



Living Cell Technologies Limited

Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

Living Cell Technologies Limited

For the 6 months to 31 December 2007

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any other public announcements made by Living Cell Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2007

Your directors present their report on the company and its controlled entities for the half year financial period ended 31 December 2007.

1. Directors

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

Names	Appointed/Resigned
Simon O'Loughlin	
Charles Macek	Resigned 24 August 2007
David Collinson	
Robert Elliott	
Laurie Hunter	
Paul Tan	
David Brookes	Appointed 23 August 2007
Robert Caspari	Appointed 8 January 2008

2. Business review

a Operating Results

The loss for the period of the consolidated group amounted to \$3,006,371. (2006: Loss of \$3,135,247).

b Review of operations

Living Cell Technologies Ltd ('LCT') develops live cell-based therapy products to treat life-threatening human diseases. LCT's encapsulation technology enables healthy living cells of animals to be implanted into humans who have deficient cells or organs. Due to the proprietary coating technology used with the cells, LCT's products do not require the use of immunosuppression to prevent rejection.

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

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

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

- a unique, fully-owned, specialised source of cells from a designated pathogen free pig herd,

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2007

2. Business review continued

Review of operations continued

which have been internationally and independently reviewed;

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

In addition, LCT is the only company world-wide to have met the necessary capabilities and current criteria for human clinical trials of a xenotransplant product.

Significant Events During the Period

5 July LCT Awarded NZ\$100,000 from NZ Government

LCT was awarded an Enterprise Development Grant of NZ\$100,000 from New Zealand Trade and Enterprise to assist the Company's market development activities.

18 July LCT Increases US Investment Support through ADR Program

The establishment of a Level 1 American Depositary Receipt ("ADR") Program was announced, under the ticker symbol "LVCLY" enabling US based investors to more easily trade in LCT shares.

23 August David Brookes appointed as independent Director to the Board

Dr David Brookes was appointed to the LCT Board to replace Charles Macek.

12 September LCT Receives Regional Ethics Committee Approval for Clinical Trial

LCT received all the regulatory and ethics approvals required by the NZ Minister of Health before proceeding with its type 1 diabetes phase I/IIa clinical trial in New Zealand

3 October LCT Raised A\$2.4m with option to purchase up to A\$9.8m

NaviGroup Management Ltd, a US-based investment group, has completed an initial placement of US\$2m (approximately A\$2.4m) for the purchase of ordinary shares at 11 cents, with a 90 day period to invest a further US\$6m (approximately A\$7.4m) at the lower of 20 cents or 80% of the 30-day moving average share price, up to a potential closing of US\$8m (approximately A\$9.8m).

9 October Positive Preliminary Data on DiabeCell Phase I/IIa® Trial

Report released to advise that both the first two patients implanted with DiabeCell® are doing well and no adverse effects have been reported. On receiving half the final total dose both patients have well exceeded the 25% reduction in insulin requirements anticipated for this small dose.

22 October Further Positive Preliminary Data on DiabeCell Phase I/IIa® Trial

First patient's control of blood glucose levels maintained while daily insulin requirements reduced to 40% over the past four months. Second recipient at one month following the implant has been weaned off insulin altogether.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2007

2. Business review continued

Review of operations continued

30 October \$6.4m Capital placement following positive clinical data

A private placement with Australasian based investors was announced to raise an additional \$6.4m at 36 cents per share.

6 November US\$2m Capital Raising funds received

The initial tranche of the NaviGroup funding transaction was received and convertible note holders are to receive options to purchase approximately 8.8 million shares in the Company at an exercise price of \$0.01. This is a compensation entitlement as a result of the Company raising capital (with NaviGroup) at less than the conversion price of the notes, namely A\$0.175.

22 November LCT Cancelled rights at A\$0.20 following A\$6m placement at 30 cents

US based NaviGroup Management Ltd waived its 90 day right to purchase up to US\$6million of LCT shares at 20 cents, retaining its rights to purchase at 80% of the 30 day average price. This was subsequent to Taylor Collison exercising its right to reduce the payment price from 36 cents to 30 cents so that it more closely reflected LCT's share price at the time of closing.

30 November LCT receives A\$6.0m in capital placement

Shareholders subscribed for 20,000,000 shares at A\$0.30 per share, raising A\$6m, in relation to the placement originally announced on 30 October and 22 November.

Living Cell Technologies Limited

Directors' Report

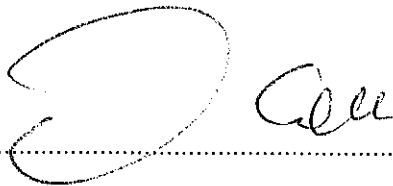
For the 6 months to 31 December 2007

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 5.

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

Director:.....

A handwritten signature in black ink, appearing to read "J. Cole", is written over a dotted line. To the right of the signature, there is a horizontal line that ends in a small downward-pointing tick mark.

Dated this..... day of

28th day of Feb. 2008



Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

To the Directors of Living Cell Technologies Limited

As lead auditor for the review of Living Cell Technologies Limited for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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Arthur Milner
Partner

Sydney, 28 February 2008

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Living Cell Technologies Limited

Condensed Consolidated Income Statement

For the 6 months to 31 December 2007

		December 31	December 31
		2007	2006
	Note	\$	\$
Revenue - trading	2	3,912	412
Other revenue	2	449,134	565,744
Employee costs		(1,571,671)	(1,824,881)
Depreciation, amortisation and impairments		(85,884)	(91,139)
Finance costs		(159,298)	(142,333)
Freight and cartage		(10,730)	(13,322)
Advertising		(25,448)	(7,679)
Research and development costs		(367,186)	(616,743)
Lease rentals on operating lease		(127,889)	(182,711)
Travel - overseas		(126,803)	(108,788)
Consulting and professional fees		(556,960)	(293,307)
Printing and stationery		(37,267)	(30,164)
Telephone and fax		(26,781)	(56,049)
Other expenses		(363,500)	(334,287)
Loss before income tax		(3,006,371) †	(3,135,247)
Income tax expense		-	-
Loss attributable to members of the parent entity		(3,006,371)	(3,135,247)

Earnings Per Share:

Continuing operations:

Basic & diluted earnings per share (cents per share)	(1.91)	(2.56)
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The weighted average number of ordinary shares on issue and used in the calculation of basic earnings per share was 157,778,749 (2006: 122,387,623)

The above Income Statement should be read in conjunction with the accompanying notes and the 30 June 2007 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Balance Sheet

As At 31 December 2007

	December 31 2007	June 30 2007
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7,643,561	2,449,768
Trade and other receivables	49,478	32,793
Inventories	53,337	43,308
Other current assets	98,668	41,888
TOTAL CURRENT ASSETS	7,845,044	2,567,757
NON-CURRENT ASSETS		
Property, plant and equipment	919,911	909,089
Biological assets	331,941	340,600
TOTAL NON-CURRENT ASSETS	1,251,852	1,249,689
TOTAL ASSETS	9,096,896	3,817,446
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	254,630	408,725
Short-term financial liabilities	2,075,569	1,877,982
Provisions	169,208	129,411
TOTAL CURRENT LIABILITIES	2,499,407	2,416,118
NON-CURRENT LIABILITIES		
Long-term financial liabilities	56,276	-
TOTAL NON-CURRENT LIABILITIES	56,276	-
TOTAL LIABILITIES	2,555,683	2,416,118
NET ASSETS	6,541,213	1,401,328
EQUITY		
Issued capital	3 37,682,255	29,872,385
Reserves	4 1,002,519	1,070,404
Accumulated losses	4 (32,143,561)	(29,541,461)
TOTAL EQUITY	6,541,213	1,401,328

The above Balance Sheet should be read in conjunction with the accompanying notes and the 30 June 2007 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Statement of Changes in Equity

31 December 2007

31 December 2007

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Convertible Instruments Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2007	29,872,385	(29,541,460)	(16,611)	1,009,631	77,384	1,401,329
Shares issued during the year	8,296,307	-	-	-	-	8,296,307
Loss attributable to members of the parent entity	-	(3,006,371)	-	-	-	(3,006,371)
Transaction costs	(486,437)	-	-	-	-	(486,437)
- foreign currency translation reserve	-	13,349	-	-	-	13,349
- option reserve write off	-	390,921	-	(390,921)	-	-
Adjustments from translation of foreign controlled entities	-	-	21,211	-	-	21,211
Option reserve on recognition of options expense	-	-	-	301,825	-	301,825
Balance at 31 December 2007	37,682,255	(32,143,561)	4,600	920,535	77,384	6,541,213

31 December 2006

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes and the 30 June 2007 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Cash Flow Statement

For the 6 months to 31 December 2007

	December 31 2007	December 31 2006
Note	\$	\$
Cash from operating activities:		
Receipts from customers and government grants	408,893	524,244
Payments to suppliers and employees	(2,996,436)	(3,218,814)
Dividends received	416	402
Interest received	38,260	41,540
Finance costs	(4,718)	(138)
Net cash used in operating activities	(2,553,585)	(2,652,766)
Cash flows from investing activities:		
Net movement of property, plant and equipment	(62,493)	(116,452)
Net cash used in investing activities	(62,493)	(116,452)
Cash flows from financing activities:		
Proceeds from issue of shares	8,296,308	711,292
Payment of transaction costs	(486,437)	(2,120)
Net cash provided by financing activities	7,809,871	709,172
Net increase (decrease) in cash held	5,193,793	(2,060,046)
Cash and cash equivalents at beginning of financial period	2,449,768	2,956,379
Cash and cash equivalents at end of financial period	7,643,561	896,333

The above Cash Flow Statement should be read in conjunction with the accompanying notes and the 30 June 2007 Annual Report.

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

1 Basis of Preparation of Half-Year Financial Report

This general purpose financial report for the interim half-year ended 31 December 2007 has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report made by Living Cell Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2007.

Since 31 December the company has received \$6 million in proceeds from capital raising activities from private placements, as well as an underwritten share purchase plan, with share subscriptions received from existing shareholders.

2 Income

	December 31 2007	December 31 2006
	\$	\$
- sale of goods	3,912	412
- services and other revenue	1,892	-
- interest income	38,260	41,540
- dividend income	411	402
- donations	26	22
- Government grants	408,545	523,780
Total Income	453,046	566,156

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

3 Issued Capital

(a) Issued and paid up capital

	December 31 2007	June 30 2007	\$
- Ordinary shares fully paid	37,682,255	29,872,385	
Total Issued Capital	37,682,255	29,872,385	

(b) Share capital

The share capital of the company is 193,315,742 shares at 31 December 2007 (June 2007: 152,846,910) of nil par value.

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

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

3 Issued Capital continued

(c) Movements in shares on issue

	31 Dec 2007	31 Dec 2007	30 June 2007	30 June 2007
	No. of shares	\$	No. of shares	\$
Ordinary Shares				
Beginning of the financial period	152,846,910	29,872,385	118,639,933	24,685,152
Issued during the period				
- private share issues	40,426,332	8,296,307	22,756,053	3,868,811
- contractors fees	-	-	136,920	20,538
Share purchase plan	-	-	11,214,004	1,962,450
- options exercised	42,500	-	100,000	21,000
Transaction costs in capital raising	-	(486,437)	-	(685,566)
Total	193,315,742	37,682,255	152,846,910	29,872,385

4 Share Capital and Reserves

(a) Total equity

	December 31	June 30
	2007	2007
	\$	\$
Share capital		
Share capital - ordinary	37,682,255	29,872,385
Total share capital	37,682,255	29,872,385
Reserves		
Foreign currency translation reserve	4,600	(16,611)
Convertible instruments reserve	77,384	77,384
Option reserve	920,535	1,009,631
Total reserves	1,002,519	1,070,404
Accumulated losses		
Opening balance	(29,541,460)	(23,543,341)
Foreign currency translation reserve	13,349	(10,798)
Write back for options cancelled	390,921	-
Net loss for the period	(3,006,371)	(5,987,322)
Total accumulated losses	(32,143,561)	(29,541,461)
Total Equity	6,541,213	1,401,328

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

4 Share Capital and Reserves continued

(b) Reserves

Foreign Currency Translation Reserve

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

Option reserve

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

Convertible instrument reserve

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

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

5 Segment Reporting

(a) Segment products and locations

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

(b) Geographical Segments

	New Zealand		USA		Australia		Eliminations		Consolidated	
	December 31 2007	June 30 2007	December 31 2007	June 30 2007	December 31 2007	June 30 2007	December 31 2007	June 30 2007	December 31 2007	June 30 2007
Revenue	\$ 1,925,104	\$ 3,402,779	\$ -	\$ 1,680,669	\$ 36,179	\$ 89,720	\$ (1,508,237)	\$ (4,228,384)	\$ 453,046	\$ 944,784
Assets	\$ 1,668,732	\$ 1,522,482	\$ 104,942	\$ 114,482	\$ 7,323,222	\$ 2,180,483	\$ -	\$ -	\$ 9,096,896	\$ 3,817,447

(c) Accounting Policies

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

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

6 Subsequent events

8 January New US based director appointed

Dr. Robert Caspari of Boulder, Colorado, was appointed to the Board as a Non Executive Director.

9 January LCT to receive US\$6m through exercise of option

Palmert Members Ltd will purchase 24,150,408 shares of LCT at A\$0.29 per share, for an aggregate purchase amount of US\$6 million. This is through Palmert exercising an option granted to NaviGroup Management Ltd.

25 January Conversion by Noteholders

The convertible noteholders agreed to convert all the convertible notes issued by LCT on 29 June 2006. The noteholders will convert their repayment amount (principal and interest) equating to A\$2,074,699 and will result in 11,855,422 shares being issued.

12 February Diabetes Trial Supported by US-Based Diabetes Foundation

The US based Children With Diabetes Foundation (CWDF) offered its support in raising funds for LCT's DiabeCell® clinical trials. The foundation has established a fund which allows supporters of diabetes research to contribute tax deductible donations towards the trials.

7 Company Details

The registered office of the company is:

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

8 Contingent Liabilities

Contingent liabilities as at 31/12/2007 Nil (30/06/2007 Nil).

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the 6 months to 31 December 2007

9 Controlled Entities

Name of Parent Entity	Country of Incorporation	Equity Holding 31/12/2007 %	Equity Holding 31/12/2006 %
Living Cell Technologies Ltd	Australia		
Name of Subsidiaries			
Living Cell Products Pty Ltd	Australia	100	100
LCT Australia Pty Ltd	Australia	100	100
Living Cell Technologies New Zealand Ltd	New Zealand	100	100
Pancell New Zealand Ltd	New Zealand	100	100
LCT Biopharma Inc	USA	100	100
Fac8Cell Pty Ltd	Australia	100	100
DiaBcell Pty Ltd	Australia	100	100
NeurotrophinCell Pty Ltd	Australia	100	100

Living Cell Technologies Limited

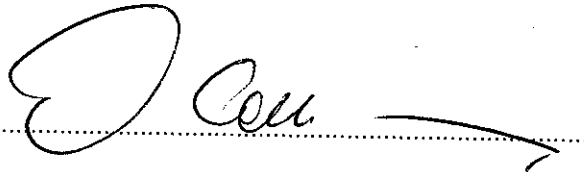
Directors' Declaration

The directors of the company declare that they are of the opinion that:

1. The financial statements and notes, as set out on pages 1 to 16 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2007 and of the performance for the half year ended on that date of the company and the economic entity;
2. In the directors' opinion at the date of this declaration, 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

28/2/08



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Living Cell Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Living Cell Technologies Limited, which comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at 31 December 2007 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Living Cell Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF



Arthur Milner
Partner

Sydney, 28 February 2008

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