224,973
Total	**2,747**	**571,440,981**

There were 407 holders of less than a marketable parcel of ordinary shares.

4. Twenty largest shareholders

	Ordinary shares	
As at 20 September 2019	**Number held**	**% of issued shares**
HSBC Custody Nominees (Australia) Ltd	48,043,992	8
Citicorp Nominees Pty Limited	35,156,112	6
Otsuka Pharmaceutical Factory, Inc.	25,000,000	4
National Nominees Limited	23,335,364	4
Investment Custodial Services Limited	21,784,269	4
Waiaua Bay Farm Limited	16,548,466	3
Ms Elena Borisovna Titova	16,170,599	3
Masfen Securities Limited	15,190,788	3
Peter C Cooper and Susan E Cooper	14,705,195	3
Jiangsu Aosaikang Pharmaceutical Co Ltd	14,334,080	3
Custodial Services Limited	10,328,810	2
BNP Paribas Nominees Pty Limited	10,151,433	2
Mr Jimmy Thomas + Ms Ivy Ruth Ponniah	9,863,247	2
ASB Nominees Limited	9,511,822	2
Peter C Cooper	9,195,670	2
Mr Terence Roland Harrison + TRH trustee Ltd	7,099,471	1
J P Morgan Nominees Australia Limited	6,691,953	1
Hepzibah PTY LTD	6,660,680	1
Richard Taylor + Brent Ogilvie	5,870,734	1
Natalie Parke Trustee Limited	5,149,537	1

5. Securities exchange

The company is listed on the Australian Securities Exchange.

Living Cell Technologies Limited
ABN: 14 104 028 042

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