



Living Cell Technologies Limited

Consolidated Financial Report

31 December 2016

Living Cell Technologies Limited

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Living Cell Technologies Limited

Directors' Report

31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity consisting of Living Cell Technologies Limited (LCT) and its controlled entities for the financial half year ended 31 December 2016.

1. General information

(a) Directors

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

Names

Roy Austin (Chairman)
Robert Elliott
Laurie Hunter
Bernard Tuch
Robert Willcocks

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

Company Secretary

The following person held the position of company secretary at the end of the financial half year ended 31 December 2016:

Mark Licciardo

2. Business Review

(a) Operating results

The consolidated loss for the half year amounted to \$(2,144,111) (2015 loss: \$(1,425,524)).

Services provided increased, reflecting the facilities provided to the 50% joint venture company Diatranz Otsuka Limited (DOL) now that the company leases the manufacturing premises. Callaghan Innovation Growth Grant income increased as a result of increased eligible R&D expenditure. Research and development has increased significantly due to completion of groups 1 and 2 and the manufacture of NTCELL[®] for the Phase IIb clinical trial of NTCELL for Parkinson's disease at Auckland City Hospital during the period. General and administration expenses were similar to last year. The company's share of joint venture losses exceeds its interest in the joint venture so the losses are no longer equity accounted.

(b) Review of operations

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.

During the period, further exciting progress was made in the development of NTCELL for Parkinson's disease.

Living Cell Technologies Limited

Directors' Report

31 December 2016

2. Business Review (continued)

(b) Review of operations continued

All patients in the Phase I/IIa clinical trial of NTCELL for Parkinson's disease continued to do well with no product related safety concerns. The Phase IIb trial commenced in March and all six patients in group 1 completed treatment in October and group 2 in December. The company has approval to treat the final six patients in group 3. The trial will be unblinded upon completion of the 26-week follow up period, at which point the placebo patients will receive the optimum dose of NTCELL. If the outcome of the trial is positive the company intends to apply for provisional consent to treat paying patients in New Zealand in the fourth quarter of this calendar year.

50% owned joint venture company Diatranz Otsuka Limited (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 R&D in New Zealand. The company's share of joint venture losses exceeds its interest in the joint venture so the investment is shown as zero.

3. Financial Review

(a) Financial position

The net assets of the consolidated group have increased by \$3,746,948 from \$5,676,660 at 30 June 2016 to \$9,423,608 as at 31 December 2016. The increase was due to the capital raising of \$6.3m at the end of November, partially offset by increased R&D expenditure.

(b) Cash from operations, investing and financing

Net cash outflow from operating activities increased due to completion of two groups in the Phase IIb clinical trial during this half year; \$1,588,213 in the previous period to \$2,351,661.

Net cash outflow from investing activities includes the remaining payments for the plant, pigs and inventory purchased from DOL in December 2015.

On 30 November 2016, the company completed a private placement of 74,117,653 shares at \$0.085 to institutional and professional investors which raised \$6.3m.

(c) Liquidity and funding

As at 31 December 2016 the consolidated group had \$8.6m cash in the bank, compared to \$5.3m as at 30 June 2016 and \$3.6m at 31 December 2015. This balance is projected to allow the planned level of operations to continue for approximately 20 months. If the application for provisional consent to treat paying patients is successful, the company plans to be cash-positive well within this period. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Living Cell Technologies Limited

Directors' Report

31 December 2016

4. Other Items

(a) Significant events

(i) 22 August 2016 **Joint venture to focus on US development**

Diatranz Otsuka Limited has the right to use the DIABECELL being developed in US in the rest of the world so is no longer carrying out research and development in New Zealand. It is consulting employees on a proposal to close the Invercargill pig facility.

(ii) 5 October 2016 **Group 1 Phase IIb trial patients successfully treated**

Treatment of all six patients in group 1 of the Phase II b clinical trial of NTCELL for Parkinson's disease have been successfully treated.

(iii) 11 November 2016 **Approval granted for group 2 in Parkinson's trial**

The company received approval from the Data Safety Monitoring Board (DSMB) to commence treating the six patients in group 2 of the Phase IIb clinical trial of NTCELL[®] for Parkinson's disease, at Auckland City Hospital. The original trial protocol required the DSMB to review MRIs of the patients in the trial 8 weeks after surgery. The protocol was amended to enable the last three patients to have an MRI scan at 4 weeks' post-surgery for review by the DSMB as well as one at 8 weeks post-surgery. The Northern A Health and Disability Ethics Committee also approved this amendment.

(iv) 30 November 2016 **\$6.3m private placement completed**

The company completed the placement of 74,117,653 shares at \$0.085 to institutional and professional investors, raising \$6.3m.

(v) 22 December 2016 **Group 2 Parkinson's trial patients' treatment completed**

The company completed treatment of all six patients in group 2 of the Phase IIb clinical trial of NTCELL[®] for Parkinson's disease, at Auckland City Hospital. Four patients had 80 NTCELL microcapsules implanted into the putamen on each side of their brain, and two patients had sham surgery with no NTCELL implanted. To date there are no safety issues in any of the six patients.

(vi) 11 January 2017 **US NTCELL[®] patent application published**

The company received notice from the United States Patent and Trademark Office that its patent application "TREATMENT OF CNS DISEASE WITH INDUCIBLE CHOROID PLEXUS CELLS" No. 15/154,709 was published with a date of 15 December 2016.

Living Cell Technologies Limited

Directors' Report

31 December 2016

4. Other Items (continued)

(b) Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 for the half year ended 31 December 2016 has been received and can be found on page 5 of the financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors, and is signed for and on behalf of the directors;

Dated at Auckland on the 22nd day of February 2017

Director:



Roy Austin (Chairman)

DECLARATION OF INDEPENDENCE BY GARETH FEW 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 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 review; and
2. 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 period.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 22 February 2017

Living Cell Technologies Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year to 31 December 2016

	31 Dec 2016	31 Dec 2015
	Note	\$
Revenue		
Services provided		30,373
Grant income		245,244
Interest		84,068
Other income		5,860
Total revenue and other income		365,545
Expenses		
Research and development		(911,021)
General and administration		(995,625)
Finance costs		-
Total expenses		(1,906,646)
Operating loss		(1,541,101)
Foreign exchange gain/(loss)		182,932
Share of loss of joint venture	6	(67,355)
Loss before income tax		(1,425,524)
Income tax		-
Loss after income tax from continuing operations		(1,425,524)
Other comprehensive income		
Exchange difference on translation of foreign operations		(30,050)
Other comprehensive income		(30,050)
Total comprehensive income		(1,455,574)
Earnings per share:		
From continuing operations:		
Basic earnings/(loss) per share (cents)	2	(0.34)
Diluted earnings/(loss) per share (cents)	2	(0.34)

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2016 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 Dec 2016 \$	30 Jun 2016 \$
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents		8,623,788	5,301,999
Trade and other receivables	5	595,117	396,416
Inventories		88,050	72,069
TOTAL CURRENT ASSETS		9,306,955	5,770,484
NON-CURRENT ASSETS			
Property, plant & equipment		406,798	401,295
Biological assets		100,000	99,362
Term deposit to secure lease bond		41,582	41,317
Investment in joint venture	6	-	-
TOTAL NON-CURRENT ASSETS		548,380	541,974
TOTAL ASSETS		9,855,335	6,312,458
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		295,119	321,123
Amount due to related parties	4	15,511	225,439
Short term provisions		121,097	89,236
TOTAL CURRENT LIABILITIES		431,727	635,798
NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		431,727	635,798
NET ASSETS		9,423,608	5,676,660
EQUITY			
Share capital		74,327,905	68,406,383
Reserves		3,951,298	3,981,761
Accumulated losses		(68,855,595)	(66,711,484)
TOTAL EQUITY		9,423,608	5,676,660

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2016 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2016

31 December 2016

Note	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2016	496,488,328	68,406,383	(66,711,484)	3,792,816	188,945	5,676,660
Loss attributable to members of the entity	-	-	(2,144,111)	-	-	(2,144,111)
Total other comprehensive income	-	-	-	41,626	-	41,626
Total comprehensive income	-	-	(2,144,111)	41,626	-	(2,102,485)
Transactions with owners in their capacity as owners						
Shares issued during the period	74,117,653	6,300,000	-	-	-	6,300,000
Cost of capital raising	-	(378,478)	-	-	-	(378,478)
Share-based remuneration	-	-	-	-	21,941	21,941
Expired Options	-	-	-	-	(94,030)	(94,030)
Balance at 31 December 2016	570,605,981	74,327,905	(68,855,595)	3,834,442	116,856	9,423,608

31 December 2015

Note	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2015	423,999,738	64,751,709	(63,618,321)	3,822,861	170,614	5,126,863
Loss attributable to members of the entity	-	-	(1,425,524)	-	-	(1,425,524)
Total other comprehensive income	-	-	-	(30,050)	-	(30,050)
Total comprehensive income	-	-	(1,425,524)	(30,050)	-	(1,455,574)
Transactions with owners in their capacity as owners						
Shares issued during the period	-	-	-	-	-	-
Cost of capital raising	-	-	-	-	-	-
Share-based remuneration	-	-	-	-	5,771	5,771
Balance at 31 December 2015	423,999,738	64,751,709	(65,043,845)	3,792,811	176,385	3,677,060

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2016 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Cash from operating activities:			
Receipts from customers		72,938	23,401
Payments to suppliers and employees		(2,875,939)	(1,786,116)
Grants received		391,381	80,869
Interest received		59,959	87,773
Distribution received		-	5,860
Net cash used in operating activities		(2,351,661)	(1,588,213)
Cash flows from investing activities:			
Payment for plant and equipment		(238,269)	(96,616)
Payment for bond security		-	(43,245)
Proceeds from disposal of shares in subsidiaries and investments		-	10
Net cash used in investing activities		(238,269)	(139,851)
Cash flows from financing activities:			
Proceeds from issue of shares		6,300,000	-
Payment of share issue transaction costs		(378,478)	-
Net cash provided by financing activities		5,921,522	-
Net increase/(decrease) in cash and cash equivalents		3,331,592	(1,728,064)
Cash and cash equivalents at beginning of period		5,301,999	5,144,027
Exchange rate changes on cash and cash equivalents		(9,803)	188,537
Cash and cash equivalents at the end of the period		8,623,788	3,604,500

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2016 Annual Report.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2016

1 Statement of significant accounting policies

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2016 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards AASB 134 Interim Financial Reporting.

The financial report covers the consolidated entity of Living Cell Technologies Limited and its controlled entities. The financial report has been presented in Australian dollars, the group's presentation currency. The report consists of the financial statements, notes to the financial statements and the directors' declaration.

The 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 for the year ended 30 June 2016 and any public announcements made by the company 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 2016.

New, revised or amending Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2016

(b) Going concern

As at 31 December 2016 the consolidated group had \$8.6m cash in the bank, compared to \$5.3m as at 30 June 2016 and \$3.6m at 31 December 2015. This balance is projected to allow the planned level of operations to continue for approximately 20 months. If the application for provisional consent to treat paying patients is successful, the company plans to be cash-positive well within this period. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

2 Earnings per share

The following reflects the income and share information used in the calculation of basic and diluted earnings per share:

	31 Dec 2016	31 Dec 2015
Earnings used to calculate basic EPS	\$(2,144,111)	\$(1,425,524)
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic EPS	508,975,951	423,983,504
Earnings/(loss) per share (cents)	(0.42)	(0.34)
Diluted earnings/(loss) per share (cents)	(0.42)	(0.34)

3 Net asset backing

	31 Dec 2016	30 Jun 2016
Net tangible assets per ordinary share (cents per share)	1.65	1.14

4 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

	31 Dec 2016	31 Dec 2015
	\$	\$
Services fees received from 50% owned joint venture company	55,556	29,250
Plant, property and equipment purchased from 50% owned joint venture	-	400,784
Designated pathogen-free pig herd purchased from 50% owned joint venture company	-	97,772
Inventories purchased from 50% owned joint venture company	-	81,143

	31 Dec 2016	31 Jun 2016
	\$	\$
Balances with related parties:		
Payable to 50% owned joint venture company; repayable within 12 months; interest free	15,511	225,439

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2016

5 Trade and other receivables

	31 Dec 2016	30 Jun 2016
	\$	\$
Trade receivables	270,354	230,900
Prepayments	74,747	62,682
Accrued interest	29,332	36,187
Other receivables	220,684	66,647
Total	595,117	396,416

6 Investment in joint venture

	31 Dec 2016	30 Jun 2016
	\$	\$
Opening balance	-	67,355
Foreign exchange movement	-	-
50% of the result for the period	-	(67,355)
Total	-	-

The company's 50% share of Diatranz Otsuka Limited's losses exceeds its interest in the joint venture so the investment is shown at zero.

7 Segment reporting

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

8 Contingent liabilities and contingent assets

A bank bond of \$41,582, secured by a term deposit was on issue at the reporting date (last year \$43,245).

There were no other contingent assets or liabilities at the reporting date (last year nil).

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2016

9 Company details

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

The principal place of business is:
PO Box 23566
Hunters Corner, Manukau, 2155
Auckland, New Zealand

Living Cell Technologies Limited

Directors' Declaration

The directors of Living Cell Technologies limited declare that:

- (a) The financial statements and note, as set out on pages 6 to 13 are in accordance with the Corporations Act 2001 including that they:
 - (i) give a true and fair view of the financial position as at 31 December 2016 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory reporting requirements.
- (b) 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, and is signed for and on behalf of the directors;

Dated at Auckland on the 22nd day of February 2017



.....
Director

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2016 Annual Report.

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 consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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.

Independence

In conducting our review, 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 review report.

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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A stylized, handwritten-style logo of the letters 'BDO' in black ink.A handwritten signature in black ink that reads 'Gareth Few'.

Gareth Few
Partner

Sydney, 22 February 2017