



Living Cell Technologies Limited

ACN: 104 028 042
ASX: LCT
OTCQX: LVCLY

ASX ANNOUNCEMENT

Preliminary Final Report 30 June 2017

23 August 2017 – Sydney, Australia & Auckland, New Zealand – Living Cell Technologies Limited today announced the Preliminary Final Report (Appendix 4E) on the results for the year ended 30 June 2017. In accordance with Listing Rule 4.3A, the report is attached.

This financial year has been another of exciting progress for LCT. Treatments in the Phase IIb clinical study of NTCELL® in Parkinson's disease were completed at the end of April and we are now eagerly waiting for the results to be unblinded in November. The 130 weeks' post-implant results of the Phase I/IIa clinical study were announced in June. The study continued to meet the primary endpoint of safety and patients continued to show a reversal of the progression of Parkinson's disease.

Financial Results

The result of the consolidated entity has increased from a loss of \$(3,093,163) in the year ended 30 June 2016 to a loss of \$(4,090,257). This is primarily due to the cost of running the Phase IIb clinical trial of NTCELL in Parkinson's disease and the cost of manufacturing NTCELL for the trial.

Cash and cash equivalents has increased from \$5,301,999 to \$7,530,033 due to a private placement to institutional and professional investors in November 2016 raising net \$5.9m, partially offset by NTCELL manufacturing, clinical trial costs and ongoing corporate expenses.

– Ends –

For further information: www.lctglobal.com

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About Living Cell Technologies

Living Cell Technologies Limited (LCT) is an Australasian biotechnology company improving the wellbeing of people with serious diseases worldwide by discovering, developing and commercialising regenerative treatments which restore function using naturally occurring cells.

LCT's lead product, NTCELL[®], is an alginate coated capsule containing clusters of neonatal porcine choroid plexus cells. After implantation NTCELL functions as a biological factory, producing factors to promote new central nervous system growth and repair disease-induced nerve degeneration.

The Phase I/IIa NTCELL clinical trial in New Zealand for the treatment of Parkinson's disease met the primary endpoint of safety and reversed progression of the disease two years after implant. Results from this trial were used to design a larger Phase IIb trial to confirm the most effective dose of NTCELL, define any placebo component of the response and further identify the initial target Parkinson's disease patient sub group. This trial commenced in March 2016. If the trial is successful, the company will apply in late 2017 for provisional consent to treat paying patients in New Zealand and launch NTCELL as the first disease modifying treatment for Parkinson's disease.

In addition to Parkinson's disease, NTCELL has the potential to be used in a number of other central nervous system indications, including Huntington's, Alzheimer's and motor neurone diseases including amyotrophic lateral sclerosis (ALS).

LCT's proprietary encapsulation technology, IMMUPEL[™], allows cell therapies to be used without the need for co-treatment with drugs that suppress the immune system.

LCT is listed on the Australian (ASX: LCT) and US (OTCQX: LVCLY) stock exchanges. The company is incorporated in Australia, with its operations based in New Zealand.

For more information, visit www.lctglobal.com or follow @lctglobal on Twitter.

Forward-looking statements

This document may contain certain forward-looking statements, relating to LCT's business, which can be identified by the use of forward-looking terminology such as "promising," "plans," "anticipated," "will," "project," "believe," "forecast," "expected," "estimated," "targeting," "aiming," "set to," "potential," "seeking to," "goal," "could provide," "intends," "is being developed," "could be," "on track," or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other health authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any health authorities for sale in any market or that they will reach any particular level of sales. In particular, management's expectations regarding the approval and commercialisation of the product candidates could be affected by, among other things, unexpected clinical trial results, including additional analysis of existing clinical data, and new clinical data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. LCT is providing this information and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

Living Cell Technologies Limited

ABN: 104 028 042

Appendix 4E

Full-year ended 30 June 2017

(Previous corresponding period:
Year ended 30 June 2016)

Results for Announcement to Market

	2017	2016
	\$	\$
Services revenue	115,279	120,091
Total other income	1,051,345	721,356
Total revenue and other income	1,166,624	841,447
Profit/(loss) before income tax expense	(4,218,948)	(3,093,163)
Income tax expense (credit)	(128,691)	-
Reported net profit/(loss) after tax attributable to members of the parent entity	(4,090,257)	(3,093,163)

Reported

- Total revenue and other income increased 38.6% to \$1,166,625.
- Net profit/(loss) from ordinary activities attributable to members of the parent entity has increased to \$(4,090,257).
- Net profit/(loss) after tax for the year attributable to members of the parent entity has increased to \$(4,090,257).

Dividends

	Amount per security	Franked amount per security
Final dividend	NIL	-
Previous corresponding period	NIL	-
Record date for determining entitlements to the dividend:	n/a	
Date the dividend is payable	n/a	

Explanation of results

For further explanation of the results please refer to the ASX release.

Other information required by Listing Rule 4.3A

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached Consolidated Financial Report and media release.

Additional Information

NTA Backing

	30 June 2017	30 June 2016
Net tangible asset backing per ordinary share	1.3 cents per share	1.1 cents per share

Changes in controlled entities

No companies were acquired during the year.
One company was disposed of during the year.

Audit Report

The audit report is contained in the attached Financial Report.

Living Cell Technologies Limited advises that its Annual General Meeting will be held on Wednesday 15 November 2017. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5.00pm (AEDT) Tuesday 26 September 2017.

M Licciardo
Company Secretary

23 August 2017



Living Cell Technologies Limited

Consolidated financial statements

For the Year Ended 30 June 2017

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for the year ended 30 June 2017

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Directors' report

30 June 2017

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 2017.

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	Independent director, Chairman (Age: 69)
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. In 2017 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to children's health and the community.
Special responsibilities	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. Mr Austin was elected Chairman on 20 July 2011. He is a member of the Remuneration and Nomination Committee; a member of the Audit, Risk and Compliance Committee and 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:83)
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.

Directors' report

30 June 2017

1. General information (continued)

Laurie Hunter	Independent director (Age: 70)
Qualifications	MA (Hons)
Experience	Mr Hunter has over 40 years' experience as a stockbroker, investment banker and corporate investor in London, Paris and San Francisco. He was a Member of The Stock Exchange, London, a partner at L. Messel and Co, London, a director of Shearson Lehman Hutton and founder of Hunter Capital. His recent focus has been on investing and providing strategic advice to developing companies.
Special responsibilities	Mr Hunter is a member of the Audit, Risk and Compliance Committee. He was appointed to the LCT Board on 25 August 2006.
Other directorships in listed entities held in the previous three years	Mr Hunter resigned from the board of listed company StratMin Global Resources Plc on 16 February 2016.
Bernard Tuch	Independent director (Age: 66)
Qualifications	BSc, MBBS (Hons), FRACP, PhD, GAICD
Experience	<p>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.</p> <p>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.</p>
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: 69)
Qualifications	BA, LLM
Experience	<p>Robert Willcocks is a senior executive with an extensive legal and business background working with Australian listed public companies. He has Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney. Mr Willcocks was a partner with the law firm Stephen Jaques & Stephen (now King & Wood Mallesons) from 1980 until 1994, where he was a member of the Corporate Advisory Group with an emphasis on the mining and oil and gas sectors. As corporate adviser, he has undertaken assignments in a range of industry sectors.</p> <p>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.</p>
Special responsibilities	Mr Willcocks is chairman of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee. He was appointed to the board on 29 March 2011.

Directors' report

30 June 2017

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 to the nature of the principal activities during the financial year.

2. Operating and financial review

Operations

The loss after income tax from continuing operations has increased from a loss of \$(3,093,163) in the year ended 30 June 2016 to a loss of \$(4,090,257). This is primarily due to the cost of running the Phase Iib clinical trial of NTCELL in Parkinson's disease and the cost of manufacturing NTCELL for the trial.

Revenue and other income increased from \$841,447 to \$1,166,624 primarily due to the increased Callaghan Innovation research and development growth grant reflecting increased R&D expenditure.

Research and development expenses have increased from \$3,155,645 to \$4,441,754 primarily due to completion of treatments in the Phase Iib clinical trial of NTCELL in Parkinson's disease and the continuing patient monitoring costs of both clinical trials, the cost of manufacturing NTCELL and maintaining the pig herd.

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

R&D loss tax credit of \$128,691 was received in exchange for foregoing NZD500,000 of tax losses.

Financial position

Net assets of the consolidated entity have increased from \$5,676,660 to \$7,518,340. This is primarily due to cash raised from share issues, partially offset by research and development expenditure. Trade payables include an amount payable for the treatment of patients in group 3 of the Phase Iib clinical trial of NTCELL in Parkinson's disease.

Cash and cash equivalents has increased from \$5,301,999 to \$7,530,033 due to a private placement to institutional and professional investors in November 2016 raising net \$5.9m, 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 17 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.

Directors' report

30 June 2017

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 and delivery process for NTCELL;
- develop NTCELL and other products 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 the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Environmental issues

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

Company secretary

The following 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.

Directors' report

30 June 2017

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, Risk and Compliance Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Roy Austin	6	6	2	2	4	4
Robert Elliott	6	6	-	-	-	-
Bernard Tuch	6	6	-	-	4	4
Laurie Hunter	6	6	2	2	-	-
Robert Willcocks	6	6	2	2	4	4

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 \$54,058 (2016: \$46,650).

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
2017				
Roy Austin	-	-	-	-
Robert Elliott	4,490,060	-	286,209	4,776,269
Laurie Hunter ¹	2,645,661	-	-	2,645,661
Bernard Tuch ²	36,800	-	-	36,800
Robert Willcocks	-	-	-	-
John Cowan ³	330,955	-	-	330,955
Ken Taylor	-	-	-	-
	7,503,476	-	286,209	7,789,685
2016				
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

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

30 June 2017

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	No. under Option
23 December 2011	23 December 2017	\$ 0.1000	250,000
23 December 2012	23 December 2018	\$ 0.1000	250,000
6 March 2013	6 March 2018	\$ 0.1500	1,225,000
6 March 2013	6 March 2018	\$ 0.1000	1,225,000
1 July 2014	1 July 2020	\$ 0.1000	250,000
1 July 2014	1 July 2020	\$ 0.1400	100,000
1 July 2015	1 July 2021	\$ 0.1000	250,000
1 July 2015	1 July 2021	\$ 0.1900	100,000
4 May 2016	4 May 2019	\$ 0.0750	400,000
4 May 2016	4 May 2019	\$ 0.1000	400,000
4 May 2016	4 May 2018	\$ 0.0565	755,000
22 February 2017	15 December 2018	\$ 0.1002	2,538,000
Options at 30 June			<u>7,743,000</u>

Non-audit services

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

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

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2017: \$2,870 (2016: \$3,667)

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 2017 has been received and can be found on page 14 of the financial report.

Directors' report

30 June 2017

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), statutory contributions to KiwiSaver and options.
- Options are based on the extent to which predetermined objectives, which contribute to the company's strategies, are met.
- Incentives paid in the form of options are intended to align the interests of the KMP and Company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration and nomination committee reviews key management personnel packages annually by reference to consolidated entity's performance, executive performance and comparable information from industry sectors.

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

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

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Key management personnel are paid an agreed number of 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 2017

Performance conditions linked to remuneration

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

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

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	-	-	9
Ken Taylor	Chief Executive	-	-	5

Service agreements

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

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

All employment agreements are for an unlimited duration. The agreements for executives may be terminated by giving 20 to 60 working days' notice (except in cases of termination for cause where termination is immediate). Redundancy entitlements are 2-4 weeks for the first year of service and one week's payment for each six-month's 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

30 June 2017

Remuneration details for the year ended 30 June 2017

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	Pension and superannuation	Options and rights	
	\$	\$	\$	\$	\$
2017					
Directors					
Roy Austin	70,000	-	70,000	-	70,000
Robert Elliott	50,000	-	50,000	-	50,000
Laurie Hunter	50,000	-	50,000	-	50,000
Bernard Tuch	45,716	-	45,716	4,284	50,000
Robert Willcocks	50,000	-	50,000	-	50,000
KMP					
John Cowan	121,116	-	121,116	11,868	136,617
Ken Taylor	381,078	-	381,078	22,174	403,252
	767,910	-	767,910	34,042	809,869
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	171,649	-	171,649	968	179,844
Ken Taylor	380,000	-	380,000	14,671	394,671
	817,311	-	817,311	15,639	844,515

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								
John Cowan	300,000	0.1002	0.0410	15-Dec-16	15-Dec-17	15-Dec-18	-	-

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

The weighted average fair value of options granted during the year was \$0.041 (2016: \$0.03)

Living Cell Technologies Limited

Directors' report

30 June 2017

Options granted, vested and lapsed during the year (continued)

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 2017, no ordinary shares of LCT were issued on the exercise of options grants. No further shares have been issued since that date. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options were issued by Living Cell Technologies Limited and entitle the holder to ordinary shares in Living Cell Technologies Limited for each option exercised.

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

Key management personnel options and rights holdings

	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
2017								
Roy Austin	900,000	-	-	900,000	-	-	-	-
Robert Elliott	-	-	-	-	-	-	-	-
Bernard Tuch	400,000	-	-	400,000	-	-	-	-
Robert Willcocks ¹	400,000	-	-	400,000	-	-	-	-
John Cowan	455,000	300,000	-	-	755,000	255,000	455,000	300,000
Ken Taylor	1,500,000	-	-	-	1,500,000	1,150,000	1,500,000	-
	<u>3,655,000</u>	<u>300,000</u>	<u>-</u>	<u>1,700,000</u>	<u>2,255,000</u>	<u>1,405,000</u>	<u>1,955,000</u>	<u>300,000</u>
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
	<u>2,450,000</u>	<u>1,405,000</u>	<u>-</u>	<u>200,000</u>	<u>3,655,000</u>	<u>350,000</u>	<u>2,250,000</u>	<u>1,405,000</u>

(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 2017 are summarised below:

	2017	2016	2015	2014	2013
Revenue and other income	1,166,624	841,447	1,044,639	7,941,227	7,901,351
Loss after income tax	(4,090,257)	(3,093,163)	(7,043,402)	(6,778,896)	(2,978,709)

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

	2017	2016	2015	2014	2013
Share price at financial year end (cents)	0.11	0.07	0.05	0.05	0.04
Total dividend declared (cents per share)	-	-	-	-	-
basic earnings per share (cents per share)	(0.76)	(0.69)	(1.75)	(1.90)	(0.58)

This concludes the remuneration report which has been audited.

Living Cell Technologies Limited

Directors' report

30 June 2017

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.



Director

Dated: 23 August 2017

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 2017, 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, 23 August 2017

Consolidated statement of profit or loss and other comprehensive income
For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue and other income	2	1,166,624	841,447
Expenses			
Research and development		(4,441,754)	(3,155,645)
Governance		(449,764)	(570,692)
Shareholder		(293,346)	(270,468)
General		(107,737)	(109,987)
Total expenses	3	(5,292,601)	(4,106,792)
Operating loss		(4,125,977)	(3,265,345)
Foreign exchange gain/(loss)		(92,971)	239,537
Share of loss from joint venture		-	(67,355)
Loss before income tax		(4,218,948)	(3,093,163)
R&D loss tax credit	4	128,691	-
Income tax expense	4	-	-
Loss after income tax from continuing operations		(4,090,257)	(3,093,163)
Loss attributable to members of the parent entity		(4,090,257)	(3,093,163)
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		4,791	(30,045)
Total other comprehensive income		4,791	(30,045)
Total comprehensive income attributable to members of the parent entity		(4,085,466)	(3,123,208)
Earnings per share			
Continuing operations			
Basic earnings/(loss) per share (cents)	5	(0.76)	(0.69)
Diluted earnings/(loss) per share (cents)	5	(0.76)	(0.69)

Consolidated statement of financial position
as at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		7,530,033	5,301,999
Trade and other receivables	6	576,100	396,416
Inventories		70,652	72,069
Total current assets		8,176,785	5,770,484
Non-current assets			
Property, plant and equipment	7	377,296	401,295
Biological assets		99,080	99,362
Term deposit	22	41,199	41,317
Total non-current assets		517,575	541,974
TOTAL ASSETS		8,694,360	6,312,458
LIABILITIES			
Current Liabilities			
Trade and other payables	8	1,074,161	546,562
Short-term provisions	9	101,859	89,236
Total current-liabilities		1,176,020	635,798
TOTAL LIABILITIES		1,176,020	635,798
NET ASSETS		7,518,340	5,676,660
EQUITY			
Issued capital	10	74,339,770	68,406,383
Reserves	11	3,980,311	3,981,761
Accumulated losses		(70,801,741)	(66,711,484)
Total equity attributable to equity holders of the Company		7,518,340	5,676,660
TOTAL EQUITY		7,518,340	5,676,660

Consolidated statement of changes in equity
for the year ended 30 June 2017

2017	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Option reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	68,406,383	(66,711,484)	3,792,816	188,945	5,676,660
Total other comprehensive income for the year	-	(4,090,257)	-	-	(4,090,257)
Total other comprehensive income	-	-	4,791	-	4,791
<i>Transaction with equity holders in their capacity as owners</i>					
Shares issued during the year	6,311,865	-	-	-	6,311,865
Transaction costs	(378,478)	-	-	-	(378,478)
Share based remuneration	-	-	-	96,937	96,937
Option exercised	-	-	-	(5,103)	(5,103)
Expired options	-	-	-	(98,075)	(98,075)
Balance at 30 June 2017	74,339,770	(70,801,741)	3,797,607	182,704	7,518,340

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)
<i>Transaction with equity holders in their capacity as owners</i>					
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

Living Cell Technologies Limited

Consolidated statement of cash flows for the year ended 30 June 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and grants (GST inclusive)		963,195	546,725
Payments to suppliers and employees (GST inclusive)		(4,474,332)	(3,894,464)
Interest received		141,059	190,610
Net cash used in operating activities	18	(3,370,078)	(3,157,129)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(249,262)	(183,004)
Biological assets		-	(99,362)
Payment for bond security		-	(41,317)
Net cash used by investing activities		(249,262)	(323,683)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		6,311,865	3,690,702
Payment of transaction costs		(378,478)	(36,028)
Net cash provided by financing activities		5,933,387	3,654,674
Effect of exchange rates on cash holdings in foreign currencies		(86,013)	(15,890)
Net increase in cash and cash equivalents held		2,228,034	157,972
Cash and cash equivalents at beginning of year		5,301,999	5,144,027
Cash and cash equivalents at end of financial year		7,530,033	5,301,999

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

Notes to the consolidated financial statements for the year ended 30 June 2017

1. About this report

(a) Basis of preparation

This general purpose financial report for the year ended 30 June 2017 has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 as appropriate for profit oriented entities. Compliance with Australian Accounting Standards ensures that the consolidated entity financial report conforms to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

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

(b) Critical accounting estimates and judgements

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

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

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

(c) Going concern

Cash and cash equivalents has increased from \$5,301,999 to \$7,530,033 due to a private placement to institutional and professional investors in November 2016 raising net \$5.9m, 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 17 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.

Notes to the consolidated financial statements for the year ended 30 June 2017

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

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

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

	2017	2016
Revenue	\$	\$
Grant income	909,187	592,339
Interest income	142,158	123,167
Services provided	115,279	120,091
Other income	-	5,850
	<u>1,166,624</u>	<u>841,447</u>

3. Expenses

Employee benefits

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

Share-based payments

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

Issue of options

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

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

Research and development

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

Governance

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

Shareholder

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

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

3. Expenses (continued)

Expenses include the following:

	2017	2016
	\$	\$
Employee benefits		
Wages and salaries	1,715,598	1,638,223
Contributions to employees' savings plans	34,045	39,764
Share-based payments	(6,241)	18,331
Staff training	8,815	7,450
Total employee benefits	1,752,217	1,703,768
Depreciation		
Plant and equipment depreciation	1,991	2,353
Furniture, fixtures and fitting depreciation	73,125	47,148
Total depreciation	75,116	49,501
Lease payments	94,031	153,483

4. Income tax expense

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

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

Reconciliation of income tax to accounting loss:

	2017	2016
	\$	\$
Loss before income tax	(4,218,948)	(3,093,163)
Effective tax rate	28%	29%
	(1,181,305)	(897,017)
Add tax effect of:		
- Non-deductible expenditure	4,377	20,371
- Deferred tax asset not bought into account	1,176,928	876,646
Income tax expense	-	-

Tax losses

	2017	2016
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	39,480,545	34,418,028
Potential tax benefit at 27.5% AU (previously 30%)	8,786,789	9,386,483
Potential tax benefit at 28% NZ	2,108,004	876,331

The benefit will only be obtained if:

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

A R&D loss tax credit of \$128,691 was received from NZ Inland Revenue in exchange for foregoing NZD500,000 of tax losses.

Notes to the consolidated financial statements
for the year ended 30 June 2017

5. Earnings/(loss) per share

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

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

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

Reconciliation of earnings to profit or loss from continuing operations

	2017	2016
	\$	\$
Profit/(loss) used in calculation of basic and diluted EPS	(4,090,257)	(3,093,163)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	539,563,951	447,706,080
Weighted average number of ordinary shares and convertible securities outstanding during the year used in calculating diluted EPS	539,563,951	447,706,080
Basic earnings/(loss) per share (cents)	(0.76)	(0.69)
Diluted earnings/(loss) per share (cents)	(0.76)	(0.69)

6. Trade and other 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.

	2017	2016
	\$	\$
Trade receivables	271,372	230,900
Prepayments	45,118	62,682
Accrued interest	37,286	36,187
Other receivables	222,324	66,647
Total current trade and other receivables	576,100	396,416

Aged analysis

At 30 June 2017, there were no past due trade receivables, bad debts or doubtful debts (2016: Nil). The ageing analysis of receivables is as follows:

0-30 days	271,372	226,255
31-60 days	-	-
61-90 days	-	4,645
	271,372	230,900

Allowance for Impairment

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms. 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 (2016: \$Nil) for the consolidated entity.

Notes to the consolidated financial statements
for the year ended 30 June 2017

7. Property, plant equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Cost includes purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

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

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

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

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

	Plant and equipment	Leasehold improvements	Total
Cost			
Balance at 1 July 2016	315,900	147,300	463,200
Additions	52,886	-	52,886
Foreign exchange movement	(895)	(418)	(1,313)
Balance June 2017	367,891	146,882	514,773
Accumulated Depreciation			
Balance at 1 July 2016	53,218	8,687	61,905
Depreciation expense	61,160	13,956	75,116
Foreign exchange movement	480	(24)	456
Balance June 2017	114,858	22,619	137,477
Carrying Amount June 2017	253,033	124,263	377,296
Carrying Amount June 2016	262,682	138,613	401,295

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

8. Trade and other payables

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

	2017	2016
	\$	\$
Unsecured liabilities		
Trade payables	876,051	122,053
Other payables	12,361	110,231
Related party payables	10,271	225,439
Accrued expenses	175,478	88,839
Total trade payables and other payables	1,074,161	546,562

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

9. Provisions

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

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

	2017	2016
	\$	\$
Opening balance	89,236	55,952
Leave accrued	150,731	169,989
Leave taken	(138,108)	(136,705)
Balance at end of the year	101,859	89,236

10. Issued Capital

	No. of shares	Issue price	\$
Balance as at 1 July 2015	423,999,738		64,751,709
Issued shares	72,488,690	0.05	3,690,702
Share issue transaction costs net of tax			(36,028)
Balance as at 30 June 2016	496,488,428		68,406,383
Issued shares	74,327,653	0.08	6,311,865
Share issue transaction costs net of tax			(378,478)
Balance as at 30 June 2017	570,816,081		74,339,770

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.

Notes to the consolidated financial statements for the year ended 30 June 2017

10. Issued capital (continued)

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.

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

The weighted average fair value of options granted during the year was \$0.04 (2016: \$0.03)

Capital Management

Capital of consolidated entity is managed to safeguard the ability to continue as a going concern so that it can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Consolidated entity's capital comprises shares.

There are no externally imposed capital requirements.

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

11. Reserves

Foreign currency translation reserve

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

Option reserve

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

12. Currency translation rates

	NZD	NZD
	2017	2016
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	0.95	0.96
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:	0.94	0.95

NZD = NZ dollar; USD = US dollar

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

13. Capital and leasing commitments

	2017	2016
	\$	\$
Minimum lease payments:		
Within 12 months	154,082	147,564
Between 12 months and 5 years	193,683	31,847
Greater than 5 years	-	-
Total	347,765	179,411

Finance leases

The consolidated entity has no finance leases (2016: Nil).

Capital commitments

The consolidated entity has no capital commitments (2016: Nil).

14. Key management personnel disclosures

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

	2017	2016
	\$	\$
Short term employee benefits	767,910	817,311
Post-employment benefits	7,917	11,565
Share-based payments	34,042	15,639
Total	809,869	844,515

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Share-based payments

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

The remuneration report contained in the directors' report contains details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2017

Other key management personnel transactions

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

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

15. Controlled entities

Principles of consolidation

All controlled entities have a 30 June financial year end.

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

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

	Country of Incorporation	Percentage Owned (%) 2017	Percentage Owned (%) 2016
Parent entity and ultimate parent of the group:			
Living Cell Technologies Ltd	Australia		
Subsidiaries:			
Living Cell Products Pty Ltd	Australia	100	100
LCT Australia Pty Ltd	Australia	100	100
Living Cell Technologies New Zealand Ltd	New Zealand	100	100
NeurotrophinCell Pty Ltd	Australia	100	100

- Percentage of voting power is in proportion to ownership.

16. Related parties

Parent entity:

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

Subsidiaries

Subsidiaries are detailed in note 15 to the financial statements.

Joint venture

Diatranz Otsuka Limited (DOL) is accounted for using the equity method. 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.

Key management personnel

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

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

16. Related parties (continued)

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 15.

	2017	2016
	\$	\$
Related party balances		
Payable to:		
DOL	10,271	29,064
DOL for assets purchased by the Company	-	196,375
Total Payables	10,271	225,439
Receivable from:		
DOL	10,894	18,292
Total Receivable	10,894	18,292
Related party transactions		
Services fee revenues from DOL	115,279	120,091
Purchase of products and services from DOL	229,066	341,322
Plant and equipment purchased from DOL	-	(400,784)
Designated pathogen-free pig herd purchased from DOL	-	(97,772)
Inventories purchased from DOL	-	(81,143)

17. Parent entity disclosures

	2017	2016
	\$	\$
Statement of financial position		
Current assets	7,463,533	5,195,995
Total assets	7,463,533	5,195,995
Current liabilities	(78,936)	(93,012)
Total liabilities	(78,936)	(93,012)
Net assets	7,384,597	5,102,983
Accumulated losses	(67,137,880)	(63,492,345)
Issued capital	74,339,773	68,406,383
Reserves	182,704	188,945
Total Equity	7,384,597	5,102,983
Statement of profit or loss and other comprehensive income		
Loss after income tax	(545,489)	(669,594)
Total comprehensive income	(545,489)	(669,594)

The parent company has no guarantees, contingent liabilities or capital commitments as at 30 June 2017 and 30 June 2016.

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

18. Cash flow information

	2017	2016
	\$	\$
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	7,530,033	5,301,999

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

Profit/(loss) for the year	(4,090,257)	(3,093,163)
-----------------------------------	--------------------	--------------------

Cash flows excluded from profit attributable to operating activities

Non-cash flows in loss

- depreciation	75,116	49,501
- LCT's share of loss from joint venture	-	67,355
- net foreign currency (gains)/losses	92,971	(239,591)
- share options expensed	(6,241)	18,331

Changes in assets and liabilities:

- (increase)/decrease in trade and other receivables	(179,684)	(185,639)
- (increase)/decrease in other assets	1,417	(72,069)
- increase/(decrease) in trade and other payables	723,977	264,862
- increase/(decrease) in employee benefits	12,623	33,284

Cash flow used in operations

(3,370,078)	(3,157,129)
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19. Segment reporting

General information

Identification of reportable segments

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

The 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.

Notes to the consolidated financial statements
for the year ended 30 June 2017

20. Financial risk management

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

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

The group holds the following financial instruments

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents	7,530,033	5,301,999
Trade and other receivables	530,982	333,738
Total financial assets	8,061,015	5,635,737
Financial Liabilities		
Financial liabilities at amortised cost	-	-
Trade and other payables	898,683	347,492
Total financial liabilities	898,683	347,492

Liquidity risk

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

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

	Within 1 Year		1 to 5 Years		Over 5 Years	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable						
Trade and other receivables	530,982	333,738	-	-	-	-
Trade and other payables	(898,683)	(347,492)	-	-	-	-
Total anticipated outflows	(367,701)	(13,754)	-	-	-	-

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.

Notes to the consolidated financial statements
for the year ended 30 June 2017

20. Financial risk management (continued)

Interest rate risk sensitivity analysis

At 30 June 2017, 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:

	2017	2016
	\$	\$
+ 1% (100 basis points)	65,480	47,072
- 0.5% (50 basis points)	(32,740)	(23,536)

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

Credit risk

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

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

Foreign currency risk

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

2017	NZD	USD	Total
Consolidated			
Cash and cash equivalents	4,228,690	-	4,228,690
Trade and other receivables	401,058	-	401,058
Trade and other payables	(862,897)	-	(862,897)
2016			
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)

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.

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

20. Financial risk management (continued)

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%
2017	166,876	(184,441)
2016	105,389	(116,482)

Price risk

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

21. Remuneration of Auditors

	2017	2016
Remuneration of the auditor of the parent entity, BDO, for:	\$	\$
– Auditing or reviewing the consolidated financial report and the Australian based subsidiaries	75,500	76,500
Remuneration of other auditors of subsidiaries for:		
– Auditing the New Zealand based subsidiaries	14,215	12,743
– Other services	2,870	3,667
Total	92,585	92,910

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

22. Contingent assets and liabilities

The Company had a bank bond of \$41,199 for Pig facility lease, secured by a term deposit, was on issue at 30 June 2017 (2016 41,317).

In the opinion of the of the directors, the company did not have any other contingencies as at 30 June 2017 (2016; nil)

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

23. Events Occurring After the Reporting Date

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

24. Summary of significant accounting policies

(a) Cash and cash equivalents

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

(b) Inventories

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

(c) Biological assets

The Auckland Island pig herd has been recorded at cost and not depreciated, as fair value cannot be reliably

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

24. Summary of significant accounting policies (continued)

measured, given the highly specialised and unique characteristics of the pig herd.

(d) Joint venture

Interest in joint venture operations

On 1 November 2011, the parent entity, Living Cell Technologies Limited (LCT), 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 DIABECCELL.

LCT and OPF 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 DIABECCELL IP in USA and Japan and in 2015 DOL decided to concentrate its R&D activities on supporting the development of DIABECCELL 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 2017, the company's share of the joint venture's losses exceeded its interest in the joint venture so the investment is shown as zero and no further losses are recognised. The amount of unrecognised losses is \$3,542,743 (2016: \$3,542,743).

	2017	2016
	\$	\$
Joint venture: opening balance	-	67,355
50% of joint venture loss for the period	-	(67,355)

(e) 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:

Notes to the consolidated financial statements for the year ended 30 June 2017

24. Summary of significant accounting policies (continued)

- 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.

(f) 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.

(g) 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.

(h) 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.

(i) Adoption of new and revised accounting standards

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

(j) Change in accounting policy – adoption of AASB 2015-2

The Company adopted AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101 with a date of initial application of 1 January 2016.

(k) 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 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of

Notes to the consolidated financial statements for the year ended 30 June 2017

24. Summary of significant accounting policies (continued)

business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

At present the company has two contracts with customers; a service contract and a grant contract. Revenue from these contracts is recognised when the performance obligations are satisfied. When this standard is effective the company envisages that it will have more contracts with customers, and revenue will be recognised in accordance with the standard.

AASB 16 Leases

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

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it creates an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss'

**Notes to the consolidated financial statements
for the year ended 30 June 2017**

('ECL') model to recognise an allowance. Impairment will be measured under a 12 month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional disclosures. The entity has both short term trade receivables. When this standard is adopted, the entity's loss allowance on trade receivable may increase due to the change to an expected credit loss method. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 January 2018.

25. Company Details

The registered office of the company is:

Living Cell Technologies Limited

Level 7, 330 Collins Street
Melbourne VIC 3000

Australia

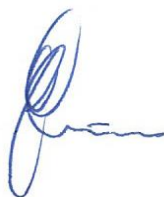
Living Cell Technologies Limited

Director's declaration

The directors of Living Cell Technologies Limited declare that:

1. the financial statements and notes for the year ended 30 June 2017 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: 23 August 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Living Cell Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Living Cell Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of

our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern assumption and the Group's future expenditure

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 1 (c) to the financial report discloses the going concern assumption and the Group's expenditure to fund the NTCELL manufacturing, clinical trial costs and ongoing corporate expenses.</p> <p>The Group's annual going concern assessment is a key audit matter due to the size of research and operational expenditure activities, the Group's history of operating losses and negative operating cash flows and the degree of estimation and assumptions required to be made by the Group concerning future cash flows.</p>	<p>In assessing the going concern assumption and the Group's future expenditure we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> • Reviewed management's assumptions in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of signing of the financial statements. • Assessing the accuracy of the forecasts by comparing previous forecasts with the Group's actual results. • Assessing the adequacy of the Group's disclosures within the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Living Cell Technologies Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership



Gareth Few
Partner

Sydney, 23 August 2017

Living Cell Technologies Limited

Additional information for listed public companies

30 June 2017

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 2017.

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 2017

Holding	Holders	Shares
1 - 1,000	157	35,738
1,001 - 5,000	377	1,190,038
5,001 - 10,000	403	3,281,210
10,001 - 100,000	1,275	50,902,949
100,000 and over	458	515,406,046
	<hr/>	<hr/>
	2,670	570,815,981

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

Twenty largest shareholders at 15 August 2017

	Number held	% of issued shares
HSBC Custody Nominees (Australia) Ltd	60,521,934	11
National Nominees Limited	36,078,640	6
Otsuka Pharmaceutical Factory, Inc.	25,000,000	4
Investment Custodial Services Limited	21,784,269	4
Navigroup Management Limited	20,213,249	4
Citicorp Nominees Pty Limited	19,658,395	3
Waiaua Bay Farm Limited	16,548,466	3
Masfen Securities Limited	15,758,490	3
Forsyth Barr Custodians Limited	15,599,893	3
Peter C Cooper and Susan E Cooper	14,705,195	3
Jiangsu Aosaikang Pharmaceutical Co	14,334,080	3
J P Morgan Nominees Australia Limited	11,614,337	2
BNP Paribas Nominees Pty Limited	10,222,512	2
Peter C Cooper	9,195,670	2
BNP Paribas Noms (NZ) Limited	7,712,000	1
Vulcan Capital Limited	6,874,119	1
Custodial Services Limited	6,590,747	1
Michelle A Paine	6,400,000	1
Lane Capital Group Limited	6,133,147	1
Natalie Parke Trustee Limited	5,149,537	1

Securities exchange

The company is listed on the Australian Securities Exchange.