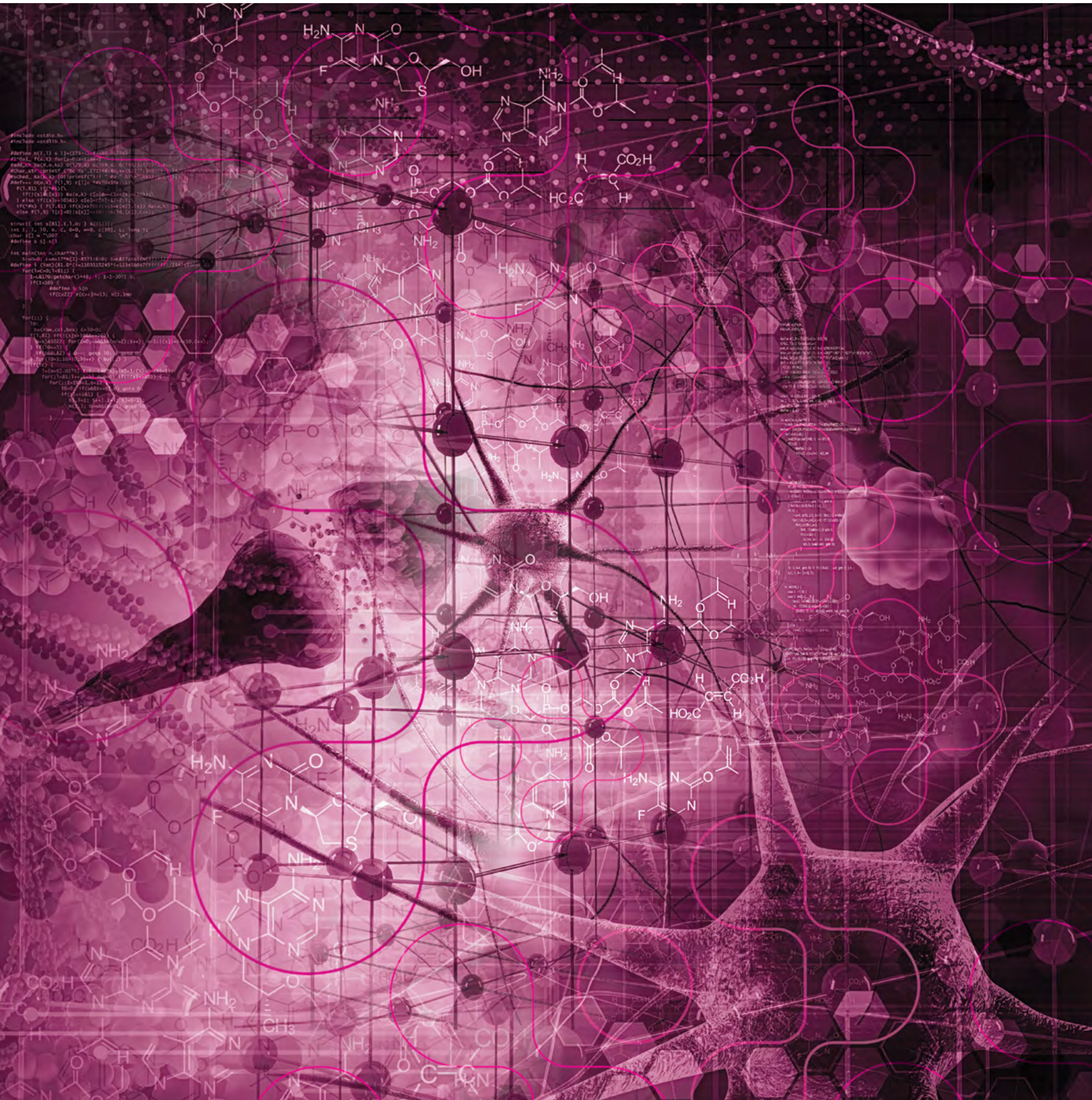
living cell technologies™

2019 - 2020 ANNUAL REPORT



living cell technologies™

Contents

From the Chairman

The past 12 months have brought many and varied challenges for LCT, often as a consequence of the global COVID-19 pandemic. Conferences and meetings have been cancelled depriving us of the opportunity to meet face-to-face with peers, colleagues and potential collaboration partners and making the day to day work of scientific research even more difficult. The level 4 COVID-19 lockdown in New Zealand closed the University of Auckland research labs, delaying project milestones by approximately six months. Despite these challenges we have continued our endeavours to deliver the best possible returns for shareholders.

Finances

The company currently has just over AU$2.9m in cash reserves. This has been bolstered by grants, tax cuts, salary and stipend reductions and other cost savings made during the last quarter in particular. However, in this Annual Report, the Auditor notes that LCT will need to raise further capital soon in order to continue to trade as a going concern.

In efforts to attract additional funds LCT has made a number of presentations to prospective investors under Confidential Disclosure Agreement (CDA). These potential investment partners were targeted for their significant experience and expertise in clinical trials and manufacturing. The next steps are for those businesses to come back to LCT with their requirements for any agreement to proceed.

NTCELL

The final study reports for the NTCELL Phase I/IIa and IIb trials for mid- to late-stage Parkinson's disease were completed this year, after the trials' conclusions. The reports found that the trial data were not sufficiently compelling to pursue registration of NTCELL as a disease-modifying treatment for the later stages of the disease. A further study, at an earlier stage of the disease, would require significant finance and access to a larger patient cohort than is available in New Zealand.

The Board, with expert input from Professor Carolyn Sue, is exploring other funding opportunities to progress NTCELL.

Board activity

As foreshadowed in last year's report, Laurie Hunter did not stand for re-election as a Board member at the AGM in November 2019. Laurie served on the board for 13 years and we are tremendously grateful for his contribution to the governance of LCT over that time.

At the same AGM, Dr Andrew Kelly was appointed to the Board as a non-executive director. Dr Kelly has an extensive background in research, commercialisation and investment. He co-founded BioPacificVentures, the first specialist venture fund in New Zealand and Australia to focus across the life sciences, later broadening the business model to create BioPacific Partners.

Dr Kelly has held a dozen board roles over the last 22 years all in businesses involved in life science innovation. We have welcomed his contributions to the strategic direction and governance oversight of the business.

Since the end of the financial year, we have been saddened by death of founding Director, Sir Bob Elliott. He was our blue-sky person, ever optimistic, and full of ideas of how the Company in particular and medical research in general might be enhanced. The robustness of Board debates won't be the same without him.

Thanks

On behalf of the Board, I would like to thank the team at LCT for their efforts to continue to drive the company forward during such a difficult year. The small and dedicated team has adapted to the challenges, introduced significant cost savings and sustained the programmes of work in the midst of considerable uncertainty.

Thank you also to our shareholders for your ongoing support. Your commitment to and understanding of the work LCT does is notable. We recognise that we are privileged to have such well-informed and engaged shareholders.

In addition, I would like to thank my colleagues on the Board, and our corporate governance consultancy, Mertons, for their expertise and commitment to supporting the strategic goals of LCT: discovering, developing and commercialising treatments to address serious conditions.

Bernie Tuch
INTERIM CHAIRMAN

Sir Bob Elliott

(credit: Stuff Limited)

Vale Sir Bob, visionary scientific entrepreneur

LCT founder, Emeritus Professor Sir Robert Bartlett Elliott, KNZM died in August at the age of 86. Sir Bob co-founded Living Cell Technologies (initially called Diatranz) with Auckland businessman David Collinson in 1987 wanting to commercialise his research into type 1 diabetes.

After training as a paediatrician at Adelaide University, Bob moved to New Zealand in 1970 to become the Foundation Professor, Director of Paediatrics at The University of Auckland. He was at the forefront of health research in New Zealand for much of his career. A world leader in diabetes and autoimmune-related research, he published more than 200 research papers and was an Emeritus Professor of Child Health Research. His research into cystic fibrosis, particularly around new-born screening and early diagnosis, contributed significantly to increased life expectancy for those with the disease.

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. And in June 2020 he was honoured with a knighthood for services to medical research.

Sir Bob was the founder and remained a board member of child health research charity, Cure Kids.

He was also on the board of Wings Trust and was patron of the NZ Cystic Fibrosis Foundation. He was a director of Breathe Easy Limited, Kopu Limited, Visregen Technologies Limited, Fac8 Limited and NZeno Limited.

He continued to come up with research and business opportunities and served on the board of LCT until his death.

Bob is survived by his wife of more than 60 years, Betsy, their five children and 11 grandchildren.

2019-2020 Significant events

18 SEPTEMBER 2019

LCT to benefit from Semma Therapeutics acquisition by Vertex

LCT holds 121,995 shares in Semma Therapeutics, worth an anticipated USD 838,105 which would be realised on Vertex Pharmaceuticals Incorporated (NASDAQ:VRTX) completing its acquisition of Semma Therapeutics. The acquisition is anticipated to close in the fourth quarter of 2019, subject to certain conditions. Semma Therapeutics had previously acquired Cytosolv Inc a private company in which LCT obtained a shareholding in 2009 in return for supply of encapsulated pig cells for wound healing studies.

8 NOVEMBER 2019

Dr Andrew Kelly joins LCT Board

At the company's Annual General Meeting Dr Andrew Kelly is appointed to the board of Living Cell Technologies Limited (LCT) as a non-executive director, effective immediately. Dr Kelly has an extensive background in research, commercialisation and investment. In 2005 he co-founded BioPacificVentures, the first specialist venture fund in New Zealand and Australia to focus across the life sciences. In 2014 he broadened the business model to create BioPacific Partners, partnering with some of the largest global companies to invest and engage with local innovation. Earlier Laurie Hunter announced that, after 13 years' service, he would not stand for re-election as a Board member at the AGM.

20 DECEMBER 2019

Resignation of Joint Company Secretary

In accordance with ASX Listing Rule 3.16.1 following her resignation from Mertons Corporate Services Pty Ltd (Mertons), Ms Elizabeth McGregor also resigned as Joint Company Secretary of LCT effective 20 December 2019. Mertons Managing Director Mr Mark Licciardo continues to serve as Company Secretary of LCT.

17 APRIL 2020

LCT COVID-19 business impact update

The global COVID-19 pandemic and the New Zealand Government's Level 4 restrictions have had an impact on the two projects LCT has underway with the University of Auckland. Due to the closure of the University during the Level 4 restrictions, progress there is currently halted on these two projects which target treatments for obesity and migraine.

21 AUGUST 2020

LCT founder Sir Robert Elliott dies

LCT founder and scientific entrepreneur at the forefront of health research in New Zealand, Emeritus Professor Sir Robert Elliott, dies aged 86.

From the CEO

As with much of the rest of the world, the global COVID-19 pandemic impacted our business and, in particular, the research projects LCT has underway with the University of Auckland.

The University research labs were closed during the New Zealand Government's level 4 restrictions, which halted progress on the obesity and migraine projects for a period. Once restrictions were lifted we prioritised the LC-002 migraine treatment project. We will resume development of LP-003 for obesity as funds allow.

While work has now resumed on the migraine project, milestones have been delayed by approximately six months. Despite the delays we are confident the targets are achievable within the revised timelines.

Migraine

The standard treatments for migraines are triptans. However many sufferers do not respond to these drugs. New compounds are coming onto the market to address this. These compounds are either antibodies or small molecules which directly block calcitonin gene related peptide (CGRP) or act directly on its receptor. These CGRP analogues present a range of new opportunities in migraine treatment.

LC-002 is the first novel peptide designed to treat migraine by mimicking natural CGRP. Work is currently underway to show that lipidation extends half-life in vivo. Results so far have been promising, and we are hopeful of a positive result.

We have begun planning for a Phase I clinical trial in consultation with our migraine scientific advisory board ahead of the in vivo results and we anticipate initiating a Phase I study in 2021. The study is designed to give us an almost instant measure of success by measuring blood levels after injection.

We also intend to measure the surrogate marker for migraine using laser doppler, which measures blood flow in the forearm of subjects. By demonstrating prevention of vasodilation we can get a clear measurement of the surrogate marker for migraine.

Once we have positive clinical efficacy data we would look to out-license LC-002 to a global pharmaceutical company to fully commercialise it. We have already made presentations on the science, progress and value proposition under CDA to a number of companies interested in this project. We anticipate advancing these discussions before the end of the calendar year and should have a good understand of the potential for LC-002 by then.

Obesity

Obesity is a risk factor for many health conditions such as diabetes, cardiovascular disease, osteoarthritis and cancer. In 2014 more than 600 million adults worldwide were obese. In 2016 FDA-approved obesity medication sales were US$455 million, predicted to reach US$2.9 billion in 2021.

Now that restrictions on research have lifted, we will resume development of LP-003 for obesity as funds allow. The project is targeting a once-daily injection to act on satiety centres in the brain to reduce the need for food intake.

Prior to halting the project we had initiated discussions with a leading clinical research organisation based in San Diego which specialises in metabolic disorders including obesity. We have also had productive discussions with formulation experts around parenteral delivery technologies.

Xenotransplantation

We continue to seek collaborations to advance our xenotransplantation assets such as the DIABECELL® outlicence to Diatranz Otsuka Limited.

The year ahead

From discussions we have had with global pharmaceutical companies we know that potential partners have shown most interest in the two peptide projects underway with the University of Auckland. The migraine project, in particular, provides the best opportunity to deliver a return to shareholders in the near term. We are committed to delivering on this strategy within the confines of the current cash runway.

Ken Taylor
CEO

Advisory boards

Each of our research programmes has its own scientific advisory board made up of experts in the field. These boards advise, review and challenge the work we do to ensure it is robust science conducted in pursuit of an effective treatment for an unmet medical need.

Migraine Programme

The members of the advisory board for LCT's migraine programme are:

Professor Debbie Hay

Distinguished Prof. Dame Margaret Brimble

Dr John Villiger

Dr Barry Snow

Dr Christian Schwabe

Dr Rosamund Hill

Obesity Programme

The members of the advisory board for LCT's obesity programme are:

Professor Debbie Hay

Distinguished Prof. Dame Margaret Brimble

Dr Rinki Murphy

Dr John Villiger

Dr Christian Schwabe

Associate Professor Alex Tups

Professor Debbie Hay

Professor, Department of Pharmacology & Toxicology, The University of Otago; Professor of Biochemistry and Pharmacology, The University of Auckland.

Her research focuses on G protein-coupled receptors (GPCRs) and aims to contribute to the development of medicines to treat migraine, cancer, lymphatic insufficiency, cardiovascular disease, obesity and diabetes. Dr Hay is also interested in receptor nomenclature in association with the International Union of Pharmacology.

Distinguished Prof. Dame Margaret Brimble

Director of Medicinal Chemistry, The University of Auckland; Chair and Director of Medicinal Chemistry.

Distinguished Professor Dame Margaret Brimble is the first New Zealand woman to be inducted into the American Chemical Society Division of Medicinal Chemistry Hall of Fame. Her research sits at the interface of chemistry and medicine; recognition for her achievements includes being named Dame Companion in New Zealand's 2019 New Year's Honours list, her election as a Fellow of the Royal Society of London and winning the 2019 KiwiNet Supreme Award for commercialisation.

Dr John Villiger

Honorary Academic at the University of Auckland; Pharmaceutical Product Development Executive and Co-founder of The Medicines Company.

Dr Villiger is an experienced pharmaceutical product development executive, who currently consults to various organisations. Notably, Dr Villiger is on the University of Auckland Centre for Brain Research Advisory Board and consults to the University on drug development.

Dr Barry Snow

Senior Neurologist, Auckland City Hospital; Director of Adult Medical Services at the ADHB; Chair of The Neurological Foundation Council; Mercy Hospice Board Member.

Dr Snow has extensive experience in general neurology and specific expertise in Parkinson's disease and movement disorders. He has expertise in botulinum toxin injections for movement disorders and for chronic migraine.

After completing his general neurology training in Auckland, Dr Snow was awarded the Neurological Foundation Chapman Fellowship, which allowed him to take up a research fellowship at the University of British Colombia, Vancouver.

Dr Rinki Murphy

Associate Professor in Medicine, the University of Auckland.

Dr Murphy is Associate Professor in Medicine at the University of Auckland and Principal investigator at the Maurice Wilkins Centre for Biodiscovery. She is a diabetologist at Auckland and Counties Manukau DHBs.

Dr Murphy is an endocrinologist with special interest in monogenic causes of diabetes and severe insulin resistance. She researches genetics and physiology of diabetes and obesity.

Dr Christian Schwabe

Managing Director, Auckland Clinical Studies.

Dr Christian Schwabe, MD, MPharmMed, trained in General Surgery at the University Hospital of Hamburg-Eppendorf and is the Managing Director of Auckland Clinical Studies (ACS).

Dr Schwabe is responsible for ACS clinical operations and has been Principal Investigator and co-investigator on ACS studies.

Dr Rosamund Hill

Clinical Neurologist, Auckland City Hospital.

Dr Hill is a neurologist working at Auckland City Hospital and in private neurology practice. Her special interests include headache/migraine, concussion/brain injury, epilepsy and neurodevelopmental disorders.

She trained at Auckland City Hospital, then undertook two consecutive fellowships at Massachusetts General Hospital affiliated with Harvard Medical School in Boston.
She completed her MD under Professor Sir Richard Faull.

Associate Professor Alex Tups

Associate Professor, Centre for Neuroendocrinology, The University of Otago.

Professor Alex Tups is an Associate Professor at the Centre for Neuroendocrinology at the University of Otago. The focus of his research is the neuro-endocrine regulation of metabolism, and the mechanisms that link obesity, diabetes and Alzheimer's disease. Professor Tups has published 31 research papers and received awards in neuroendocrine research in the UK (Michael Harbuz Price, 2009) and in Germany (Ernst and Berta Sharrer Award, 2014).

Directors' report

For the year ended 30 June 2020

Directors' report

The directors present their report, together with the financial statements of the consolidated entity, being Living Cell Technologies Limited (LCT, the company) and its controlled entities, for the financial year ended 30 June 2020.

LCT founder, Sir Robert Elliott, died peacefully at home on 21 August 2020, at the age of 86. The directors and all at LCT are saddened by his death. The medical, scientific and biotechnology communities in New Zealand have lost a tireless researcher and a visionary pioneer.

Bob, as he preferred to be called, was one of the country's foremost scientific entrepreneurs. He co-founded Living Cell Technologies (initially called Diatranz) with Auckland businessman David Collinson in 1987 aiming to commercialise his research into type 1 diabetes.

Long before he founded LCT, he was at the forefront of child health research in New Zealand. His research into cystic fibrosis and type 1 diabetes was world renowned and he contributed to other biotechnology success stories including A2 Corporation and Somnaceutics.

Bob 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. A world leader in diabetes and autoimmune related research, he published more than 200 research papers and was an Emeritus Professor of Child Health Research.

Sir Robert received his knighthood in June 2020 for services to medical research. In 2011 he was awarded the prestigious World Class New Zealander (Life Sciences) award. In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community.

Bob remained on the board of LCT up until his death. He is survived by his wife of more than 60 years, Betsy, their five children and 11 grandchildren.

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

1. General information

Information on directors

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

BERNARD TUCH

Independent director Interim Chairman (Age: 69)
Qualifications: BSc, MBBS (Hons), FRACP, PhD, GAICD

Experience

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

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

Special responsibilities

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

Other directorships in listed entities held in the previous three years

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

SIR ROBERT ELLIOTT

Non-executive director (Age: 86) deceased 21 August 2020.
Qualifications: MBBS, MD, FRACP

Experience

Sir Bob 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. Sir Bob 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 2020 Sir Bob was knighted for services to medical research. 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 was on the board of Cure Kids and patron of Cystic Fibrosis NZ. He was a director and shareholder of Breathe Easy Limited, Kopu Limited, Visregen Technologies Limited, Fac8 Limited and NZeno Limited.

Special responsibilities

Professor Elliott resigned as Chairman of the Diatranz Otsuka Limited board of directors in January 2019. He was appointed to the LCT board on 15 January 2004.

Other directorships in listed entities held in the previous three years

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

ANDREW KELLY

Non-executive director (Age: 64)
Qualifications: BVSc (Hons), MSc, PhD

Experience

Dr Kelly has an extensive background in research, commercialisation and investment. In 2005 he co-founded BioPacificVentures, the first specialist venture fund in New Zealand and Australia to focus across the life sciences.

In 2014 he broadened the business model to create BioPacific Partners, partnering with some of the largest global companies to invest and engage with local innovation. He has held a dozen board roles over the last 22 years all in businesses involved in life science innovation. Dr Kelly has strong networks across New Zealand and Australia and globally.

Special responsibilities

Dr Kelly was appointed to the board on 7 November 2019 and is a member of the Risk and Compliance Committee and Remuneration and Nomination Committee.

Other directorships in listed entities held in the previous three years

Chairman of ASX listed Fiji Kava Limited since 20 December 2018.

LAURIE HUNTER

Independent director (Age: 73)
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. At the 7 November 2019 AGM Mr Hunter did not seek reappointment and so retired as a board member.

Other directorships in listed entities held in the previous three years

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

CAROLYN SUE

Independent director (Age: 57)
Qualifications: PhD, MB, BS, FRACP

Experience

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

Special responsibilities

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

Other directorships in listed entities held in the previous three years

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

KEN TAYLOR

Executive director (Age: 77)
Qualifications: MPharm, PhD

Experience

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

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

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

Special responsibilities

Ken Taylor joined the company in February 2014 as NTCELL Program Director and then appointed as CEO of LCT on 1 July 2014 and appointed to the board on 30 August 2018.

Other directorships in listed entities held in the previous three years

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

ROBERT WILLCOCKS

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

Experience

Robert Willcocks is a corporate adviser with more than thirty years' experience as a professional listed public company director and chairman.

Through this experience and as a lawyer he has extensive knowledge in the areas of corporate governance, corporate structuring, start-ups and fundraising. He has also undertaken assignments in a range of industry sectors for international clients.

A former partner of the law firm Mallesons Stephen Jaques (now King & Wood Mallesons), he holds Bachelor of Arts and

Directors' report

Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney.

He is currently independent non-executive chairman of Trilogy Funds Management Limited, a Responsible Entity under Australian law.

Special responsibilities

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

Other directorships in listed entities held in the previous three years

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

Principal activities and significant changes in nature of activities

The principal activities of the consolidated entity during the financial year were:
Improving the wellbeing of people with serious diseases by discovering, developing and commercialising novel treatments for debilitating conditions such as Parkinson's disease, obesity and migraine.
There were no significant changes to the nature of the principal activities during the financial year.

2. Operating and financial review

Operations

In December 2019, a new virus, later to be called COVID-19 was detected in Wuhan, China. The virus was soon common in other countries and on 11 March 2020 the World Health Organisation declared the outbreak a pandemic.

The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

In late March 2020, the New Zealand Government ordered a level 4 lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. In late April 2020, the lockdown period ended, and the New Zealand Government started gradually easing the restrictions that had been placed on businesses, organisations, and individuals.

The pandemic has specifically impacted the consolidated entity's Auckland University (UOA) projects during level 4 and level 3 lockdown. This has impacted our strategy and during this period management worked hard to renegotiate the UOA project and come up with a revised strategy to meet our objectives as outlined below.

- Renegotiated the University of Auckland contracts to reduce cash commitment see note 25
- Took advantage of wage subsidies and other business support measures made available by the New Zealand and Australian Governments.
- Negotiated with various property owners/suppliers for cost reductions and discontinued non-essential services.
- Management and staff agreed to reduced salaries for a three-month period.

The loss after income tax from continuing operations has decreased from a loss of $3,181,363 in the year ended 30 June 2019 to a loss of $968,469.

Revenue and other income decreased from $769,677 to $553,692 and research and development expenses have decreased from $3,328,905 to $2,383,801.

R&D loss tax credit of $376,923 (2019: $296,154) was received in exchange for forgoing NZD 1,400,000 (2019: NZD 1,000,000) of tax losses.

Financial position

Net assets of the consolidated entity have decreased from $4,138,491 to $2,878,354 mainly due to cash used for the year on the development of the University of Auckland projects.

Cash and cash equivalents decreased from $4,907,957 to $2,964,874 due to completing current clinical studies and investing into product opportunities while containing costs. This balance is projected to allow the current level of operations to continue for approximately 14 months if no further funds are raised. The directors also acknowledge that the expenditure in relation to the operating activities are predominantly discretionary. Cash outflow in relation to operating activities is being managed by the directors to the extent of funding available.

These financial statements have been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of $968,469 (2019: $3,181,363) and incurred negative cash flows from operations of $3,109,785 (2019: $1,990,530).

The consolidated entity has several projects planned in association with the University of Auckland (described further in note 25) which have discretional expenditure and which if pursued will see the need to raise additional funding within 14 months of the signing of the financial statements. These matters give rise to a material uncertainty that may cast significant doubt upon the consolidated entity's ability to continue as a going concern. Therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

The ability of the consolidated entity to continue as a going concern is dependent on one or more of the following actions:

- Curtailing research projects to preserve cash;
- Raising additional funding through equity or other means;

- Commercialising projects in the short term; and/or
- Finding partners to pursue research projects.

Management continually prepares rolling cash flow projections that support the ability of the consolidated entity to continue as a going concern subject to the events described above. However, many external and internal factors may impact future cash flows particularly within the current market and the uncertainty of the impact of COVID-19 as described in note 1 (d).

The Directors have a history of raising capital as required to support their research projects, however in the event that the consolidated entity is unable to achieve the matters detailed above, it may not be able to continue as a going concern. No adjustments have been made to recorded asset values and the amount of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Business strategies and prospects for future years

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

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

Strategies to achieve the above mission include:

- With expert input explore the feasibility of a confirmative larger Phase III study in NTCELL.
- Continue with our initial proof-of-principle projects that led to the establishment of research partnerships with the globally recognised Chemical Sciences department at the University of Auckland to proceed with therapeutic targets that include migraine and anti-obesity.
- Prospects for future years include execution of the above strategies to create value for shareholders by maximising the number and quality of target opportunities for achieving revenues in the near term.

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

3. Other items

Significant changes in state of affairs

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

Events after the reporting date

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

Environmental issues

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

Company secretary

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

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

Elizabeth McGregor (BA (Hons), MBA, GIA (Cert)) resigned as joint company secretary on 20 December 2019.

Dividends

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

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
Bernard Tuch	7	6	-	-	3	3
Robert Elliott	7	6	-	-	-	-
Laurie Hunter	5	5	1	-	1	1
Robert Willcocks	7	7	2	2	3	3
Carolyn Sue	7	6	1	1	-	-
Ken Taylor	7	7	-	-	-	-
Andrew Kelly	2	2	1	1	2	2

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 $103,252 (2019: $70,500).

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

Directors' report

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:

2020	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at end of year
Bernard Tuch [1]	36,800	-	-	36,800
Robert Elliott	5,109,269	-	-	5,109,269
Laurie Hunter [2]	2,645,661	-	-	2,645,661
Robert Willcocks	-	-	-	-
Carolyn Sue	-	-	-	-
Andrew Kelly	-	-	52,763	52,763
KMP				
Ken Taylor	-	-	-	-
Daya Uka	-	-	-	-
	7,791,730	**-**	**52,763**	**7,844,493**

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

1. *The shares are held by a related entity: DTU Pty Limited <The Beryl Super Fund>.*
2. *The shares are held by a related entity: 2,176,911 held by Hunter 2005 Living Trust and 468,750 held by Hunter Capital defined benefit pension plan.*

Options

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

Grant date	Date of expiry	Exercise price	Number under option
1 July 2014	1 July 2020	$0.1000	250,000
1 July 2014	1 July 2020	$0.1400	100,000
1 July 2015	1 July 2021	$0.1000	250,000
1 July 2015	1 July 2021	$0.1900	100,000
13 December 2018	1 September 2020	$0.0310	900,000
13 December 2018	13 December 2021	$0.0487	250,000
13 December 2018	13 December 2022	$0.0487	2,400,000
02 September 2019	02 September 2021	$0.0246	900,000
06 December 2019	06 December 2023	$0.0188	600,000
Options at 30 June 2020			**5,750,000**

Non-audit services

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

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

The following fees were paid or payable to the external auditors for non audit services provided during the year ended 30 June 2020: $2,803 (2019: $2,857).

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 2020 has been received and can be found on page 20 of the financial report.

4. Remuneration Report (audited)

Remuneration policy

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

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

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

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

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

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

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

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

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

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

Directors' report

Performance conditions linked to remuneration

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

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

The earnings of the LCT Group for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
Revenue and other income	553,692	769,677	767,220	1,166,624	841,447
Loss after income tax	(968,469)	(3,181,363)	(374,492)	(4,090,257)	(3,093,163)

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

Share price at financial year end ($)	0.012	0.024	0.025	0.11	0.07
Total dividend declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.17)	(0.56)	(0.07)	(0.76)	(0.69)

Employment details of members of key management personnel

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

		Performance-based remuneration		
KMP	**Position held**	**Bonus %**	**Shares %**	**Options %**
Ken Taylor	Chief Executive	-	-	-
Daya Uka	Chief Financial Officer	-	-	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 130 working days' notice (except in cases of termination for cause where termination is immediate). Redundancy entitlements are 2-4 weeks for the first year of service and one week's payment for each six-months' subsequent service. Employment agreements do not include the specific performance criteria which are linked to bonuses or incentives, so amounts paid in accordance with the above remuneration policy are effectively at the discretion of the board.

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

Remuneration details for the year ended 30 June 2020

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	Long term benefits	Share-based payments	
2020	**Cash salary/ fees $**	**Bonus $**	**Total short-term benefits $**	**Pension and superannuation $**	**$**	**Options and rights $**	**Total benefits and payments $**
Directors							
Bernard Tuch	61,263	-	61,263	5,820	-	-	67,083
Robert Elliott	47,916	-	47,916	-	-	-	47,916
Laurie Hunter	20,833	-	20,833	-	-	-	20,833
Robert Willcocks	47,916	-	47,916	-	-	-	47,916
Carolyn Sue	47,916		47,916	-	-	11,280	59,196
Andrew Kelly	31,250		31,250	-	-	-	31,250
KMP							
Ken Taylor	357,297	-	357,297	-	-	-	357,297
Daya Uka	144,715	-	144,715	-	-	7,380	152,095
	759,106	**-**	**759,106**	**5,820**	**-**	**18,660**	**783,586**
2019							
Directors							
Bernard Tuch	61,172	-	61,172	5,495	-	27,900	94,567
Roy Austin	11,667	-	11,667	-	-	-	11,667
Robert Elliott	50,000	-	50,000	-	-	27,900	77,900
Laurie Hunter	50,000	-	50,000	-	-	27,900	77,900
Robert Willcocks	50,000	-	50,000	-	-	27,900	77,900
Carolyn Sue	6,249	-	6,249	-	-	-	6,249
KMP							
Ken Taylor	380,952	-	380,952	-	-	9,187	390,139
Daya Uka	145,074	-	145,074	-	-	5,878	150,952
	755,114	**-**	**755,114**	**5,495**	**-**	**126,665**	**887,274**

Securities received that are not performance related

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

Options granted, vested and lapsed during the year

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

Directors	Number of options	Exercise price per option $	Value per option at grant date $	Grant date	Vesting date	Expiry date	Vested during period %	Forfeited during period %
Carolyn Sue	600,000	0.0188	0.0188	06-Dec-19	06-Dec-19	06-Dec-22	100	-
KMP								
Ken Taylor	600,000	0.1130	0.1130	01-Jul-17	01-Jul-17	01-Jul-19	-	100
Daya Uka	300,000	0.0246	0.0246	02-Sep-19	02-Sep-20	02-Sep-21	-	-

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

The weighted average fair value of options granted during the year was $0.0223 (2019: $0.0396).

The fair value of each option at grant date was calculated by using the Black-Scholes option pricing model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the option's life.

During the year ended 30 June 2020, no ordinary shares of LCT were issued on the exercise of options grants. No further shares have been issued since that date. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options were issued by Living Cell Technologies Limited and entitle the holder to ordinary shares in Living Cell Technologies Limited for each option exercised.

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

Key management personnel options and rights holdings

Directors	Balance at the beginning of the year	Granted as remuneration	Exercised	Expired	Balance at the end of the year	Vested during the year	Vested and exercisable	Total non-exercisable
2020								
Robert Elliott	600,000	-	-	-	600,000	-	600,000	-
Bernard Tuch	600,000	-	-	-	600,000	-	600,000	-
Robert Willcocks	600,000	-	-	-	600,000	-	600,000	-
Laurie Hunter	600,000	-	-	-	600,000	-	600,000	-
Carolyn Sue	-	600,000	-	-	600,000	600,000	600,000	-
Andrew Kelly	-	-	-	-	-	-	-	-
KMP								
Ken Taylor	1,550,000	-	-	(600,000)	950,000	-	600,000	350,000
Daya Uka	300,000	300,000	-	-	600,000	300,000	300,000	300,000
Total	**4,250,000**	**900,000**	**-**	**(600,000)**	**4,550,000**	**900,000**	**3,900,000**	**650,000**
2019								
Robert Elliott	-	600,000	-	-	600,000	600,000	600,000	-
Bernard Tuch	-	600,000	-	-	600,000	600,000	600,000	-
Robert Willcocks	-	600,000	-	-	600,000	600,000	600,000	-
Laurie Hunter[1]	-	600,000	-	-	600,000	600,000	600,000	-
Carolyn Sue	-	-	-	-	-	-	-	-
KMP								
Ken Taylor	2,100,000	250,000	-	(800,000)	1,550,000	250,000	850,000	850,000
Daya Uka	-	300,000	-	-	300,000	300,000	300,000	300,000
Total	**2,100,000**	**2,950,000**	**-**	**(800,000)**	**4,250,000**	**2,950,000**	**3,550,000**	**1,150,000**

1 Held by Hunter 2005 Living Trust.

This concludes the remuneration report which has been audited.

Corporate governance statement

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

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

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

Director: Bernard Tuch (Chairman)

Dated: 31 August 2020

Auditor's independence declaration

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Sydney NSW 2000
Australia

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

As lead auditor of Living Cell Technologies Limited for the year ended 30 June 2020, 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, 31 August 2020

Financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue			
Revenue and other income	2	**553,692**	**769,677**
Expenses			
Research and development		(2,383,801)	(3,328,905)
Governance		(525,386)	(567,352)
Shareholder		(239,931)	(223,537)
Loss on disposal of equipment		(148,195)	(93,938)
Total expenses	3	**(3,297,313)**	**(4,213,732)**
Operating loss		**(2,743,621)**	**(3,444,055)**
Foreign exchange gain/(loss)		298,070	(33,462)
Sale of shares		1,100,159	-
Loss before income tax		**(1,345,392)**	**(3,477,517)**
R&D loss tax credit		376,923	296,154
Income tax expense	4	-	-
Loss after income tax attributable to members of the parent entity		**(968,469)**	**(3,181,363)**
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		311,774	(137,306)
Total other comprehensive income		**311,774**	**(137,306)**
Total comprehensive income attributable to members of the parent entity		**(656,695)**	**(3,318,669)**
Earnings per share			
Continuing operations			
Basic earnings/(loss) per share (cents)	5	(0.17)	(0.56)
Diluted earnings/(loss) per share (cents)	5	(0.17)	(0.56)

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

Consolidated statement of financial position

As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	6	2,964,874	4,907,957
Trade and other receivables	7	107,914	487,588
Inventories		-	1,058
Total current assets		**3,072,788**	**5,396,603**
Non-current assets			
Property, plant and equipment	8	25,450	178,798
Biological assets		-	99,048
Right of use assets	9	250,802	-
Investments		42,037	85,172
Total non-current assets		**318,289**	**363,018**
TOTAL ASSETS		**3,391,077**	**5,759,621**
Liabilities			
Current liabilities			
Trade and other payables	10	197,847	1,551,410
Short-term provisions	11	60,220	69,720
Lease liability	12	53,053	-
Total current liabilities		**311,120**	**1,621,130**
Non-current liabilities			
Lease liability	12	201,603	-
Total non-current liabilities		**201,603**	**-**
Total liabilities		**512,723**	**1,621,130**
NET ASSETS		**2,878,354**	**4,138,491**
Equity			
Issued capital	13	74,371,070	74,371,070
Reserves	14	3,833,349	4,125,017
Accumulated losses		(75,326,065)	(74,357,596)
Total equity attributable to equity holders of the company		**2,878,354**	**4,138,491**
TOTAL EQUITY		**2,878,354**	**4,138,491**

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

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Ordinary shares $	Accumulated losses $	Foreign currency translation reserve $	Option reserve $	Total $
2020					
Balance as at 1 July 2019	74,371,070	(74,357,596)	3,918,023	206,994	4,138,491
Net loss after income tax benefits for the year	-	(968,469)	-	-	(968,469)
Total other comprehensive income	-	-	(311,774)	-	(311,774)
Transaction with equity holders in their capacity as owners					
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Share-based remuneration	-	-	-	24,806	24,806
Option exercised	-	-	-	-	-
Expired options	-	-	-	(4,700)	(4,700)
Balance as at 30 June 2020	**74,371,070**	**(75,326,065)**	**3,606,249**	**227,100**	**2,878,354**
2019					
Balance as at 1 July 2018	74,371,070	(71,176,233)	3,780,717	159,769	7,135,323
Net loss after income tax benefits for the year	-	(3,181,363)	-	-	(3,181,363)
Total other comprehensive income	-	-	137,306	-	137,306
Transaction with equity holders in their capacity as owners					
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Share-based remuneration	-	-	-	142,330	142,330
Option exercised	-	-	-	-	-
Expired options	-	-	-	(95,105)	(95,105)
Balance as at 30 June 2019	**74,371,070**	**(74,357,596)**	**3,918,023**	**206,994**	**4,138,491**

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

Consolidated statement of cash flows

For the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers and grants (GST inclusive)		1,149,722	946,963
Payments to suppliers and employees (GST inclusive)		(4,376,871)	(3,035,248)
Interest received		117,364	97,755
Net cash used in operating activities	21	**(3,109,785)**	**(1,990,530)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(10,322)
Sale of property, plant and equipment		91,779	-
Sale of shares in Semma		1,100,159	-
Receipt of bond security		46,195	-
Payment for bond security		-	(42,993)
Net cash provided by/ (used by) investing activities		**1,238,133**	**(53,315)**
Cash flows from financing activities			
Repayment of lease liability		(50,241)	-
Net cash used by financing activities		**(50,241)**	**-**
Effect of exchange rates on cash holdings in foreign currencies		(21,190)	90,139
Net decrease in cash and cash equivalents held		(1,943,083)	(1,953,706)
Cash and cash equivalents at beginning of year		4,907,957	6,861,663
Cash and cash equivalents at end of financial year		**2,964,874**	**4,907,957**

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

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. About this report

A. Basis of preparation

This general purpose financial report for the year ended 30 June 2020 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 20.

C. Adoption of new and revised accounting standards

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

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 is provided below:

The aggregate lease liability recognised in the statement of financial position at 1 July 2019 and the consolidated entity's operating lease commitment at 30 June 2019 can be reconciled as follows:

	1 July 2019 $
Operating lease commitments as at 1 July 2019 (AASB 117)	243,586
Operating lease commitments discount using the incremental borrowing rate of 4%	(34,249)
Add: Increase in lease-terms as a result of options to extend (AASB 16)	192,533
Less: Short-term leases not recognised as a right-of-use asset (AASB 16)	(96,972)
Right-of-use assets (AASB 16)	304,898
Lease liabilities (AASB 16)	(304,898)
Retained earnings	-

D. COVID-19

In December 2019, a new virus, later to be called COVID-19 was detected in Wuhan, China. The virus was soon common in other countries and on 11 March 2020 the World Health Organisation declared the outbreak a pandemic. The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

In late March 2020, the New Zealand Government ordered a level 4 lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. In late April 2020, the lockdown period ended, and the New Zealand Government started gradually easing the restrictions that had been placed on businesses, organisations, and individuals.

The pandemic has also impacted the consolidated entity's Auckland University projects during level 4 and level 3 lockdown and has impacted our strategy. During this period management worked hard to renegotiate the UOA project and come up with a revised strategy to survive as outlined below.

- Renegotiated the University of Auckland contracts to reduce cash commitment see note 25
- Took advantage of wage subsidies and other business support measures made available by the New Zealand and Australian Government.
- Negotiated with various property owners/suppliers for cost reductions and discontinued non-essential services.
- Directors, management, and staff agreed to reduced salaries for a three-month period.

E. Going concern

These financial statements have been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of $968,469 (2019: $3,181,363) and incurred negative cash flows from operations of $3,109,785 (2019: $1,990,530).

The consolidated entity has several projects planned in association with the University of Auckland (described further in note 25) which have discretionary expenditure and which if pursued will see the need to raise additional funding within 14 months of the signing of the financial statements. These matters give rise to a material uncertainty that may cast significant doubt upon the consolidated entity's ability to continue as a going concern. Therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

The ability of the consolidated entity to continue as a going concern is dependent on one or more of the following actions:

- Curtailing research projects to preserve cash;
- Raising additional funding through equity or other means;
- Commercialising projects in the short term; and/or
- Finding partners to pursue research projects.

Management continually prepares rolling cash flow projections that support the ability of the consolidated entity to continue as a going concern subject to the events described above. However, many external and internal factors may impact future cash flows particularly within the current market and the uncertainty of the impact of COVID-19 as described in note 1 (d).

The Directors have a history of raising capital as required to support their research projects, however in the event that the consolidated entity is unable to achieve the matters detailed above, it may not be able to continue as a going concern. No adjustments have been made to recorded asset values and the amount of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Revenue and other income

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

	2020 $	2019 $
Other Income		
Grant income	446,895	636,657
Interest income	55,612	123,251
Services provided	3,168	9,769
Other income	48,017	-
	553,692	**769,677**

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.

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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.

	2020 $	2019 $
Expenses include the following:		
Employee benefits		
Wages and salaries	838,649	859,229
Contributions to employees' savings plans	12,634	13,271
Share-based payments	20,106	47,224
Staff training	3,688	1,112
Total employee benefits	**875,077**	**920,836**
Depreciation		
Plant and equipment depreciation	596	1,358
Furniture, fixtures and fittings depreciation	16,254	50,940
Total depreciation	**16,850**	**52,298**
Lease payments	231,806	233,318

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

	2020 $	2019 $
Loss before income tax (but after R&D tax credit)	(1,345,392)	(3,477,517)
Effective tax rate	27.5%	27.5%
	(369,983)	**(956,317)**
Add tax effect of:		
- Non-deductible expenditure	7,498	7,498
- Deferred tax asset not brought into account	362,485	948,819
Income tax expense	**-**	**-**

Tax losses

	2020 $	2019 $
Unused tax losses for which no deferred tax asset has been recognised	35,816,405	36,739,220
Potential tax benefit at 27.5% AU	9,865,270	8,421,362
Potential tax benefit at 28% NZ	1,856,999	1,058,820

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 $376,923 (2019: $296,154) was received from NZ Inland Revenue in exchange for forgoing NZD$ 1,400,000 (2019: NZD $1,000,000) of tax losses.

5. Loss per share

Basic EPS is calculated as net 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 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

	2020 $	2019 $
Loss used in calculation of basic and diluted EPS	(968,469)	(3,181,363)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares outstanding during the year, used in calculating basic EPS	571,440,981	571,440,981
Weighted average number of ordinary shares and convertible securities outstanding during the year, used in calculating diluted EPS	571,440,981	571,440,981
	2020	**2019**
Basic loss per share (cents)	(0.17)	(0.56)
Diluted loss per share (cents)	(0.17)	(0.56)

6. Cash and cash equivalents

	2020 $	2019 $
Cash at bank	566,444	1,247,421
Cash on deposit	2,398,430	3,660,536
Cash and cash equivalents	2,964,874	4,907,957

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

7. 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.

	2020 $	2019 $
Trade receivables	75,498	260,800
Prepayments	9,767	21,286
Accrued interest	15,249	77,001
Other receivables	7,400	128,501
Total current trade and other receivables	**107,914**	**487,588**

Aged analysis

At 30 June 2020, there were no past due trade receivables, bad debts or doubtful debts (2019: $Nil). The ageing analysis of trade receivables is as follows:

	2020 $	2019 $
0 – 30 days	75,498	260,800
31 – 60 days	-	-
61 – 90 days	-	-
	75,498	**260,800**

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 (2019: $Nil) for the consolidated entity.

8. Property, plant and equipment

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

The carrying amount is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's 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%

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

Cost	**Plant and equipment $**	**Leasehold improve-ments $**	**Total $**
Balance at 1 July 2019	356,926	18,361	375,287
Additions	-	-	-
Disposals	(281,967)	(20,513)	(302,480)
Foreign exchange movement	(7,795)	2,152	(5,643)
Balance June 2020	**67,164**	**-**	**67,164**
Accumulated depreciation			
Balance at 1 July 2019	190,488	6,001	196,489
Depreciation expense	15,615	1,234	16,849
Disposals	(163,277)	(7,415)	(170,692)
Foreign exchange movement	(1,112)	180	(932)
Balance June 2020	**41,714**	**-**	**41,714**
Carrying amount June 2020	**25,450**	**-**	**25,450**
Carrying amount June 2019	**166,438**	**12,360**	**178,798**

On 26 November 2019 the company was released from its lease obligations at 19 Laureston Avenue, Papatoetoe and the plant and equipment were disposed for $83,664 with a loss of $35,026.

On 31 May 2020 the company was released from its pig facility, the leasehold assets of $13,098 were left at site and $52,616 as settlement to walk away and not have to reinstate the property back to its original state. All biological assets were relocated with no cost to the group.

9. Right-of-use asset

	2020 $	**2019 $**
Land and buildings: right-of-use		
At cost	304,898	-
Accumulated depreciation	(54,096)	-
	250,802	**-**

Land and buildings – right-of-use

The land and buildings right-of-use asset related to a lease for the consolidated entities property lease for its premises at 23 Edwin Street. The lease has a lease term of 3 years commencing 1 October 2018 with rent payable monthly. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years with a final expiry date being 30 September 2024. As at 30 June 2020 it is reasonably certain that the consolidated entity will exercise this option to extend the lease and this has been included in the lease term. The lease has rent increases by 3% each year and has a market rent increase on the 1st October each year. The incremental borrowing rate applied to this lease is 4% (refer to Note 12).

Recognition and measurement

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.
The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Key estimate and judgement: lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

10. 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.

	2020 $	2019 $
Unsecured liabilities		
Trade payables	103,844	1,459,051
Other payables	-	728
Accrued expenses	94,003	91,631
Total trade and other payables	**197,847**	**1,551,410**

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

11. Provisions

	2020 $	2019 $
Opening balance	69,720	59,352
Leave accrued	67,794	74,584
Leave taken	(77,294)	(64,216)
Balance at end of the year	**60,220**	**69,720**

Recognition and measurement

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

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

12. Lease liability

	2020 $	2019 $
Current		
Lease liability	53,053	-
Non-current		
Lease liability	201,603	-
Balance at end of the year	**254,656**	**-**

Recognition and measurement

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Key estimate and judgement: incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entities estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

13. Issued capital

	No. of shares	Issue price	$
Balance as at 1 July 2018	**571,441,081**		**74,371,070**
Issued shares	-	-	-
Share issue transaction costs net of tax	-	-	-
Balance as at 30 June 2019	**571,441,081**		**74,371,070**
Issued shares	-	-	-
Share issue transaction costs net of tax	-	-	-
Balance as at 30 June 2020	**571,441,081**		**74,371,070**

Ordinary shares

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on

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shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

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

Options

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

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

For information relating to the Living Cell Technologies Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, as well as information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report in section 5 of the Directors' Report and Key Management Personnel compensation in note 17.

The weighted average fair value of options granted during the year was $0.0223 (2019: $0.0396).

Capital management

Capital of the consolidated entity is managed to safeguard the ability to continue as a going concern so that it can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

The consolidated entity's capital comprises shares.

There are no externally imposed capital requirements.

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

14. Reserves

Foreign currency translation reserve

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

Option reserve

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

15. Currency translation rates

	NZD 2020	NZD 2019
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	0.93	0.95
Weighted average rates for the year used for the consolidated statements of profit or loss and other comprehensive income and cash flows, to translate the following currencies into Australian dollars (AUD), are:	0.95	0.93

NZD = NZ dollar

16. Capital and leasing commitments

	2020 $	2019 $
Minimum lease payments		
Within 12 months	-	159,725
Between 12 months and 5 years	-	83,861
Greater than 5 years	-	-
Total	**-**	**243,586**

Finance leases

The consolidated entity has no finance leases (2019: Nil).

Capital commitments

The consolidated entity has no capital commitments (2019: Nil).

17. Key management personnel disclosures

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

	2020 $	2019 $
Short-term employee benefits	759,106	755,114
Post-employment benefits	5,820	5,495
Share-based payments	18,660	126,665
Total	**783,586**	**887,274**

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 2020.

Other key management personnel transactions

For details of other transactions with key management personnel, refer to note 19: Related party transactions.

18. Controlled entities

Principles of consolidation

All controlled entities have a 30 June financial year end.

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

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

	Country of incorporation	% owned* 2020	% owned* 2019
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.*

19. Related parties

Parent entity

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

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 17 and the Directors' Report.

Entities subject to significant influence by the consolidated entity

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

Subsidiaries

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

20. Parent entity disclosures

Statement of financial position

	2020 $	2019 $
Current assets	1,970,192	2,531,815
Total assets	1,970,192	2,531,815
Current liabilities	(125,881)	(72,964)
Total liabilities	(125,881)	(72,964)
Net assets	**1,844,311**	**2,458,851**
Accumulated losses	(72,753,862)	(72,119,216)
Issued capital	74,371,073	74,371,073
Reserves	227,100	206,994
Total equity	**1,844,311**	**2,458,851**

Statement of profit or loss and other comprehensive income

Profit/(loss) after income tax	328,020	(364,146)
Total comprehensive income	**328,020**	**(364,146)**

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The parent company has no guarantees, contingent liabilities or capital commitments as at 30 June 2020 or 30 June 2019.

21. Cash flow information

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

	2020 $	2019 $
Cash and cash equivalents	**2,964,874**	**4,907,957**

The company also has two business MasterCard facilities with Westpac New Zealand totalling $80,000.00. These are both undrawn at year end.

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

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

	2020 $	2019 $
Loss for the year	**(968,469)**	**(3,181,363)**
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in loss for the year:		
- Depreciation	16,849	52,298
- Net loss on disposal of asset	148,195	93,938
- Amortisation of lease	54,096	-
- Sale of shares in Semma	(1,100,159)	-
- Net foreign currency (gains)/losses	(298,070)	33,462
- Share options expensed	20,106	47,225
Changes in assets and liabilities:		
- decrease/(increase) in trade and other receivables	379,674	(183,508)
- decrease/(increase) in other assets	1,058	(39)
- (decrease)/increase in trade and other payables	(1,353,564)	1,137,089
- (decrease)/increase in employee benefits	(9,501)	10,368
Cash flow used in operations	**(3,109,785)**	**(1,990,530)**

22. 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.

23. 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:

	2020 $	2019 $
Financial assets:		
Cash and cash equivalents	2,964,874	4,907,957
Trade and other receivables	107,914	487,588
Total financial assets	**3,072,788**	**5,395,545**
Financial liabilities:		
Trade and other payables	197,847	1,551,410
Total financial liabilities	**197,847**	**1,551,410**

Liquidity risk

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

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

	Within one year		One to five years		Over five years	
Financial assets – cash flows realisable	**2020 $**	**2019 $**	**2020 $**	**2019 $**	**2020 $**	**2019 $**
Trade and other receivables	107,914	487,588	-	-	-	-
Trade and other payables	(197,847)	(1,551,410)	-	-	-	-
Total anticipated outflows	**(89,933)**	**(1,063,822)**	**-**	**-**	**-**	**-**

Interest rate risk

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

Interest rate risk sensitivity analysis

At 30 June 2020, 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:

	2020 $	2019 $
+ 1.0% (100 basis points)	35,847	55,865
– 0.5% (50 basis points)	(17,923)	(27,933)

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 the consolidated entity's operations denominated in currencies other than the presentation currency of operations.

	NZD Total $
2020 consolidated	
Cash and cash equivalents	1,009,511
Trade and other receivables	92,909
Trade and other payables	143,213
2019 consolidated	
Cash and cash equivalents	2,395,206
Trade and other receivables	462,731
Trade and other payables	(1,475,026)

Foreign currency risk sensitivity analysis

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

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

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

	Increase by 5%	Decrease by 5%
2020	56,014	(61,910)
2019	143,766	(158,899)

Price risk

The consolidated entity is not exposed to any material commodity price risk.

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24. Remuneration of auditors

	2020 $	2019 $
Auditors of the Group – BDO and related network firms		
Audit and review of financial statements:		
Group - Australian based subsidiaries	72,556	70,000
Controlled entities - the New Zealand based subsidiaries	17,760	14,457
Total audit and review of the financial statements	**90,316**	**84,457**
Other assurance services	2,803	2,857
Total	**93,119**	**87,314**

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

25. Contingent assets and liabilities

At balance date, there are no outstanding commitments for capital expenditure (2019: Nil).

During the year the company held a bank bond for the pig facility lease which was secured by a term deposit. The bank bond for the pig facility lease was released as at 31 May 2020 when the lease for this property was extinguished and the bank deposit was reclassified as a term deposit. A bank bond of $42,037 for the lease at 23 Edwin Street, and secured by a term deposit was on issue at 30 June 2020 (2019: $41,253).

The company on 21 February 2019 entered into two research contracts, which can be terminated at any time the company deems the project to be not commercially viable, with the University of Auckland.

The company has a commitment of $629,265 with the University of Auckland for research which is contingent on the University of Auckland meeting milestones.

26. 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 the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

27. Summary of significant accounting policies

A. Inventories

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

B. Biological assets

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

C. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the 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 the consolidated entity's presentation currency are translated as follows:

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

Exchange differences arising on translation of foreign operations are transferred directly to the 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.

D. 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.

E. 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.

F. Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

28. Company details

The registered office of the company is:

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

Directors' declaration

The directors of Living Cell Technologies Limited declare that:

1. the financial statements and notes for the year ended 30 June 2020 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 notes as set on pages 26 to 37 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: Bernard Tuch (Chairman)

Dated: 31 August 2020

BDO

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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 (controlled entity), which comprises the consolidated statement of financial position as at 30 June 2020, 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 controlled entity, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the controlled entity's financial position as at 30 June 2020 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 (including Independence Standards)* (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.

BDO

Material uncertainty related to going concern

We draw attention to Note 1 (e) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the controlled entity's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. Except for the matter described in the material uncertainty related to going concern section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information in the controlled entity's annual report for the year ended 30 June 2020, 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 controlled entity 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 at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Living Cell Technologies Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 31 August 2020

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 21 August 2020.

1. Substantial shareholders

As at the date of the report, there are no substantial shareholding of the company.

2. Voting rights

Ordinary shares

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

Options

No voting rights.

3. Distribution of equity security holders

As at 21 August 2020

Number of shares held	Number of holders	Total shares
1 – 1,000	178	41,820
1,001 – 5,000	379	1,183,442
5,001 – 10,000	344	2,839,467
10,001 – 100,000	1,272	51,288,039
100,001 shares and over	493	516,088,213
Total	**2,666**	**571,440,981**

There were 1,539 holders of less than a marketable parcel of ordinary shares.

4. Twenty largest shareholders

	Ordinary shares	
As at 21 August 2020	**Number held**	**% of issued shares**
HSBC Custody Nominees (Australia) Ltd	40,773,833	7.14
Citicorp Nominees Pty Limited	35,587,569	6.23
Otsuka Pharmaceutical Factory, Inc.	25,000,000	4.37
National Nominees Limited	23,335,364	4.08
Investment Custodial Services Limited	21,784,269	3.81
Mr Jimmy Thomas and Ms Ivy Ruth Ponniah	18,690,029	3.27
Waiaua Bay Farm Limited	16,548,466	2.90
Ms Elena Borisovna Titova	16,170,599	2.83
Masfen Securities Limited	15,190,788	2.66
Peter C Cooper and Susan E Cooper	14,705,195	2.57
Jiangsu Aosaikang Pharmaceutical Co	14,334,080	2.51
Custodial Servces Limited	10,564,066	1.85
ASB Nominees Limited	9,511,822	1.66
Peter C Cooper	9,195,670	1.61
CS Fourth Nominees Pty Limited	7,127,535	1.25
Mr Terence Roland Harrison + TRH trustee Limited	7,099,471	1.24
Mr Jimmy Thomas and Ms Ivy Ruth Ponniah	7,049,441	1.23
J P Morgan Nominees Australia Limited	6,986,902	1.22
Hepzibah PTY LTD	6,660,680	1.17
BNP Paribas Nominees Pty Ltd	5,925,611	1.04

5. Securities exchange

The company is listed on the Australian Securities Exchange.

Living Cell Technologies Limited
ABN: 14 104 028 042

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Melbourne, VIC 3000
Australia

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New Zealand