Living Cell Technologies Limited

Consolidated financial statements

For the Year Ended 30 June 2016

Contents

for the year ended 30 June 2016

Directors' report
30 June 2016

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 2016.

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:

Roy Austin	Chairman (Age: 68)
Qualifications	BCOM, CA
Experience	Mr Austin is a consultant to investment banking firm Northington Partners in New Zealand. He brings considerable commercial depth to the LCT Board with over 25 years' investment transaction experience across multiple sectors including healthcare and biotechnology. His experience includes capital raisings, mergers and acquisitions, IP commercialisation, venture capital and international business development. Mr Austin is Chairman of New Zealand based Cure Kids, a child health research charitable trust and its commercial biotech venture capital fund, Cure Kids Ventures Limited. He is a director of NZX listed company CDL Investments New Zealand Limited. He holds a number of other directorships in private companies, has a BCom and is a member of the New Zealand Institute of Directors and Chartered Accountants Australia + New Zealand.
Special responsibilities	Mr Austin was elected Chairman on 20 July 2011. He is a member of the Remuneration and Nomination Committee; a member of the Audit and Compliance Committee and a member of the Diatranz Otsuka Limited board of directors (since 1 November 2011). He was appointed to the LCT board on 25 February 2011.
Robert Elliott	Non-executive director (Age:82)
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 is the Chairman of the Diatranz Otsuka Limited board of directors. He was appointed to LCT board on 15 January 2004.

1. General information (continued)

Laurie Hunter	Independent director (Age: 69)
Qualifications	MA (Hons)
Experience	Mr Hunter has over 40 years' experience as a stockbroker, investment banker and corporate investor in London, Paris and San Francisco. Laurie was a Member of The Stock Exchange, London, a partner at L. Messel and Co, London, a director of Shearson Lehman Hutton and founder of Hunter Capital. His recent focus has been on investing and providing strategic advice to developing companies.
Special responsibilities	Mr Hunter is a member of the Audit and Compliance Committee. He was appointed to the LCT Board on 25 August 2006.
Other directorships in listed entities held in the previous three years	Mr Hunter resigned from the board of listed company Madagascar Oil Limited on 18 December 2012 and StratMin Global Resouces Plc on 16 February 2016.
Bernard Tuch	Independent director (Age: 65)
Qualifications	BSc, MBBS (Hons), FRACP, PhD, GAICD
Experience	Dr Tuch is an Honorary Professor at The University of Sydney where he is supervising a bioengineering diabetes cell therapy project. Previously, he was a senior scientist with CSIRO Australia. He is a director of Sydney Cell Therapy Foundation Pty Limited, the not-for-profit Australian Foundation for Diabetes Research, and is a Specialist Practitioner, Endocrinology, at the Prince of Wales Private Hospital & St Vincent's Private Hospital, Sydney. He is also an Adjunct Professor at Monash University. His experience includes capital raising to support his considerable research team and a large international scientific publication list. He has had previous scientific collaborations with LCT and knows the company's direction intimately.
Special responsibilities	Dr Tuch is chairman of the Remuneration and Nomination Committee. He was appointed to the board on 20 July 2011.
Robert Willcocks	Independent director (Age: 68)
Qualifications	BA, LLM
Experience	Robert Willcocks is a senior executive with an extensive legal and business background working in particular with Australian listed public companies. He has Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney. Mr Willcocks was a partner with the law firm Stephen Jaques & Stephen (now King & Wood Mallesons) from 1980 until 1994, where he was a member of the Corporate Advisory Group with an emphasis on the mining and oil and gas sectors. As corporate adviser he has undertaken assignments in a range of industry sectors. Mr Willcocks has been a director and Chairman of a number of Australian Securities Exchange (ASX) listed public companies. He is a director of ASX listed ARC Exploration Limited, and Hong Kong Stock Exchange listed APAC Resources Ltd. He is also chairman and director of Trilogy Funds Management Ltd, a Responsible Entity under Australian law.
Special responsibilities	Mr Willcocks is chairman of the Audit and Compliance Committee and a member of the Remuneration and Nomination Committee. He was appointed to the board on 29 March 2011.

Directors' report
30 June 2016

1. General information (continued)

Principal activities and significant changes in nature of activities

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

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

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

2. Operating and financial review

Operations

The result of the consolidated entity has reduced from a loss of $(7,043,402) in the year ended 30 June 2015 to a loss of $(3,093,163). This is primarily due to the previous year including 50% of the loss of 50% owned joint venture company Diatranz Otsuka Limited (DOL), which has now been equity accounted to zero as the company's share of losses exceeds the interest in the joint venture.

Revenue and other income decreased from $1,044,639 to $841,447 primarily due to the reduced level of services required by DOL. Cost of services has decreased from $581,575 to $109,987 for the same reasons as revenue. Grant income has increased following the award of the Callaghan Innovation research and development growth grant.

Research and development expenses have increased from $1,774,381 to $2,364,452 primarily due to completion of the Phase I/IIa clinical trial of NTCELL in Parkinson's disease and the commencement of the 18 patient Phase IIb clinical trial, the cost of manufacturing NTCELL and maintaining the pig herd. During the financial year the company moved to secure supply of NTCELL for the Phase IIb clinical trial and if successful, to treat paying patients under provisional consent. This involved purchasing plant and equipment, designated pathogen-free pigs and inventory from DOL and leasing pig and manufacturing facilities. Additional staff have been recruited and processes documented so that the company has the necessary licences to manufacture NTCELL. These functions were previously performed under supply and service agreements by DOL.

The share of loss from joint venture has decreased from $4,065,893 to $67,355 and the investment has now been equity accounted to zero. DOL has licensed its other 50% shareholder, Otsuka Pharmaceutical Factory, Inc. (OPF) to use DIABECELL in USA and Japan. OPF is further improving the product in USA and DOL retains the right to use it in the rest of the world so is no longer carrying out research and development in New Zealand.

Financial position

Net assets of the consolidated entity have increased from $5,126,863 to $5,676,660. This is primarily due to cash raised from share issues and assets purchased, partially offset by research and development expenditure and overhead expenditure.

Cash and cash equivalents has increased from $5,144,027 to $5,301,999 due to private placements and share purchase plan raising $3.7m in February and April 2016, partially offset by NTCELL manufacturing, clinical trial costs and ongoing corporate expenses. This balance is projected to allow the current level of operations to continue for approximately 15 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. Operating and financial review (continued)

Business strategies and prospects for future years

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

Strategies to achieve this mission include:

- carry out clinical trials of NTCELL for Parkinson's disease in New Zealand;
- apply for provisional consent of NTCELL for Parkinson's disease in New Zealand;
- treat paying patients in NZ on a medical tourism business model;
- scale-up the GMP manufacturing process for NTCELL;
- develop NTCELL for other indications; and
- expand the use of NTCELL worldwide.

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

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

3. Other items

Significant changes in state of affairs

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

Events after the reporting date

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

Environmental issues

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

Company secretary

The following person 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 company secretary since 1 January 2016.

Nick Geddes (FCA, FCIS) was company secretary until 31 December 2015.

Directors' report

30 June 2016

3. Other items (continued)

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit and Compliance Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Roy Austin	9	9	2	2	1	1
Robert Elliott	9	8	-	-	-	-
Bernard Tuch	9	8	-	-	1	1
Laurie Hunter	9	7	2	2	-	-
Robert Willcocks	9	8	2	2	1	1

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 $46,650 (2015: 44,100).

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

Shares

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

	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at the end of the year
30-Jun-16				
Roy Austin	-	-	-	-
Robert Elliott	4,490,060	-	-	4,490,060
Laurie Hunter [1]	2,645,661	-	-	2,645,661
Bernard Tuch [2]	36,800	-	-	36,800
Robert Willcocks	-	-	-	-
John Cowan [3]	237,928	-	93,027	330,955
Ken Taylor	-	-	-	-
	7,410,449	**-**	**93,027**	**7,503,476**
30-Jun-15				
Roy Austin	-	-	-	-
Robert Elliott	4,390,060	-	100,000	4,490,060
Laurie Hunter [1]	2,645,661	-	-	2,645,661
Bernard Tuch [2]	36,800	-	-	36,800
Robert Willcocks	-	-	-	-
John Cowan [3]	100,058	-	137,870	237,928
Ken Taylor	-	-	-	-
	7,172,579	**-**	**237,870**	**7,410,449**

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

Directors' report

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3. Other items (continued)

Options

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

Grant date	Date of Expiry	Exercise Price	Number under Option
12 December 2011	12 December 2016	$ 0.10	550,000
12 December 2011	12 December 2016	$ 0.15	150,000
12 December 2011	12 December 2016	$ 0.20	750,000
12 December 2011	12 December 2016	$ 0.25	250,000
23 December 2011	23 December 2017	$ 0.10	250,000
23 December 2012	23 December 2018	$ 0.10	250,000
6 March 2013	6 March 2018	$ 0.15	1,225,000
6 March 2013	6 March 2018	$ 0.10	1,225,000
1 July 2014	1 July 2020	$ 0.10	250,000
1 July 2014	1 July 2020	$ 0.14	100,000
1 July 2015	1 July 2021	$ 0.10	250,000
1 July 2015	1 July 2021	$ 0.19	100,000
4 May 2016	4 May 2019	$ 0.08	400,000
4 May 2016	4 May 2019	$ 0.10	400,000
4 May 2016	4 May 2018	$ 0.06	965,000
Options at 30 June 2016			**7,115,000**

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

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

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2016: $3,667 (2015: $4,300)

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 2016 has been received and can be found on page 14 of the financial report.

Remuneration report (audited)

Remuneration policy

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

The board's policy for determining the nature and amount of remuneration for key management personnel of 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), superannuation, options, and performance incentives.
- Performance incentives are based on predetermined key performance indicators.
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and Company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration and nomination committee reviews key management personnel packages annually by reference to consolidated entity’s performance, executive performance and comparable information from industry sectors.

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

Key management personnel receive company contributions to KiwiSaver 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 week's salary in the event of redundancy. Any options not exercised before or on the date of termination will lapse.

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

The board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration and nomination committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting, the current maximum is $ 450,000 which was approved at the 2007 AGM and have no 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.

Directors' report

30 June 2016

Performance conditions linked to remuneration

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

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

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

Employment details of members of key management personnel

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

		Performance based remuneration		
		Bonus	**Shares**	**Options**
		%	**%**	**%**
KMP				
John Cowan	Corporate Services Manager	-	-	1
Ken Taylor	Chief Executive	-	-	4

Service Agreements

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

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

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

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

Directors' report

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Remuneration details for the year ended 30 June 2016

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	Total benefits and payments
	Cash salary fees	Bonus	Total short term benefits	Pension and superannuation	Options and rights	
2016	**$**	**$**	**$**	**$**	**$**	
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	45,662	-	45,662	4,338	-	50,000
Robert Willcocks	50,000	-	50,000	-	-	50,000
KMP						
John Cowan	180,683	-	180,683	7,227	968	188,878
Ken Taylor	400,000	-	400,000	-	14,671	414,671
	846,345	**-**	**846,345**	**11,565**	**15,639**	**873,549**
2015						
Directors						
Roy Austin	70,000	19,240	89,240	-	-	89,240
Robert Elliott	127,968	-	127,968	-	-	127,968
Laurie Hunter	50,000	-	50,000	-	-	50,000
Bernard Tuch	45,662	-	45,662	4,338	-	50,000
Robert Willcocks	50,000	-	50,000	-	-	50,000
KMP			-			
John Cowan	192,868	-	192,868	5,786	1,320	199,974
Ken Taylor	317,046	-	317,046	-	13,805	330,851
	853,544	**19,240**	**872,784**	**10,124**	**15,125**	**898,033**

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

Securities received that are not performance related

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

Options granted, vested and lapsed during the year

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

	Number of options	Exercise price per option	Value per option at grant date	Grant date	Vesting date	Expiry date	Vested during period	Forfeited during period
		$	$				%	%
KMP								
Ken Taylor	250,000	0.1	0.0343	1-Jul-15	1-Jul-16	1-Jul-21	-	-
Ken Taylor	100,000	0.19	0.0296	1-Jul-15	1-Jul-16	1-Jul-21	-	-
Ken Taylor	400,000	0.075	0.0265	4-May-16	4-May-17	4-May-19	-	-
Ken Taylor	400,000	0.1	0.0237	4-May-16	4-May-17	4-May-19	-	-
John Cowan	255,000	0.0565	0.0243	4-May-16	4-May-17	4-May-18	-	-

Directors’ report

30 June 2016

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

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 the Directors' Report.

The weighted average fair value of options granted during the year was $0.03 (2015: $0.01)

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 options life.

During the year ended 30 June 2016, no ordinary shares of LCT were issued on the exercise of options grants. No further shares have been issued since that date. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options were issued by Living Cell Technologies Limited and entitle the holder to ordinary shares in Living Cell Technologies Limited for each option exercised.

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

	Balance at beginning of year	Granted as remuneration	Exercised	Expired	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisable
2016								
Roy Austin	900,000	-	-	-	900,000	-	900,000	-
Robert Elliott	200,000	-	-	200,000	-	-	-	-
Bernard Tuch	400,000	-	-	-	400,000	-	400,000	-
Robert Willcocks (1)	400,000	-	-	-	400,000	-	400,000	-
John Cowan	200,000	255,000	-	-	455,000	-	200,000	255,000
Ken Taylor	350,000	1,150,000	-	-	1,500,000	350,000	350,000	1,150,000
	2,450,000	1,405,000	-	200,000	3,655,000	350,000	2,250,000	1,405,000
2015								
Roy Austin	900,000	-	-	-	900,000	-	900,000	-
Robert Elliott	200,000	-	-	-	200,000	100,000	200,000	-
Bernard Tuch	400,000	-	-	-	400,000	-	400,000	-
Robert Willcocks (1)	400,000	-	-	-	400,000	-	400,000	-
John Cowan	200,000	-	-	-	200,000	100,000	200,000	-
Ken Taylor	-	350,000	-	-	350,000	-	-	350,000
	2,100,000	350,000	-	-	2,450,000	200,000	2,100,000	350,000

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

The earnings of the LCT Group for the five years to 30 June 2016 are summarised below;

	2016	2015	2014	2013	2012
Revenue	860,292	1,044,639	7,941,227	7,901,351	4,725,000
Loss after income tax	(3,093,163)	(7,043,402)	(6,778,896)	(2,978,709)	(5,676,000)

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

Share price at financial year end (cents)	0.07	0.05	0.05	0.04	0.05
Total dividend declared (cents per share)	-	-	-	-	-
basic earnings per share (cents per share)	(0.69)	(1.75)	(1.90)	(0.58)	1.71

This concludes the remuneration report which has been audited.

Directors' report
30 June 2016

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.

Dated: 24 August 2016

Director:

Roy Austin

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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 2016, 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, 24 August 2016

Consolidated statement of profit or loss and other comprehensive income
For the Year Ended 30 June 2016

	Note	2016 $	2015 $
Revenue and other income			
Services provided		120,091	611,955
Grants	2	592,339	228,997
Interest		123,167	203,687
Distribution received		5,850	-
Total revenue and other income		**841,447**	**1,044,639**
Cost of services provided		(109,987)	(581,575)
Gross profit		**731,460**	**463,064**
Expenses			
Research and development		(2,364,452)	(1,774,732)
General and administration		(1,632,353)	(1,541,464)
Finance costs		-	(7,476)
Total expenses	**2**	**(3,996,805)**	**(3,323,672)**
Operating loss		**(3,265,345)**	**(2,860,608)**
Foreign exchange gain/(loss)		239,537	(116,901)
Share of loss from joint venture		(67,355)	(4,065,893)
Loss before income tax		**(3,093,163)**	**(7,043,402)**
Income tax expense	3	**-**	-
Loss after income tax from continuing operations		**(3,093,163)**	**(7,043,402)**
Loss attributable to members of the parent entity		**(3,093,163)**	**(7,043,402)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequent to profit or loss			
Exchange difference on translation of foreign operations		(30,045)	(368,947)
Total other comprehensive income		**(30,045)**	**(368,947)**
Total comprehensive income attributable to members of the parent entity		**(3,123,208)**	**(7,412,349)**
Earnings per share			
Continuing operations			
Basic earnings/(loss) per share (cents)	4	(0.69)	(1.75)
Diluted earnings/(loss) per share (cents)	4	(0.69)	(1.75)

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

Consolidated statement of financial position
as at 30 June 2016

	Note	2016	2015
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	6	5,301,999	5,144,027
Trade and other receivables	7	396,416	210,780
Inventories	8	72,069	-
Total current assets		**5,770,484**	**5,354,807**
Non-current assets			
Property, plant and equipment	9	401,295	42,353
Biological assets		99,362	-
Term deposit		41,317	-
Investment in joint venture	10	-	67,355
Total non-current assets		**541,974**	**109,708**
TOTAL ASSETS		**6,312,458**	**5,464,515**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	546,562	281,700
Short-term provisions	12	89,236	55,952
Total current-liabilities		**635,798**	**337,652**
Non-current liabilities		-	-
TOTAL LIABILITIES		**635,798**	**337,652**
NET ASSETS		**5,676,660**	**5,126,863**
EQUITY			
Issued capital	13	68,406,383	64,751,709
Reserves	14	3,981,761	3,993,475
Accumulated losses		(66,711,484)	(63,618,321)
Total equity attributable to equity holders of the Company		**5,676,660**	**5,126,863**
TOTAL EQUITY		**5,676,660**	**5,126,863**

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

Consolidated statement of changes in equity

for the year ended 30 June 2016

2016	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Option reserve	Total
	$	$	$	$	$
Balance at 1 July 2015	**64,751,709**	**(63,618,321)**	**3,822,861**	**170,614**	**5,126,863**
Total other comprehensive income for the year	-	(3,093,163)		-	(3,093,163)
Total other comprehensive income	-	-	(30,045)	-	(30,045)
Transaction with equity holders in their capacity as owners					
Shares issued during the year	3,690,702	-	-	-	3,690,702
Transaction costs	(36,028)	-	-	-	(36,028)
Share based remuneration	-	-	-	18,331	18,331
Balance at 30 June 2016	**68,406,383**	**(66,711,484)**	**3,792,816**	**188,945**	**5,676,660**

2015	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Option reserve	Total
	$	$	$	$	$
Balance at 1 July 2014	**60,685,600**	**(56,574,919)**	**4,191,808**	**129,088**	**8,431,577**
Total other comprehensive income for the year	-	(7,043,402)	-	-	(7,043,402)
Total other comprehensive income	-	-	(368,947)	-	(368,947)
Transaction with equity holders in their capacity as owners					
Shares issued during the year	4,086,916	-	-	-	4,086,916
Transaction costs	(20,807)	-	-	-	(20,807)
Share based remuneration	-	-	-	41,526	41,526
Balance at 30 June 2015	**64,751,709**	**(63,618,321)**	**3,822,861**	**170,614**	**5,126,863**

Consolidated statement of cash flows
for the year ended 30 June 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and grants (GST inclusive)		546,725	1,343,322
Payments to suppliers and employees (GST inclusive)		(3,894,464)	(5,075,457)
Interest received		190,610	144,801
Net cash used in operating activities	**20**	**(3,157,129)**	**(3,587,334)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(183,004)	(27,846)
Biological assets		(99,362)	-
Payment for bond security		(41,317)	-
Net cash used by investing activities		**(323,683)**	**(27,846)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		3,690,702	4,085,302
Payment of transaction costs		(36,028)	(19,193)
Net cash provided by financing activities		**3,654,674**	**4,066,109**
Effect of exchange rates on cash holdings in foreign currencies		(15,890)	138,699
Net increase in cash and cash equivalents held		157,972	589,628
Cash and cash equivalents at beginning of year		5,144,027	4,554,399
Cash and cash equivalents at end of financial year		**5,301,999**	**5,144,027**

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

Notes to the financial statements

for the year ended 30 June 2016

1. Summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report for the year ended 30 June 2016 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.

The financial report of Living Cell Technologies Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the board of directors on 24 August 2016.

(b) Going concern

Cash and cash equivalents has increased from $5,144,027 to $5,301,999 due to private placements and share purchase plan raising $3.7m in February and April 2016, partially offset by NTCELL manufacturing, clinical trial costs and ongoing corporate expenses. This balance is projected allow the current level of operations to continue for approximately 15 months if no further funds are raised. The directors also acknowledge that the expenditure in relation to the operating activities are predominantly discretionary and no expenditure has been committed as at the date of this financial statement. Cash outflow in relation to operating activities 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.

(c) Principles of consolidation

A list of controlled entities is contained in Note 18 to the financial statements. All controlled entities have a 30 June financial year end.

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

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure 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.

Equity accounted investments

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

(d) 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) Cash and cash equivalents

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

Notes to the financial statements

for the year ended 30 June 2016

(g) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(h) Inventories

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

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

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

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

Plant and equipment

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

Depreciation

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

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

Fixed asset class	Depreciation rate DV
Plant and equipment	10-25%
Leasehold improvements	10-16%

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

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

(j) 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.

(k) Interests in joint ventures

The consolidated entity has a 50% interest in a jointly controlled company which is recognised using the equity method (refer to Note 10 for details). Under the equity method the share of the profits or losses of the joint venture is recognised in the statement of profit or loss and other comprehensive to the extent of the consolidated entities interest in the joint venture income.

Notes to the financial statements

for the year ended 30 June 2016

(l) Impairment of assets

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

(m) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

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

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(o) Provisions

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

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

(p) Revenue and other income

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

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

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

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

(q) Interest revenue

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

(r) 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.

(s) Income tax

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

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

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

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

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

(t) Earnings per share

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

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

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

(u) 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

(v) Segment reporting

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

Adoption of new and revised accounting standards

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

(w) 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 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (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.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(x) Critical accounting estimates and judgements

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

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

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

Notes to the financial statements
for the year ended 30 June 2016

1. Revenue and Expenses

	2016	2015
Revenue	**$**	**$**
Grant income	592,339	228,997

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

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

Employee benefits		
Wages and salaries	1,638,223	1,379,268
Contributions to employees' savings plans	39,764	13,893
Share-based payments	18,331	41,526
Staff training	7,450	-
Total employee benefits	**1,703,768**	**1,434,687**
Depreciation		
Plant and equipment depreciation	2,353	2,879
Furniture, fixtures and fitting depreciation	47,148	933
Total depreciation	**49,501**	**3,812**
Lease payments	153,483	64,195

2. Income Tax

(a) Reconciliation of income tax to accounting loss:	**2016**	**2015**
	$	**$**
Loss before income tax	(3,093,163)	(7,043,402)
Effective tax rate	29%	29%
	(897,017)	(2,042,587)
Add tax effect of:		
- Other deductible expenditure	(39,411)	(64,870)
- Unrealised foreign exchange gains	(52)	(102)
- Non-deductible expenditure	20,371	15,085
- Tax effect of temporary timing differences	9,237	(1,566)
- Non-Assessable income	12,824	
- Tax losses recouped	-	(780)
- Add back share of joint venture losses	18,859	1,219,768
- Deferred tax asset not bought into account	875,189	(875,052)
Income tax expense	**-**	**-**

(b) Tax losses

	2016	**2015**
	$	**$**
Unused tax losses for which no deferred tax asset has been recognised	34,418,028	31,422,810
Potential tax benefit at 30% AU	9,386,483	9,172,349
Potential tax benefit at 28% NZ	876,331	237,528

3. Income Tax (continued)

The benefit will only be obtained if:

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

4. Earnings/(loss) per share

Reconciliation of earnings to profit or loss from continuing operations

	2016	2015
	$	**$**
Profit/(loss) used in calculation of basic and diluted EPS	(3,093,163)	(7,043,402)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	447,706,080	402,693,118
Weighted average number of ordinary shares and convertible securities outstanding during the year used in calculating EPS	447,706,080	402,693,118
Basic earnings/(loss) per share (cents)	(0.69)	(1.75)
Diluted earnings/(loss) per share (cents)	(0.69)	(1.75)

5. Parent entity disclosures

	2016	2015
Statement of financial position	**$**	**$**
Current assets	5,195,995	4,789,531
Total assets	5,195,995	4,856,964
Current liabilities	(93,012)	(100,357)
Total liabilities	(93,012)	(100,357)
Net assets	**5,102,983**	**4,756,607**
Accumulated losses	(63,492,345)	(63,643,747)
Issued capital	68,406,383	64,751,709
Reserves	188,945	3,648,645
Total Equity	**5,102,983**	**4,756,607**
Statement of profit or loss and other comprehensive income		
Loss after income tax	(669,594)	(6,704,531)
Total comprehensive income	**(669,594)**	**(6,704,531)**

The parent company has no guarantees, contingent liabilities or capital commitments as at 30 June 2016 and 30 June 2015.

6. Cash and Cash equivalent

	2016	2015
	$	**$**
Cash on hand	8,950	7,956
Cash at bank	490,818	437,735
Cash on Deposit	4,802,231	4,698,337
Total current trade and other receivables	**5,301,999**	**5,144,027**

7. Trade and other receivable

	2016 $	2015 $
Trade receivables	230,900	56,032
Prepayments	62,682	32,504
Accrued interest	36,187	78,933
Other receivables	66,647	43,311
Total current trade and other receivables	**396,416**	**210,780**

Aged analysis

At 30 June 2016, there were no past due trade receivables, bad debts or doubtful debts (2015: Nil). The ageing analysis of receivables is as follows:

0-30 days	226,255	54,391
31-60 days	-	1,641
61-90 days	4,645	-
	230,900	**56,032**

Allowance for Impairment

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms except the joint venture, where any services fee adjustments are due in the following quarter. A provision for impairment loss is recognised when there is objective evidence than an individual trade receivable is impaired. There is no impairment loss for the current year (2015: $Nil) for the consolidated entity.

8. Inventories

	2016 $	2015 $
Raw materials	72,069	-
Total inventories	**72,069**	**-**

9. Property, plant equipment

	Plant and equipment	Leasehold improvements	Total
Cost			
Balance at 1 July 2015	52,482	-	52,482
Additions	260,002	147,300	407,302
Foreign exchange movement	3,416	-	3,416
Balance June 2016	**315,900**	**147,300**	**463,200**
Accumulated Depreciation			
Balance at 1 July 2015	10,129	-	10,129
Depreciation expense	47,148	2,353	49,501
Foreign exchange movement	- 4,059	6,334	2,275
Balance June 2016	**53,218**	**8,687**	**61,905**
Carrying Amount June 2016	**262,682**	**138,613**	**401,295**
Carrying Amount June 2015	**42,353**	**-**	**42,353**

Notes to the financial statements

for the year ended 30 June 2016

10. Joint venture

Interest in joint venture operations

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

Living Cell Technologies Limited and Otsuka Pharmaceutical Factory, Inc. have established joint control by each shareholder appointing two directors. These directors make decisions in relation to the relevant activities of Diatranz Otsuka Limited. There are no commitments by either shareholder to Diatranz Otsuka Limited.

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

The companies provide services to each other at commercial rates. The voting power held by Living Cell Technologies Limited is 50.0%. The interest in joint venture entities is accounted for in the consolidated financial statements using the equity method of accounting. There were no capital commitments of the joint venture at year end.

At 30 June 2016 the company's share of the joint venture's losses exceeded its interest in the joint venture so the investment is shown as zero. The amount of unrecognised losses is $3,542,743 (2015: nil).

	2016	2015
	$	$
Joint venture: opening balance	67,355	4,581,011
50% of joint venture loss for the period	(67,355)	(4,065,893)
Foreign exchange movements during the period	-	(447,763)
Total	**-**	**67,355**

11. Trade and other payables

	2016	2015
	$	$
Unsecured liabilities		
Trade payables	122,053	71,479
Other payables	110,231	116,784
Related party payables	225,439	8,428
Accrued expenses	88,839	85,009
Total trade payables and other payables	**546,562**	**281,700**

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

12. Provisions

	2016	2015
	$	$
Opening balance	55,952	109,984
Leave accrued	169,989	107,398
Leave taken	(136,705)	(161,430)
Balance at end of the year	**89,236**	**55,952**

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

Notes to the financial statements
for the year ended 30 June 2016

13. Issued Capital

	No. of shares	Issue price	$
Balance as at 1 July 2014	**356,995,773**		**60,685,600**
Issued of shares	67,003,965	**0.06**	4,086,916
Share issue transaction costs net of tax			(20,807)
Balance as at 30 June 2015	**423,999,738**		**64,751,709**
Issued of shares	72,488,590	**0.05**	3,690,702
Share issue transaction costs net of tax			(36,028)
Balance as at 30 June 2016	**496,488,328**		**68,406,383**

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

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 17.

The weighted average fair value of options granted during the year was $0.03 (2015: $0.01)

Capital Management

Capital of consolidated entity is managed in order to safeguard the ability to continue as a going concern so that they can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

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

There are no externally imposed capital requirements.

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

14. Reserves

Foreign currency translation reserve

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

Option reserve

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

15. Currency translation rates

	NZD 2016	NZD 2015	USD 2016	USD 2015
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	**0.96**	**0.89**	**1.35**	**1.3**
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:	**0.95**	**0.93**	**1.35**	**1.2**

NZD = NZ dollar; USD = US dollar;

16. Capital and leasing commitments

	2016 $	2015 $
Minimum lease payments:		
Within 12 months	147,564	-
Between 12 months and 5 years	31,847	-
Greater than 5 years	-	-
Total	**179,411**	**-**

Finance leases

The consolidated entity has no finance leases (2015: Nil).

Capital commitments

The consolidated entity has no capital commitments (2015: Nil).

17. Key management personnel disclosures

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

	2016 **$**	2015 $
Short term employee benefits	846,345	872,784
Post-employment benefits	11,565	10,124
Share-based payments	15,639	15,125
Total	**873,549**	**898,033**

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 and post-employment life insurance benefits.

17. Key management personnel disclosures (continued)

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

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 2016

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 19: Related Party Transactions.

18. Controlled Entities

	Country of Incorporation	Percentage Owned (%)• 2016	Percentage Owned (%)• 2015
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
Living Cell Technologies S.A.	Argentina	**-**	100
FAC8Cell Pty Ltd	Australia	**-**	100
NeurotrophinCell Pty Ltd	Australia	**100**	100

- Percentage of voting power is in proportion to ownership
- During the year Living Cell Technologies S.A. ceased operating and was liquidated. FAC8Cell Pty Ltd was sold to Professor Elliott for $10.

19. 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 18 to the financial statements.

Joint venture

Diatranz Otsuka Limited (DOL) is accounted for using the equity method and detailed in note 10 of the financial statements. During the year the company purchased plant and equipment, pigs, inventory and was assigned a lease from DOL. The companies provide services to each other on a cost plus margin basis.

Loans

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

19. Related Parties (continued)

Key management personnel

Disclosures relating to key management personnel have been set out in note 17 and the Directors' Report.

Entities subject to significant influence by consolidated entity:

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

Subsidiaries:

The consolidated financial statements include the financial statements of Living Cell Technologies Limited and its subsidiaries. For details of subsidiaries, see note 18.

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

Related party balances	**2016 $**	**2015 $**
Payable to:		
DOL	29,064	8,428
DOL for assets purchased by the Company	196,375	-
Total payables	**225,439**	**8,428**
Receivable from:		
DOL	18,292	-
Total receivable	**18,292**	**-**
Related party transactions		
Services fee revenues from DOL	120,091	624,648
Purchase of products and services from DOL	341,322	383,319
Plant and equipment purchased from DOL	(400,784)	-
Designated pathogen-free pig herd purchased from DOL	(97,772)	-
Inventories purchased from DOL	(81,143)	-

20. Cash flow information

	2016 $	2015 $
Cash at the end of the financial year as shown in the is reconciled to items in the consolidated statement of financial position as follows:		
Cash and cash equivalents	**5,144,027**	**4,554,399**

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

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

	2016	2015
Profit/(loss) for the year	**(3,093,163)**	**(7,043,402)**
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in loss		
- depreciation	49,501	3,812
- net losses on disposal of assets	-	-
- net gains of employee provisions transferred in restructure	-	-
- LCT's share of loss from joint venture	67,355	4,065,893
- net foreign currency (gains)/losses	(239,591)	116,901
- share options expensed	18,331	41,522
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(185,639)	227,217
- (increase)/decrease in other assets	(72,069)	72,480
- increase/(decrease) in trade and other payables	264,862	(1,017,725)
- increase/(decrease) in employee benefits	33,284	(54,032)
Cash flow used in operations	**(3,157,129)**	**(3,587,334)**

21. 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 Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

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

22. 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.

22. Financial risk management (continued)

The group holds the following financial instruments:

	2016	2015
Financial Assets	**$**	**$**
Cash and cash equivalents	5,301,999	5,144,027
Trade and other receivables	333,738	178,273
Total financial assets	**5,635,737**	**5,322,300**
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	347,492	196,691
Total financial liabilities	**347,492**	**196,691**

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

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

	Within 1 Year		1 to 5 Years		Over 5 Years	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets - cash flows realisable						
Trade and other receivables	333,738	178,273	-	-	-	-
Trade and other payables	(347,492)	(196,691)	-	-	-	-
Deferred service fees	-	-	-	-	-	-
Total anticipated outflows	**(13,754)**	**(18,418)**	-	-	-	-

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

	2016	2015
	$	**$**
+ 1% (100 basis points)	47,072	54,225
- 0.5% (50 basis points)	(23,536)	(27,113)

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

22. Financial risk management (continued)

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.

22.

2016	**NZD**	**USD**	**Total**
Consolidated			
Cash and cash equivalents	3,124,878	-	**3,124,878**
Trade and other receivables	277,810	-	**277,810**
Trade and other payables	(451,722)	-	**(451,722)**
2015			
Consolidated			
Cash and cash equivalents	3,587,595	-	**3,587,595**
Trade and other receivables	178,273	-	**178,273**
Trade and other payables	(150,273)	(32,923)	**(183,196)**

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%**
2016	113,022	(102,258)
2015	105,389	(116,482)

Price risk

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

Notes to the financial statements
for the year ended 30 June 2016

23. Remuneration of Auditors

	2016	2015
Remuneration of the auditor of the parent entity, BDO, for:	$	$
- Auditing or reviewing the consolidated financial report and the Australian based subsidiaries	76,500	80,250
Remuneration of other auditors of subsidiaries for:		
- Auditing the New Zealand based subsidiaries	12,743	11,820
- Other services	3,667	4,300
Total	**92,910**	**96,370**

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

24. Contingent assets and liabilities

The Company had a bank bond of $41,317 for Pig facility lease, secured by a term deposit, was on issue at 30 June 2016 (2015 Nil).

In the opinion of the of the directors, the company did not have any other contingencies as at 30 June 2016 (2015; nil)

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

25. 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.

26. Company Details

The registered office of the company is:

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

Director's declaration

The directors of Living Cell Technologies Limited declare that:

1. the financial statements and notes for the year ended 30 June 2016 are in accordance with the *Corporations Act 2001* and:

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

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

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

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

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

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

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

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

Director:

Dated: 24 August 2016

Roy Austin

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Living Cell Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Living Cell Technologies, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Living Cell Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Living Cell Technologies Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 24 August 2016

Additional information for listed public companies

30 June 2016

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 15 August 2016.

Substantial shareholders

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

Shareholders	Number of shares
Otsuka Pharmaceutical Factory, Inc.	25,000,000

Voting rights

Ordinary Shares

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

Options

No voting rights.

Distribution of equity security holders at 31 July 2016

Holding	Holders	Shares
1 - 1,000	142	33,910
1,001 - 5,000	367	1,122,734
5,001 - 10,000	309	2,541,631
10,001 - 100,000	1068	43,757,068
100,000 and over	423	449,032,985
	2,309	496,488,328

There were 581 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders at 15 August 2016

	Number held	% of issued shares
National Nominees Limited	54,347,355	11
HSBC Custody Nominees (Australia) Ltd	26,027,321	5
Otsuka Pharmaceutical Factory, Inc.	25,000,000	5
Navigroup Management Limited	20,213,249	4
Investment Custodial Services Limited	18,843,092	4
Waiaua Bay Farm Limited	16,548,092	3
Peter C Cooper and Susan E Cooper	14,705,195	3
Jiangsu Aosaikang Pharmaceutical Co	14,334,080	3
ABN Amro Nominees Pty Limited	11,273,501	2
Masfen Securities Limited	9,876,137	2
Citicorp Nominees Pty Limited	9,325,777	2
Peter C Cooper	9,195,670	2
Forsyth Barr Custodians Limited	8,100,723	2
Lane Capital Group Limited	7,133,147	1
4 Eyes Limited	5,307,200	1
Michelle A Paine	5,305,000	1
Natalie Parke Trustee Limited	5,149,537	1
SC Trustee Limited	5,149,537	1
Foundation Services Limited	4,977,626	1
Vulcan Capital Limited	4,860,007	1

Securities exchange

The Company is listed on the Australian Securities Exchange.