Living Cell Technologies Limited

ABN: 104 028 042

Appendix 4E

Full-year ended 30 June 2014

(Previous corresponding period:
Year ended 30 June 2013)

Results for Announcement to Market

	2014 $	2013 $
Services revenue	7,394,130	7,579,737
Total other income	547,097	321,614
Total revenue and other income	7,941,227	7,901,351
Profit/(loss) before income tax expense	(6,778,896)	(2,978,709)
Income tax expense	-	-
Reported net profit/(loss) after tax attributable to members of the parent entity	(6,778,896)	(2,978,709)

Reported

- Total revenue and other income increased 0.5% to $7.9 million.
- Net profit/(loss) from ordinary activities attributable to members of the parent entity has increased to $(6.78) million.
- Net profit/(loss) after tax for the year attributable to members of the parent entity has increased to $(6.78) million.

Dividends

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

Explanation of results

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

Other information required by Listing Rule 4.3A

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

Additional Information

NTA Backing

	30 June 2014	30 June 2013
Net tangible asset backing per ordinary share	2.4 cents per share	3.7 cents per share

Changes in controlled entities

No companies were acquired during the year.
No companies were disposed of during the year.

Audit Report

The audit report is contained in the attached Financial Report.

N Geddes
Company Secretary

15 August 2014

Living Cell Technologies Limited

Consolidated financial statements

For the Year Ended 30 June 2014

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for the year ended 30 June 2014

Corporate governance statement
30 June 2014

Living Cell Technologies Limited (LCT or company) and its board of directors are committed to maintaining and promoting good corporate governance practices within the group for the benefit of employees, stakeholders and the broader community.

Corporate governance is the framework of rules, relationships, systems and processes within which and by which authority is exercised and controlled in corporations. The board is responsible for the corporate governance of the group and has taken into account its size and activities in the development of the framework.

LCT provides its Corporate Governance Statement with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments. The company has adopted all the recommendations in the Guidelines. The Board is committed to achieving and demonstrating the highest standards of corporate governance.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The board operates in accordance with its charter and constitution. The board takes responsibility for the performance of the group and for developing and implementing corporate governance practices.

The board has established a board charter, which describes the role of the board and the role of management. The charter sets out the composition, role and responsibilities of the board. The minimum number of directors is three and the maximum is nine. Appointments to the board are based on merit, skills, expertise and experience.

The board accepts that it is responsible for:

a) Reviewing and approving LCT's strategic plans, performance objectives and the underlying assumptions and rationale;

b) Reviewing and approving the risk management monitoring systems and systems of internal control;

c) Reviewing and approving the group's financial objectives and ensuring that the necessary financial and human resources are in place for the group to meet its objectives;

d) Ensuring that the performance of executive management is regularly assessed and monitored;

e) Setting the group's values and standards of conduct and ensuring that these are adhered to;

f) Appointing and approving the terms and conditions of the appointment of the CEO and reviewing and providing feedback on the performance of the CEO and other officers and senior management;

g) Reviewing the performance of the board, individual directors and board committees;

h) Endorsing the terms and conditions of senior executives through the Remuneration and Nomination Committee;

i) Monitoring compliance with legal and regulatory obligations and ethical standards including reviewing and ratifying codes of conduct and compliance systems;

j) Approving and monitoring the annual budget and business plan, major operating and capital expenditure, capital management and material variation;

k) Authorising expenditure approval limits for the executive officers of the group and authorising expenditure in excess of these discretionary limits;

l) Approving all mergers, acquisitions and disposals of projects and businesses;

m) Authorising the issue of securities and instruments of the group;

n) Ensuring that the group conducts all its activities in an environmentally responsible and sustainable way by planning and managing all activities to ensure minimum environmental impact;

o) Determining and implementing policies and procedures to ensure that the ASX is promptly and adequately informed of all matters considered to be material, in accordance with the group's continuous disclosure obligations; and

p) Reviewing and recommending to shareholders the appointment, or if appropriate, the termination of the appointment of the external auditor.

Senior management is responsible for managing the group and operates under direction and delegation from the board. The day to day management of the group is delegated to the Chief Executive Officer.

The board has established two committees:

- Audit, Risk and Compliance Committee; and

- Remuneration and Nomination Committee.

Each committee has its own charter describing its composition, structure and membership requirements. The committee charters are reviewed regularly.

The timetables for board and committee meetings are agreed annually to ensure that the board and individual directors dedicate sufficient and appropriate time to reviewing and overseeing Living Cell Technologies' business.

All directors operate under a letter of appointment and are parties to a Deed of Access and Indemnity with the group.

Directors are appointed by the board subject to election by shareholders at the next annual general meeting with one-third of the board being subject to re-election at each subsequent annual general meeting. The chairman is elected by the board. The performance of directors is reviewed on an ongoing basis.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The group conducts performance reviews of all staff including senior executives. The performance of senior executives is considered against key company, individual and team objectives. All senior executives have formal position descriptions and each year their key performance measures are established in line with the group's objectives and their roles and responsibilities.

The Remuneration and Nomination Committee is responsible for ensuring that appropriate annual performance review process for all staff including senior executives is in place. The performance of all staff, including senior executives is evaluated through reference to their formal position descriptions as well as key performance indicators which are established in line with the group's objectives

All newly appointed senior executives and staff receive formal letters of appointment describing their terms of appointment, duties, rights and responsibilities.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

The board charter is available on the company's website at www.lctglobal.com.

Corporate governance statement
30 June 2014

Principle 2: Structure the board to add value

Recommendation 2.1: A majority of the board should be independent directors.

The board considers that an independent director is one who:

- Is not a member of management;
- Is not a substantial shareholder of the group or associated with a substantial shareholder of the group;
- Within the last three years has not been employed in an executive capacity by the group or been a director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the group;
- Is not a material supplier or customer of the group or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the group;
- Has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the group; and
- Is free from any business interest that could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interest of the group.

The independence of directors is assessed regularly. Currently the board comprises six directors, of which four are considered to be independent; Mr Roy Austin, Mr Laurie Hunter, Dr Bernard Tuch and Mr Robert Willcocks are considered to be independent directors. Prof. Robert Elliott, who founded the company is an executive and as such is not considered to be independent.

Recommendation 2.2: The chair should be an independent director.

The board has appointed an independent chairman, Mr Roy Austin.

Recommendation 2.3: The roles of chair and Chief Executive Officer should not be exercised by the same individual.

The roles of the chairman and Chief Executive Officer are exercised by different individuals.

Recommendation 2.4: The board should establish a Nomination Committee.

The board has established a Remuneration and Nomination Committee. The Remuneration and Nomination Committee operates under a Charter which describes the Committee's role, responsibilities, composition, structure and membership requirements.

The board comprises directors with an appropriate range of skills, experience and qualifications. The names and skills, experience and expertise of the directors and the tenure and independence status of each director is described in the directors' report. Directors have the right, in connection with their duties and responsibility as directors, to seek independent professional advice at the group's expense. Prior approval of the chairman is required which will not be unreasonably withheld.

The composition of the board is determined in accordance with the group's constitution which requires that the minimum number of directors is three and the maximum number of directors is nine. The names of the members of the Remuneration and Nomination Committee and the board Audit, Risk and Compliance Committee and their attendance record are provided in the directors' report.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its Committees and individual directors.

The board undertakes ongoing self-assessment and review of its performance and of the performance of the chairman, individual directors and board Committees.

The Board has been examining alternative and potentially more effective methods of conducting its performance reviews and a review is planned to be conducted early in the new financial year.

Recommendation 2.6: Companies should provide the information indicated in the guide to reporting on Principle 2.

The charter for the Remuneration and Nomination Committee can be found on the group's website at www.lctglobal.com

Detailed information on the skills, experience and expertise of each director is provided in the Annual Report, together with the composition of each of the board committees.

Additional information needed to address:

Recommendation 2.6 Companies should provide the information indicated in the Guide to reporting on principle 2.

Directors may take independent professional advice at the expense of the company after obtaining the chairman's written agreement.

The board seeks to have a diverse mix of skills and experience which includes scientific, medical, business, financial and biotech industry backgrounds.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code.

The board has adopted a Code of Conduct which requires that all LCT's directors, officers, employees, and contractors must perform their business in accordance with all relevant laws and regulations and in accordance with the group's policies and procedures.

The Code of Conduct requires that all directors, officers, employees and contractors are expected to avoid "conflicts of interest" with regard to the group's interests. Directors and officers are required to advise the chairman of any perceived conflict of interest. Where related party matters or conflicts of interest arise, the chairman may require the removal of the relevant director or officer from any discussion or decision made in relation to the perceived conflict of interest or related party matter.

The board is committed to ensuring a safe workplace. All operations are planned and managed to ensure that employees are working under safe conditions. Directors and employees are required to comply with all legislative requirements relating to workplace safety and to establish effective safety management practices. Employees are encouraged to suggest improvements to workplace safety.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The board has adopted a Diversity Policy which requires that the company embrace and promote diversity in the workplace. LCT aims to establish a corporate culture which is conducive to the appointment of well qualified persons and which embraces employee diversity which includes: age, gender, ethnicity, physical appearance, values, lifestyle, religion, education and family responsibilities. LCT recognises the benefits that diversity brings to maximise corporate goals.

Recommendation 3.3: Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

As part of its wider process of increasing gender diversity, LCT is focussed on increasing the representation of women at all levels of its business. In order to realise this, the board has established measurable objectives and progress in achieving these objectives, and will consider progress on diversity in assessing executive performance.

Recommendation 3.4: Companies should disclose in the Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The proportion of women represented at these levels in LCT currently is as follows:

Women represented on the board: 0% (2013: 17%)

Women represented in senior executive positions: 50% (2013: 33%)

Women represented in the whole organisation: 67% (2013: 72%)

The objectives are to appoint women to the board such that by 2016 15% of the board will be female and to have the percentage of women in senior executive positions of 40%.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Copies of the company's Code of Conduct and Diversity Policies are available from the company's website at www.lctglobal.com.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The board should establish an Audit Committee.

To assist it in carrying out its duties, the board has established an Audit, Risk and Compliance Committee. The primary function of the committee is to assist the board in fulfilling its responsibilities to provide shareholders with timely and reliable financial reports.

Recommendation 4.2: The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent director who is not chair of the board; has at least three members.

The Audit, Risk and Compliance Committee is chaired by Mr Robert Willcocks an independent director. The Audit, Risk and Compliance Committee met three times during the year to deal with audit and audit review matters and to ensure that the accounting, financial policies and controls, risk management systems and compliance with regulatory and statutory requirements are in place, adequate and effective. The Audit, Risk and Compliance Committee comprises three independent non-executive directors.

Recommendation 4.3: The audit committee should have a formal charter.

The Audit, Risk and Compliance Committee operates under a formal charter. The board appoints independent external auditors under a letter of appointment which includes a scope and plan. Full access to the group's records, personnel and support are provided. Open communications with the auditors and management are maintained.

Recommendation 4.4: Provide the information indicated in Guide to Reporting on Principle 4.

The following material should be made publicly available on the company's website.

- Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The charter for the Audit, Risk and Compliance Committee is available on the company's website at www.lctglobal.com.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

LCT communicates with shareholders in accordance with the Corporations Act and the ASX Listing Rules. All ASX announcements, media releases and other relevant material are retained on the LCT website for a minimum of three years. The board has adopted a Continuous Disclosure and Market Communications Policy to ensure all investors have equal and timely access to material information concerning the group, including its financial position, performance, ownership and governance. The policy outlines procedures to ensure that directors and senior executives of the group comply with its continuous disclosure obligations. The board has delegated the function of continuous disclosure to the company secretary and CEO.

Recommendation 5.2: Companies should provide the information indicated in Guide to reporting on Principle 5.

The company's Communication and Disclosure Policy is available on the company's website at www.lctglobal.com.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The board has endorsed a communications strategy which is designed to promote effective communication with shareholders and encourage effective participation at general meetings. The strategy includes the publication of:

- The annual report;
- The half-yearly report;
- Quarterly cash flow and activities reports;
- The annual general meeting and other meetings called to obtain approval for board action as appropriate;
- The group's website at www.lctglobal.com; and
- Continuous disclosure of material information via the ASX and OTCQX.

The company invites shareholders to join its subscriber list on its website and emails ASX releases to subscriber recipients on the release of ASX announcements.

At the Annual General Meeting, the chairman encourages questions and comments from shareholders and seeks to ensure the meeting is managed to provide current information about the company to shareholders and to give shareholders an opportunity to participate. Shareholders can ask questions about or comment on the operations of the group and the performance of the board and management. The external auditor is required to attend the AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The company's Communication and Disclosure Policy is available on the company's website at www.lctglobal.com.

Principle 7: Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The board takes a proactive approach to management of the wide range of risks that LCT faces. The board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the group's strategies and activities are aligned with the risks and opportunities identified by the board. The risk management approach is supported by the Risk Management Policy which has been endorsed by the board on the recommendation of the CEO and the Audit, Risk and Compliance Committee.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The group operates within a risk management framework based upon Standards Australia's AS/NZS ISO 31000:2009 (Risk Management). This framework operates to identify, assess, mitigate and report against identified risks. During the period, management has provided several reports to the board on performance against the risk management framework. In addition to the Risk Management Policy itself, the group has established a number of other policies and aimed to mitigate or manage risks including:

- Code of Conduct;

The external auditor reports findings on relevant risk and control issues to the Audit, Risk and Compliance Committee and to the board after the half year review and the annual audit.

Recommendation 7.3: The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Chief Executive Officer and Chief Financial Officer have provided the board with written assurances that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The company's Risk Management Policy is available on the company's website at www.lctglobal.com.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The board should establish a remuneration committee.

The board has established a Remuneration and Nomination Committee, the majority of members being independent and which is chaired by an independent director. The board has adopted a formal charter for the Remuneration and Nomination committee which describes its role, responsibilities, composition, structure and membership.

Recommendation 8.2: The remuneration committee should be structured so that it: consists of a majority of independent directors, is chaired by an independent chair, has at least three members.

The Remuneration and Nomination Committee is chaired by an independent director, Bernie Tuch and comprises three independent directors. The Remuneration and Nomination Committee held three meetings during the reporting period.

Corporate governance statement
30 June 2014

Recommendation 8.3: Companies should clearly distinguish the structure of Non-Executive director's remuneration from that of Executive directors and senior executives.

The structure of Non-Executive director's remuneration is described in the Remuneration Report of this Annual Report.

Recommendation 8.4: Provide the information indicated in the Guide to reporting on Principle 8.

All equity based executive remuneration is made in accordance with the group's Employee Share Option Plan, which has been approved by shareholders. All equity based executive remuneration to executive and non-executive directors is approved by shareholders. Remuneration policies and the names of members of the Remuneration and Nomination Committee are provided in the Remuneration Report in this Annual Report. There are no schemes for retirement benefits for directors, other than the superannuation guarantee contributions required by statute.

Living Cell Technologies Limited has no departures from ASX Corporate Governance Guidelines.

Directors' report
30 June 2014

The directors present their report, together with the financial statements of the consolidated entity, being Living Cell Technologies Limited (the company) and its controlled entities, for the financial year ended 30 June 2014.

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 as follows. The directors were in office for this entire period unless otherwise stated:

Roy Austin	Chairman (Age:66)
Qualifications	BCOM, CA
Experience	Mr Austin is a consultant to investment banking firm Northington Partners in New Zealand. He brings considerable commercial depth to the LCT Board with over 25 years investment transaction experience across multiple sectors including healthcare and biotechnology. His experience includes capital raisings, mergers and acquisitions, IP commercialisation, venture capital and international business development. Mr Austin is Chairman of New Zealand based Cure Kids, a child health research charitable trust and its commercial biotech venture capital fund, Cure Kids Ventures Limited. He holds a number of other directorships in private companies, has a BCom and is a member of the New Zealand Institute of Directors and the New Zealand Institute of Chartered Accountants.
Special responsibilities	Mr Austin was elected Chairman on 20 July 2011. He is a member of the Remuneration and Nomination Committee; a member of the Audit, Risk and Compliance Committee and a member of the Diatranz Otsuka Limited board of directors (since 1 November 2011). He was appointed to the LCT board on 25 February 2011.
Robert Elliott	Director, Clinical Research and Innovation (Age: 80)
Qualifications	MBBS, MD, FRACP
Experience	Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Director of Paediatrics at The University of Auckland. Professor Elliott co-founded LCT. He is an Emeritus Professor of Child Health Research and a world leader in diabetes and autoimmune related research. In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community. In 2011 he was awarded the prestigious World Class New Zealander (Life Sciences) award. He is on the board of Cure Kids, Wings Trust (a NZ trust for the treatment of alcohol and substance abuse) and patron of the NZ Cystic Fibrosis Foundation. He is a director of Breathe Easy Limited, a New Zealand company that is developing a new treatment for cystic fibrosis.
Special responsibilities	Professor Elliott is the Chairman of the Diatranz Otsuka Limited board of directors. He was appointed to LCT board on 15 January 2004.

Directors' report

30 June 2014

Information on directors continued

Andrea Grant	Managing Director (Age: 42)
Qualifications	PhD, BA (Hons)
Experience	Dr Grant has over 15 years executive experience in pharmaceutical and biotech companies in Europe, USA and New Zealand. She has both a BA Hons in Biochemistry and a PhD in Neuroscience from Cambridge University in the UK. Following her PhD she joined the R&D division of GlaxoSmithKline (UK) where her she was responsible for research and development of novel drug targets for treatment of neurological disorders including Alzheimer's, epilepsy and Parkinson's. In 1999, she joined Incyte (Nasdaq:INCY) as Commercial Director, Northern Europe. Following this, Dr Grant served as Business Director and then Managing Director at biotechnology company Galapagos NV (Euronext:GLPG). In both her roles at Incyte and Galapagos she was successful in securing numerous high value research and licensing partnerships with global pharmaceutical partners. Dr Grant immigrated to New Zealand in 2005 and took up the post of General Manger, The Peoples Centre Trust a primary healthcare provider in central Auckland. She then joined Roche Products (NZ) as Public Policy Manager, where she was responsible for government relations and corporate communications. She held board positions at The Peoples Centre Trust and Youth Mentoring Trust.
Special responsibilities	Dr Grant started as CEO on 16 January 2012. She was appointed to the LCT board on 16 November 2012. In the 1 April 2014 restructure she was appointed as CEO of DOL and consequently stepped down as CEO of LCT and resigned her position on the LCT Board.

Laurie Hunter	Independent director (Age: 67)
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. Mr Hunter is chairman of StratMin Global Resouces Plc and currently serves on a number of unlisted company boards.
Special responsibilities	Mr Hunter is a member of the Audit, Risk and Compliance Committee. He was appointed to the LCT Board on 25 Agust 2006.
Other directorships in listed entities held in the previous three years	Mr Hunter resigned from the board of listed company Madagascar Oil Limited on 18 December 2012.

Information on directors continued

Bernard Tuch	Independent Director (Age: 63)
Qualifications	BSc, MBBS (Hons), FRACP, PhD, GAICD
Experience	Dr Tuch is currently employed as a senior scientist with CSIRO Australia in a cell transplantation project. He was previously a Professor at the University of New South Wales, where he carried out extensive research in islet xenotransplantation over many decades. He is a director of Sydney Cell Therapy Foundation Pty Limited and is a Specialist Practitioner, Endocrinology, Prince of Wales Private Hospital, Sydney. His experience includes capital raising to support his considerable research team and a large international scientific publication list. He has had previous scientific collaborations with LCT and knows the company's direction intimately.
Special responsibilities	Dr Tuch is chairman of the Remuneration and Nomination Committee. He was appointed to the board on 20 July 2011.
Robert Willcocks	Independent director (Age: 64)
Qualifications	BA, LLM
Experience	Robert Willcocks is a senior executive with an extensive legal and business background working in particular with Australian listed public companies. He has a Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney. Mr Willcocks was a partner with the law firm Stephen Jaques & Stephen (now King & Wood Mallesons) from 1980 until 1994, where he was a member of the Corporate Advisory Group with an emphasis on the mining and oil and gas sectors. As corporate adviser he has undertaken assignments in a range of industry sectors. Mr Willcocks has been a director and Chairman of a number of Australian Securities Exchange (ASX) listed public companies. He is a director of ASX listed ARC Exploration Limited, and Hong Kong Stock Exchange listed APAC Resources Ltd. He is also chairman and director of Trilogy Funds Management Ltd, a Responsible Entity under Australian law.
Special responsibilities	Mr Willcocks is chairman of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee. He was appointed to the board on 29 March 2011.

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

Company secretary

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

Nick Geddes (FCA, FCIS) has been the company secretary since 2005. Nick is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is past President and past Board Chairman of Chartered Secretaries Australia and a former Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa the Middle East and Asia. Qualifications: Chartered Accountant (Fellow of Institute of Chartered Accountants in England and Wales) and Fellow of the Institute of Chartered Secretaries (Chartered Secretaries Australia).

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 worldwide by discovering, developing and commercialising breakthrough treatments that use the regenerative healing properties of naturally occurring cells.
- Providing research and development and administration services to our partners. Following the 1 April 2014 restructure the quantity of these services decreased.

There were no significant changes in the nature of the principal activities during the financial year except that following the transfer of staff to joint venture company Diatranz Otsuka Limited on 1 April 2014 the level of services provided reduced.

2. Operating and financial review

Operations

The result of the consolidated entity has changed from a loss of $(2,978,709) in the year ended 30 June 2013 to a loss of $(6,778,896). This is primarily due to the previous year including a NTCELL® co-development agreement option fee of $3,000,000 from Otsuka Pharmaceutical Factory, Inc. (OPF), reduced level of services provided to 50% owned joint venture company Diatranz Otsuka Limited (DOL) and non-recovery of NTCELL costs from OPF as a result of their termination of the co-development agreement on 15 May 2014.

Revenue increased from $7,901,351 to $7,941,227. This was due to increased grants and interest income. Services provided decreased slightly due to the reduced level of services required by DOL, the restructuring which occurred on 1 April 2014 and the reduced recovery of costs relating to the NTCELL Parkinson's disease clinical trial from OPF as a result of patient recruitment delay and termination of the co-development agreement. Cost of services has decreased from $7,067,266 to $6,775,486 for the same reasons as services provided.

Research and development expenses have increased from $400,554 to $487,356 because of the reduced recovery of expenses from DOL and OPF described above.

The share of loss from joint venture has increased from $4,965,005 to $5,963,272, reflecting development of an improved formulation of DIABECELL, Argentine clinical trial costs and the restructuring on 1 April 2014.

Operations also included implantation of the first patient in the Phase I/IIa clinical trial of NTCELL for Parkinson's in September 2013. In November 2013 the Data Safety Monitoring Board for this trial approved recruitment of the remaining three patients. The company voluntarily put recruitment of further patients on hold while it considered the implications of withdrawing a pre-clinical publication relating to NTCELL. Patient recruitment resumed on 23 June 2014 after completion of internal and external audit and regulatory processes.

Financial position

Net assets of the consolidated entity have reduced from $13,252,439 to $8,431,577. This is primarily due to the share of loss from joint venture increasing from $4,965,005 to $5,963,272

Inventory of materials was sold to DOL as part of the restructuring process.

Cash and cash equivalents has increased from $4,504,083 to $4,554,399 due to increased grants and interest income. This balance would allow the current level of operations to continue for approximately nine months if no further funds are raised.

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. This is not withstanding that the consolidated entity experienced net cash outflows from operations of $82,441 for the year ended

30 June 2014. These outflows negatively impacted the consolidated entity's cash balances. The directors acknowledge that unless further new funds are raised or expenditure curtailed there is significant uncertainty regarding the ability of the parent company and consolidated entity to continue as a going concern and pay their debts as they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they still believe that additional cash will be sourced by the consolidated entity.

The company continues to work with its funders and is taking action to address the going concern issue and to protect the financial security of the consolidated entity. The directors are considering opportunities to further improve the cash position by better focusing activities, applying for grants, discussing collaborations and other measures.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe

- There will be further cash injection from funders, partners and grantors;
- The group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

Business strategies and prospects for future years

Living Cell Technologies' purpose is to improve the wellbeing of people with serious diseases worldwide by discovering, developing and commercialising breakthrough treatments that use the regenerative healing properties of naturally occurring cells.

Strategies to achieve this purpose include:

- completion of the Phase I/IIa clinical trial of NTCELL for Parkinson's disease as soon as possible;
- further clinical trials and regulatory approval of NTCELL for Parkinson's disease;
- development of NTCELL for other indications ; and
- development of innovative treatments, using both existing and new products and technologies, to improve the wellbeing of people with serious diseases worldwide.

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

There is a risk that these prospects for future years will not be achieved if the NTCELL Phase I/IIa clinical trial does not meet its safety and clinical effects objectives. This risk will decrease as the trial proceeds. The studies in rats and non-human primates showed that NTCELL was safe and the potential clinical effects very beneficial. This trial is the first of its type in humans so the outcome is uncertain. Safety of patients is monitored by the independent Data Safety Monitoring Board.

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

From 1 July 2014 Dr Ken Taylor was appointed Chief Executive.

Except for the above, no other 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.

Directors' report
30 June 2014

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.

Company secretary

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

Nick Geddes (FCA, FCIS) has been the company secretary since 2005.

Meetings of directors

During the financial year, 21 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Roy Austin	15	15	3	3	3	3
Robert Elliott	15	14	-	-	-	-
Andrea Grant	12	12	-	-	-	-
Laurie Hunter	15	10	3	1	-	-
Bernard Tuch	15	15	-	-	3	3
Robert Willcocks	15	15	3	2	3	3

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 $43,100 (2013: $44,750).

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

Shares

Key management personnel shareholdings

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

	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at end of year
30 June 2014				
Roy Austin	-	-	-	-
Robert Elliott	4,190,060	-	200,000	4,390,060
Andrea Grant (4)	-	-	-	-
Laurie Hunter (1)	2,645,661	-	-	2,645,661
Bernard Tuch (2)	36,800	-	-	36,800
Robert Willcocks	-	-	-	-
Other key management personnel				
John Cowan	58,058	-	50,000	108,058
Ken Taylor (5)	-	-	-	-
	6,930,579	-	250,000	7,180,579

	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at end of year
30 June 2013				
Roy Austin				
Roy Austin	-	-	-	-
Robert Elliott	3,390,060	-	800,000	4,190,060
Andrea Grant (4)	-	-	-	-
Laurie Hunter (1)	2,645,661	-	-	2,645,661
Bernard Tuch (2)	36,800	-	-	36,800
Robert Willcocks	-	-	-	-
Other key management personnel				
John Cowan (3)	58,058	-	-	58,058
	6,130,579	-	800,000	6,930,579

(1) The shares are held by a related entity, Bell Potter Nominees.

(2) The shares are held by a related entity, DTU Pty Limited ATF The Beryl Super Fund.

(3) The shares are held by a related entity, Craigs Investment Nominees.

(4) Andrea Grant resigned as a director during the year ended 30 June 2014.

(5) Ken Taylor is eligible for up to 700,000 share options under the Director's and Employee's Share Option Plan. On 1 July 2014 he was issued 250,000 options with an issue price of 10 cents per share and an expiry date of 1 July 2020 and 100,000 options with an issue price of 14 cents per share and an expiry date of 1 July 2020.

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
23 September 2009	19 November 2014	$0.25	550,000
23 September 2009	19 November 2014	$0.35	750,000
12 December 2011	12 December 2016	$0.10	550,000
12 December 2011	12 December 2016	$0.15	150,000
12 December 2011	12 December 2016	$0.20	750,000
12 December 2011	12 December 2016	$0.25	250,000
23 December 2011	23 December 2017	$0.10	250,000
12 December 2012	12 December 2018	$0.10	250,000
6 March 2013	6 March 2018	$0.10	2,500,000
6 March 2013	6 March 2018	$0.15	2,500,000
			8,500,000

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, Risk 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 BDO Auckland for non-audit services provided during the year ended 30 June 2014:

	2014	2013
	$	$
Assistance in drafting financial statements for filing	**790**	4,440

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 2014 has been received and can be found on page 24 of the financial report.

Remuneration Report (audited)

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), superannuation, options, and performance incentives.
- Performance incentives are based on predetermined key performance indicators.
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and consolidated entity 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 company, team and individual objectives which drive shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest 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 required by the law, which is currently 3%, and do not receive any other retirement benefits.

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 consolidated entity 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.

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

Directors' report
30 June 2014

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.

Employment details of members of key management personnel

The following table provides 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 and non-performance based and the proportion of remuneration received in the form of options.

	Position held	Options / Rights %	Performance based bonus %	Termination payment %	Fixed salaries / fees %	Total %
Key Management Personnel						
Robert Elliott	Director, Clinical Research & Innovation	4	-	-	96	100
John Cowan	Head of Finance & Administration	2	-	-	98	100
Andrea Grant	Managing Director (until 31 March 2014)	4	16	-	80	100
Ken Taylor	Acting Chief Executive Officer (from 1 April 2014)	-	-	-	100	100

Andrea Grant was granted a cash bonus at 31 March 2014 related to achievement of performance measures related to the successful restructuring of LCT and DOL, as agreed with the Board.

The fees of non-executive directors are fixed and not at risk.

Service Agreements

On appointment to the board, all non-executive directors enter into a service agreement with the consolidated entity in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of the 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 30 to 60 working days' notice (except in cases of termination for cause where termination is immediate). Redundancy entitlements are 2-4 weeks for the first year of service and one week's payment for each six month's subsequent service.

Employment agreements do not include the specific performance criteria which are linked to bonuses or incentives so amounts paid in accordance with the above remuneration policy are effectively at the discretion of the board.

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

Remuneration details for the year ended 30 June 2014

The following table provides benefits and payments details, for each member of the key management personnel of the consolidated entity.

Table of benefits and payments

	Short term			Post employment	Share based payments	
	Cash salary fees	Bonus	Total short term benefits	Pension and superannuation	Options and rights	Total benefits and payments
2014	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Roy Austin	**70,000**	**-**	**70,000**	**-**	**-**	**70,000**
Robert Elliott	**126,600**	**-**	**126,600**	**-**	**4,698**	**131,298**
Andrea Grant	**204,291**	**41,600**	**245,891**	**-**	**9,881**	**255,772**
Laurie Hunter	**50,000**	**-**	**50,000**	**-**	**-**	**50,000**
Bernard Tuch	**45,767**	**-**	**45,767**	**4,233**	**-**	**50,000**
Robert Willcocks	**50,000**	**-**	**50,000**	**-**	**-**	**50,000**
Other key management personnel						
John Cowan	**183,971**	**-**	**183,971**	**5,519**	**4,698**	**194,188**
Ken Taylor	**79,691**	**-**	**79,691**	**-**	**-**	**79,691**
	810,320	**41,600**	**851,920**	**9,752**	**19,277**	**880,949**

	Short term			Post employment	Share based payments	
	Cash salary fees	Bonus	Total short term benefits	Pension and superannuation	Options and rights	Total benefits and payments
2013	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
Roy Austin	70,000	-	70,000	-	1,382	71,382
Robert Elliott	144,037	3,061	147,098	-	1,902	149,000
Andrea Grant	194,658	38,078	232,736	3,399	12,782	248,917
Laurie Hunter	50,000	-	50,000	-	-	50,000
Bernard Tuch	45,872	-	45,872	4,128	1,149	51,149
Robert Willcocks	50,000	-	50,000	-	-	50,000
Other key management personnel						
John Cowan	156,137	1,835	157,972	3,561	1,902	163,435
	710,704	42,974	753,678	11,088	19,117	783,883

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 are not issued based on performance criteria, but are issued to the directors and executives of Living Cell Technologies Limited and its subsidiaries to align the interest of executives, directors and shareholders.

Options granted, vested and lapsed during the year

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

	Number of options	Exercise price per option $	Value per option at grant date $	Grant date	Vesting date	Expiry date	Vested during period %	Forfeited during period %
Directors								
Robert Elliott	100,000	0.1000	0.0405	6 Mar 2013	6 Mar 2014	6 Mar 2018	-	-
Robert Elliott	100,000	0.1500	0.0387	6 Mar 2013	6 Mar 2015	6 Mar 2018	-	-
Andrea Grant	250,000	0.1000	0.0442	23 Dec 2011	23 Dec 2012	23 Dec 2017	100	-
Andrea Grant	250,000	0.1000	0.0430	23 Dec 2012	23 Dec 2013	23 Dec 2018	-	-
Andrea Grant	100,000	0.1000	0.0405	6 Mar 2013	6 Mar 2014	6 Mar 2018	100	-
Andrea Grant	100,000	0.1500	0.0387	6 Mar 2013	6 Mar 2015	6 Mar 2018	-	-
Other key management personnel								
John Cowan	100,000	0.1000	0.0405	6 Mar 2013	6 Mar 2014	6 Mar 2018	100	-
John Cowan	100,000	0.1500	0.0387	6 Mar 2013	6 Mar 2015	6 Mar 2018	-	-

Option values at grant date were determined using the Black-Scholes method.

During the year ended 30 June 2014, 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.

All options were issued by Living Cell Technologies Limited and entitle the holder to ordinary shares in Living Cell Technologies Limited for each option exercised.

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

Key management personnel options and rights holdings

	Balance at beginning of year	Granted as remuneration	Exercised	Expired	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisable
30 June 2014								
Directors								
Roy Austin	900,000	-	-	-	900,000	-	900,000	-
Robert Elliott	200,000	-	-	-	200,000	100,000	100,000	100,000
Andrea Grant	700,000	-	-	-	700,000	100,000	600,000	100,000
Laurie Hunter	-	-	-	-	-	-	-	-
Bernard Tuch	400,000	-	-	-	400,000	-	400,000	-
Robert Willcocks (1)	400,000	-	-	-	400,000	-	400,000	-
Other key management personnel								
John Cowan	200,000	-	-	-	200,000	100,000	100,000	100,000
Ken Taylor	-	-	-	-	-	-	-	-
	2,800,000	-	-	-	2,800,000	300,000	2,500,000	300,000

Directors' report
30 June 2014

	Balance at beginning of year	Granted as remuneration	Exercised	Expired	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisable
30 June 2013								
Directors								
Roy Austin	900,000	-	-	-	900,000	500,000	900,000	-
Robert Elliott	-	200,000	-	-	200,000	-	-	200,000
Andrea Grant	250,000	450,000	-	-	700,000	250,000	250,000	450,000
Laurie Hunter	-	-	-	-	-	-	-	-
Bernard Tuch	400,000	-	-	-	400,000	400,000	400,000	-
Robert Willcocks (1)	400,000	-	-	-	400,000	-	400,000	-
Other key management personnel								
John Cowan	-	200,000	-	-	200,000	-	-	200,000
	1,950,000	850,000	-	-	2,800,000	1,150,000	1,950,000	850,000

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

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

Director: ....

Dated 15 August 2014

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY CRAIG MAXWELL TO THE DIRECTORS OF LIVING CELL TECHNOLOGIES LIMITED

As lead auditor of Living Cell Technologies Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Craig Maxwell
Partner

BDO East Coast Partnership

Sydney, 15 August 2014

Consolidated statement of profit or loss and other comprehensive income
For the Year Ended 30 June 2014

	Note	2014	2013
Revenue and other income		**$**	$
Services provided		**7,394,130**	7,579,737
Grants		**330,750**	167,369
Interest income		**216,347**	154,245
Total revenue and other income		**7,941,227**	7,901,351
Cost of services provided		**(6,775,486)**	(7,067,266)
Gross profit	2	**1,165,741**	834,085
Expenses			
Research and development		**(487,356)**	(400,554)
General and administration		**(1,706,590)**	(1,257,938)
Finance costs		**(13,127)**	(11,451)
Total expenses		**(2,207,073)**	(1,669,943)
Operating profit / (loss)		**(1,041,332)**	(835,858)
Foreign exchange gain/(loss)		**225,708**	(177,846)
Option fee		**-**	3,000,000
Share of loss from joint venture	9	**(5,963,272)**	(4,965,005)
Profit / (loss) before income tax		**(6,778,896)**	(2,978,709)
Income tax expense	3	**-**	-
Profit / (loss) after income tax from continuing operations		**(6,778,896)**	(2,978,709)
Profit / (loss) attributable to members of the parent entity		**(6,778,896)**	(2,978,709)
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		**1,835,406**	1,818,173
Total other comprehensive income		**1,835,406**	1,818,173
Total comprehensive income attributable to members of the parent entity		**(4,943,490)**	(1,160,536)

	Note	2014	2013
Earnings per share			
Continuing operations			
Basic earnings/(loss) per share (cents)	4	**(1.9)**	(0.6)
Diluted earnings/(loss) per share (cents)	4	**(1.9)**	(0.6)

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

Consolidated statement of financial position
as at 30 June 2014

	Note	2014	2013
ASSETS		**$**	$
CURRENT ASSETS			
Cash and cash equivalents	19	**4,554,399**	4,504,083
Trade and other receivables	6	**510,478**	870,441
Inventories	7	**-**	89,283
TOTAL CURRENT ASSETS		**5,064,877**	5,463,807
NON-CURRENT ASSETS			
Property, plant and equipment	8	**18,716**	54,967
Investment in joint venture	9	**4,581,011**	8,699,984
TOTAL NON-CURRENT ASSETS		**4,599,727**	8,754,951
TOTAL ASSETS		**9,664,604**	14,218,758
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	**348,984**	720,884
Short-term provisions	11	**109,984**	245,435
Deferred income		**774,059**	-
TOTAL CURRENT LIABILITIES		**1,233,027**	966,319
NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		**1,233,027**	966,319
NET ASSETS		**8,431,577**	13,252,439
EQUITY			
Issued capital	12	**60,685,600**	60,685,600
Reserves	13	**4,320,896**	2,665,356
Accumulated losses		**(56,574,919)**	(50,098,517)
Total equity attributable to equity holders of the consolidated entity		**8,431,577**	13,252,439
TOTAL EQUITY		**8,431,577**	13,252,439

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

Consolidated statement of changes in equity

for the year ended 30 June 2014

2014

	Ordinary shares	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Option reserve	Total
	No.	$	$	$	$	$
Balance at 1 July 2013	**356,995,773**	**60,685,600**	**(50,098,517)**	**2,356,402**	**308,954**	**13,252,439**
Profit/(loss) attributable to members of the parent entity	**-**	**-**	**(6,778,896)**	**-**	**-**	**(6,778,896)**
Total other comprehensive income	**-**	**-**	**-**	**1,835,406**	**-**	**1,835,406**
Total comprehensive income	**-**	**-**	**(6,778,896)**	**1,835,406**	**-**	**(4,943,490)**
Transactions with owners in their capacity as owners:						
Share-based remuneration	**-**	**-**	**-**	**-**	**122,628**	**122,628**
Options expired during the year	**-**	**-**	**302,494**	**-**	**(302,494)**	**-**
Balance at 30 June 2014	**356,995,773**	**60,685,600**	**(56,574,919)**	**4,191,808**	**129,088**	**8,431,577**

2013

	Ordinary shares	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Option reserve	Total
	No.	$	$	$	$	$
Balance at 1 July 2012	356,995,773	60,685,600	(47,664,163)	538,229	792,345	14,352,011
Profit/(loss) attributable to members of the parent entity	-	-	(2,978,709)	-	-	(2,978,709)
Total other comprehensive income	-	-	-	1,818,173	-	1,818,173
Total comprehensive income	-	-	(2,978,709)	1,818,173	-	(1,160,536)
Transactions with owners in their capacity as owners:						
Share-based remuneration	-	-	-	-	60,964	60,964
Options expired during the year	-	-	544,355	-	(544,355)	-
Balance at 30 June 2013	356,995,773	60,685,600	(50,098,517)	2,356,402	308,954	13,252,439

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

Consolidated statement of cash flows
for the year ended 30 June 2014

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		**$**	$
Receipts from customers and grants (GST inclusive)		**9,773,525**	10,626,559
Payments to suppliers and employees (GST inclusive)		**(10,071,901)**	(9,400,736)
Interest received		**215,935**	111,111
Net cash provided by/(used in) operating activities	19	**(82,441)**	1,336,934
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(2,090)**	(19,530)
Net cash used in investing activities		**(2,090)**	(19,530)
CASH FLOWS FROM FINANCING ACTIVITIES:		-	-
Net increase/(decrease) in cash and cash equivalents held		**(84,531)**	1,317,404
Cash and cash equivalents at the beginning of the financial year		**4,504,083**	3,169,853
Effect of exchange rates on cash holdings in foreign currencies		**134,847**	16,826
Cash and cash equivalents at the end of the financial year	19	**4,554,399**	4,504,083

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

1 Summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report for the year ended 30 June 2014 has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) 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 is a listed for profit public company, incorporated and domiciled in Australia.

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

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

The financial report of Living Cell Technologies Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the board of directors on 15 August 2014.

(b) Going concern

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Cash and cash equivalents is $4,554,399 at 30 June 2014. This balance would allow the current level of operations to continue for approximately nine months if no further funds are raised.

The directors acknowledge that unless further new funds are raised or expenditure curtailed there is significant uncertainty regarding the ability of the parent company and consolidated entity to continue as a going concern and pay their debts as they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they are confident that additional cash will be sourced by the consolidated entity which has a strong track record of raising financing through placements as well as outside investment from commercial partners as evidenced with the ongoing joint venture relationship with Otsuka and share issues in prior years.

The company continues to work with its funders and is taking action to address the going concern issue and to protect the financial security of the consolidated entity. The directors are considering opportunities to further improve the cash position by better focusing activities, applying for grants, discussing collaborations and other measures.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- There will be further cash injection from funders, partners and grantors;
- The group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

(c) Principles of consolidation

A list of controlled entities is contained in Note 17 to the financial statements. All controlled entities have a 30 June financial year end.

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

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

Equity accounted investments

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

(d) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not re-measured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(e) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(e) Foreign currency transactions and balances (continued)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income. Foreign currency transactions are recorded at the spot rate on the date of the transaction.

Group companies

The financial results and position of foreign operations whose functional currency is different from consolidated entity's presentation currency are translated as follows:

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

Exchange differences arising on translation of foreign operations are recognised as other comprehensive income through 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.

(f) Comparative amounts

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(h) 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.

(i) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(j) 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.

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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

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

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the 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**
Plant and equipment	10-20%

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

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

(k) Interests in joint ventures

The consolidated entity has a 50% interest in a jointly controlled company which is recognised using the equity method (refer to Note 9 for details). Under the equity method the share of the profits or losses of the joint venture is recognised in the statement of profit or loss and other comprehensive income.

(l) Investments

Investments in controlled entities are carried at the lower of cost and recoverable amount. The carrying amount of investments is reviewed annually by directors to ensure that it is not in excess of the recoverable amount of these assets.

(m) Impairment of assets

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

(n) Research and development

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

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

(o) Payables

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

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

(p) Provisions

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

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

(q) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Where substantially all the risks and benefits incidental to the ownership of a leased fixed asset, but not the legal ownership, are transferred to the company, these leases are classified as finance leases. Finance leases are capitalised as an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residential value is brought to account. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the lease interest expense for the period and the reduction of the lease liability.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(r) Revenue and other income

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

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

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

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

(s) Employee benefits

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

Share-based payments

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

Issue of options

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

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

(t) Income tax

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

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

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

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

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

(u) Earnings per share

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

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

* costs of servicing equity (other than dividends)

* the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

* other non discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) 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.

(w) Segment reporting

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

(x) Adoption of new and revised accounting standards

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity, none of which had a significant impact on the consolidated financial statements:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

(x) Adoption of new and revised accounting standards (continued)

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures

(Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

(y) Accounting standards and interpretations issued but not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Consolidated Entity’s assessment of the impact of these new standards, amendments to standards and interpretations in the period of initial application is set out below.

AASB 9 (issued December 2009 and amended December 2010) Financial Instruments

This standard amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability’s credit risk are recognised in other comprehensive income. Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The consolidated entity has not yet made an assessment of the impact of these amendments.

(z) Critical accounting estimates and judgements

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

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

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

Notes to the financial statements
for the year ended 30 June 2014

2 Expenses

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

	2014	2013
Employee benefits	**$**	$
Wages and salaries	**3,886,628**	3,809,455
Contributions to employees' savings plans	**107,706**	59,237
Share-based payments	**122,633**	60,964
Staff training	**34,807**	19,344
Total employee benefits	**4,151,774**	3,949,000
Depreciation		
Plant and equipment	**7,131**	6,284

3 Income tax

(a) Reconciliation of income tax to accounting profit/(loss):	**2014**	**2013**
	$	$
Loss before income tax	**(6,778,896)**	(2,978,709)
Tax rate	**30%**	30%
	(2,033,669)	(893,613)
Add:		
Tax effect of:		
- Other deductible expenditure	**(69,475)**	(87,851)
- Unrealised foreign exchange gains	**3,744**	(54,614)
- Non-deductible expenditure	**80,835**	49,467
- Tax effect of temporary timing differences	**(1,057)**	4,245
- Non-assessable income	**-**	(13,567)
- Tax losses recouped	**(9,281)**	(493,569)
- Add back share of joint venture losses	**1,788,982**	1,489,502
- Deferred tax asset not brought to account	**239,921**	-
- Income tax expense	**-**	-

(b) Tax losses	**2014**	**2013**
	$	$
Unused tax losses for which no deferred tax asset has been recognised	**29,976,488**	29,176,649
Potential tax benefit at 30%	**8,992,947**	8,752,995

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.

Notes to the financial statements
for the year ended 30 June 2014

4 Earnings / (loss) per share

Reconciliation of earnings to profit or loss from continuing operations	2014	2013
	$	$
Profit/(loss) used in calculation of basic and diluted EPS	**(6,778,896)**	(2,978,709)

	2014	2013
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**356,995,773**	356,995,773
Weighted average number of ordinary shares and convertible securities outstanding during the year used in calculating diluted EPS	**356,995,773**	356,995,773
Basic earnings/(loss) per share (cents)	**(1.9)**	(0.6)
Diluted earnings/(loss) per share (cents)	**(1.9)**	(0.6)

5 Parent entity disclosures

	2014	2013
Statement of financial position	$	$
Current assets	**3,277,392**	3,935,841
Total assets	**15,118,208**	21,739,931
Current liabilities	**(68,132)**	(89,006)
Total liabilities	**(68,132)**	(89,006)
Net assets	**15,050,076**	21,650,925
Accumulated losses	**(45,764,612)**	(39,343,624)
Issued capital	**60,685,600**	60,685,600
Options reserve	**129,088**	309,949
Total Equity	**15,050,076**	21,651,925
Statement of profit or loss and other comprehensive income		
Profit / (loss) after income tax	**(6,734,858)**	3,057,225
Total comprehensive income	**(6,734,858)**	3,057,225

The parent company has no guarantees, contingent liabilities or capital commitments.

6 Trade and other receivables

Current receivables

	2014	2013
	$	$
Trade receivables	**421,981**	778,485
Prepayments	**25,140**	29,512
Accrued interest	**16,017**	51,184
Other receivables	**47,340**	11,260
	510,478	870,441
Total current trade and other receivables	**510,478**	870,441

Notes to the financial statements

for the year ended 30 June 2014

6 Trade and other receivables (continued)

Aged analysis

At 30 June 2013, there were no past due trade receivables, bad debts or doubtful debts (2013: $Nil). The ageing analysis of receivables is as follows:

	2014	2013
	$	$
0-30 days	**231,243**	604,360
31-60 days	**129,025**	74,418
61-90 days	**61,713**	99,208
	421,981	777,986

Allowance for impairment loss

Trade receivables are non interest bearing and are generally on 30 to 60 day terms except the joint venture, where any services fee adjustments are due in the following quarter. A provision for impairment loss is recognised when there is objective evidence than an individual trade receivable is impaired. There is no impairment loss for the current year (2013: $Nil) for the consolidated entity.

7 Inventories

	2014	2013
CURRENT	$	$
At cost:		
Raw materials and consumables	**-**	89,283
Total inventories	**-**	89,283

As part of the restructuring on 1 April 2014 inventory was sold to Diatranz Otsuka Limited.

8 Property, plant and equipment

	2014	2013
Plant and equipment	$	$
At cost	**25,441**	124,754
Accumulated depreciation	**(6,725)**	(69,787)
Total plant and equipment	**18,716**	54,967
Total property, plant and equipment	**18,716**	54,967

Movements in carrying amounts of property, plant and equipment

	2014	2013
	$	$
Opening balance	**54,967**	38,125
Acquisitions	**2,090**	19,530
Disposals	**(32,935)**	-
Depreciation expense	**(7,131)**	(6,284)
Foreign exchange movements'	**1,725**	3,596
Balance at the end of the year	**18,716**	54,967

9 Joint venture

(a) Interest in joint venture operations

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

Living Cell Technologies Limited and Otsuka Pharmaceutical Factory, Inc. have established joint control by each shareholder appointing two directors. These directors make decisions in relation to the relevant activities of Diatranz Otsuka Limited.

The group's DIABECELL assets were sold to Diatranz Otsuka Limited for $25 million of shares. Otsuka Pharmaceutical Factory, Inc. deposited $25 million of cash in to Diatranz Otsuka Limited for a 50% shareholding. There are no commitments by either company to Diatranz Otsuka Limited.

Assets transferred from each subsidiary were valued at a total of $25million, $7,287,000 attributable to Living Cell Technologies New Zealand Limited, $1,888,000 attributable to Pancell New Zealand Limited and $15,825,000 attributable to Living Cell Products Limited. There was an agreement signed between Living Cell Technologies Limited and its subsidiaries to 'set off' the debts owed by each of the subsidiaries to Living Cell Technologies Limited with the amounts given to the subsidiaries via promissory notes. This set off arrangement reduced the owing intercompany balances between Living Cell Technologies Limited and its subsidiaries during the year by the value of assets sold.

On 1 April 2014 LCT announced the completion of a strategic restructure of its business. The new organisation strengthens the capability of DOL and enables LCT to focus on development of new clinical products from its exciting technology and intellectual property portfolio.

55 staff essential for the successful commercialisation of DIABECELL transferred to DOL, including product development, manufacturing, pig husbandry, quality assurance and administration functions.

The companies provide services to each other at commercial rates and DOL provides access to the facilities and designated pathogen free pigs, for products other than diabetes, at commercial rates.

The voting power held by Living Cell Technologies Limited is 50.0%.

The interest in joint venture entities is accounted for in the consolidated financial statements using the equity method of accounting.

There were no capital commitments or contingent liabilities in relation to the joint venture at year end.

(b) Investment in joint venture

	2014	2013
	$	$
Joint venture: opening balance	**8,699,984**	12,099,726
50% of joint venture loss for the period	**(5,963,272)**	(4,964,955)
Foreign exchange movements during the period	**1,844,299**	1,565,213
Total	**4,581,011**	8,699,984

Notes to the financial statements
for the year ended 30 June 2014

9 Joint Venture (continued)

(c) Share of joint venture entity's results and financial position

	2014	2013
	$	$
Current assets	**3,654,552**	7,779,675
Non-current assets	**1,434,975**	1,188,664
Current liabilities	**(508,516)**	(268,355)
Non-current liabilities	**-**	-
Equity	**4,581,011**	8,699,984

Current assets includes cash and cash equivalents of $2,891,886 (2013: $7,458,818).

Share of the joint venture's revenue and profit / (loss)		
Interest income	**189,047**	461,682
Depreciation and amortisation	**(1,109,354)**	(982,680)
Other expenses	**(5,042,965)**	(444,829)
Profit / (loss)	**(5,963,272)**	(4,964,827)
Income tax expense	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**(5,963,272)**	(4,964,827)

10 Trade and other payables

	2014	2013
	$	$
CURRENT		
Unsecured liabilities		
Trade payables	**263,666**	511,281
Accrued expenses	**85,318**	209,603
Total trade payables	**348,984**	720,884

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

11 Provisions

	2014	2013
	$	$
Opening balance	**245,435**	205,483
Leave accrued	**289,171**	282,426
Leave taken	**(424,622)**	(242,474)
Balance at end of the year	**109,984**	245,435

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

12 Issued capital

	2014	2013
	$	$
2014: 356,995,773 ordinary shares fully paid (2013: 356,995,773)	**64,698,849**	64,698,849
Share issue costs written off against share capital	**(4,013,249)**	(4,013,249)
Total	**60,685,600**	60,685,600

Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the consolidated entity. On a show of hands at meetings of the consolidated entity, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The consolidated entity does not have authorised capital or par value in respect of its shares.

Authorised capital

The authorised share capital of the company is 356,995,773 shares (2013: 356,995,773) of nil par value.

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

Options

For information relating to the Living Cell Technologies Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, as well as information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report in section 5 of the Directors' Report and Key Management Personnel compensation in note 16.

The weighted average fair value of options granted during the year was $0.0 (2013: $0.04).

The fair value of each option at grant data was calculated by using the Black Scholes option pricing model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the options life (for a 5 year option volatility has been calculated using 5 years' worth of share prices to the issue date).

No options were granted during the year.

Capital management

Capital of the consolidated entity is managed in order to safeguard the ability to continue as a going concern so that they can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure.

The consolidated entity's capital comprises shares and any convertible notes.

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.

13 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.

Notes to the financial statements
for the year ended 30 June 2014

Option reserve

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

14 Currency translation rates

	NZD 2014	NZD 2013	USD 2014	USD 2013	ARS 2014	ARS 2013
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	0.93	0.85	1.06	1.09	0.13	0.20
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:	0.90	0.80	1.09	0.98	0.16	0.19

NZD = NZ dollar; USD = US dollar; ARS = Argentinian peso

15 Capital and leasing commitments

Operating lease commitments

The consolidated entity has no operating leases (2013: Nil).

Finance lease commitments

The consolidated entity has no finance leases (2013: Nil).

Capital commitments

The consolidated entity has no capital commitments (2013: Nil).

16 Key management personnel disclosures

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

	2014 $	2013 $
Short-term employee benefits	**851,920**	753,678
Post-employment benefits	**9,752**	11,088
Share-based payments	**19,277**	19,117
	880,949	783,883

The Remuneration Report contained in the Director's 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 2014.

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 18: Related parties.

17 Controlled entities

	Country of Incorporation	Percentage Owned (%)* 2014	Percentage Owned (%)* 2013
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
Pancell New Zealand Limited	New Zealand	**100**	100
LCT Biopharma Ltd	USA	**100**	100
LCT Biomedical Ltd	Russia	**100**	100
Living Cell Technologies S.A.	Argentina	**100**	100
DIABECELL Pty Ltd	Australia	**100**	100
FAC8Cell Pty Ltd	Australia	**100**	100
NeurotrophinCell Pty Ltd	Australia	**100**	100

* Percentage of voting power is in proportion to ownership

18 Related parties

(i) Parent entity:

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

(ii) Subsidiaries

Subsidiaries are detailed in note 17 to the financial statements.

(iii) Joint venture

Joint ventures are accounted for using the equity method and detailed in note 9 of the financial statements.

(iv) 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.

(v) Service fee

LCT Biopharma Inc, LCT Biomedical Ltd, Living Cell Technologies S.A. and Living Cell Technologies New Zealand charge their parent companies a service fee based on direct costs incurred and an appropriate mark-up as agreed in the Services Agreement. The financial effect of the service fee has been eliminated on consolidation.

(vi) Key management personnel

Disclosures relating to key management personnel have been set out in note 16 and the Directors' Report.

Notes to the financial statements
for the year ended 30 June 2014

18 Related parties (continued)

Transactions with related parties

	Sales to related parties 2014 $	Sales to related parties 2013 $	Purchases from related parties 2014 $	Purchases from related parties 2013 $	Amounts owed by related parties 2014 $	Amounts owed to related parties 2014 $
Related parties:						
Diatranz Otsuka Limited	**6,620,719**	7,186,000	**220,000**	162,000	**325,000**	854,000

19 Cash flow information

Reconciliation of cash	**2014**	**2013**
	$	$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:		
Cash and cash equivalents	**4,554,399**	4,504,083

The company also has two business MasterCard facilities with Westpac New Zealand totalling $206,000. These are both undrawn at year end.

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

Reconciliation of net income to net cash provided by operating activities:	**2014**	**2013**
	$	$
Profit/(loss) for the year	**(6,778,896)**	(2,978,709)
Cash flows excluded from profit/(loss) attributable to operating activities		
Non-cash flows in loss		
- depreciation	**7,131**	6,265
- net losses on disposal of assets	**32,940**	-
- net gains of employee provisions transferred in restructure	**(193,827)**	-
- LCT's share of loss from joint venture	**5,963,272**	4,965,005
- net foreign currency (gains)/losses	**(225,708)**	177,845
- share options expensed	**122,633**	60,964
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(81,551)**	(271,426)
- (increase)/decrease in other assets	**58,075**	(1,493,963)
- increase/(decrease) in trade and other payables	**955,111**	831,133
- increase/(decrease) in employee benefits	**58,379**	39,820
Cashflow provided by/(used in) operations	**(82,441)**	1,336,934

20 Segment reporting

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

21 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:

	2014	**2013**
Financial Assets		
Cash and cash equivalents	**4,554,399**	4,504,083
Trade and other receivables	**485,338**	840,929
Total financial assets	**5,039,737**	5,143,384
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**263,666**	511,281
Deferred service fees	**774,059**	-
Total financial liabilities	**1,037,725**	511,281

Liquidity risk

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

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

	Within 1 Year		**1 to 5 Years**		**Over 5 Years**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets - cash flows realisable						
Trade and other receivables	**485,338**	840,929	**-**	-	**-**	-
Trade and other payables	**(263,666)**	(511,281)	**-**	-	**-**	-
Deferred service fees	**(774,059)**	**-**	**-**	-	**-**	-
Total anticipated inflows/(outflows)	**(552,387)**	329,648	**-**	-	**-**	-

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.

21 Financial risk management (continued)

Interest rate risk sensitivity analysis

At 30 June 2014, 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:

	2014	2013
	$	$
+ 1% (100 basis points)	**56,382**	39,289
- 0.5% (50 basis points)	**(28,197)**	(19,644)

Market risk

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

Credit risk

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

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

Foreign currency risk

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

2014	**NZD**	**USD**	**ARS**	**Total AUD**
Consolidated	$	$	$	$
Cash and cash equivalents	**3,109,121**	**33,941**	**9,615**	**3,152,677**
Trade and other receivables	**415,103**	**1,782**	**-**	**416,886**
Trade and other payables	**(211,377)**	**(305)**	**(1,009)**	**(212,691)**
2013				
Consolidated				
Cash and cash equivalents	2,495,533	19,819	30,164	2,545,516
Trade and other receivables	739,301	5,718	-	745,019
Trade and other payables	(413,013)	(55)	(5,198)	(418.266)

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/(loss) before tax to a reasonably possible change in the AUD/NZD exchange rate.

Notes to the financial statements
for the year ended 30 June 2014

21 Financial risk management (continued)

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

	Strengthening by 5%	Weakening by 5%
	$	$
2014	**4,334**	**(4,334)**
2013	2,274	(2,274)

The net exposure at the end of the reporting period is representative of what consolidated entity was and is expecting to be exposed to at the end of the next twelve months.

(a) Price risk

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

22 Remuneration of auditors

	2014	2013
	$	$
Remuneration of BDO East Coast Partnership		
Auditing or reviewing the consolidated financial report and the Australian-based subsidiaries	**78,750**	77,000
Remuneration of BDO Auckland		
Auditing the New Zealand based subsidiaries	**14,897**	14,514
Other services	**788**	4,440
	97,435	95,954

23 Contingent assets and liabilities

In the opinion of the Directors, the consolidated entity did not have any contingencies at 30 June 2014 (30 June 2013:Nil).

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

24 Events occurring after the reporting date

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

25 Company details

The registered office of the company is:

Living Cell Technologies Limited
Level 3, 70 Pitt Street
Sydney NSW 2000
Australia

Director's declaration

The directors of Living Cell Technologies Limited declare that:

1. the financial statements and notes for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:

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

    b. 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:

    a. the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

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

    c. 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 consolidated entity will be able to pay its debts as and when they become due and payable.

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

Director..

Dated 15 August 2014

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Living Cell Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Living Cell Technologies Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 of the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through additional equity, grants or other sources. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Living Cell Technologies Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Craig Maxwell

Craig Maxwell
Partner

Sydney, 15 August 2014

Additional information for listed public companies
30 June 2014

ASX Additional Information
Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31 July 2014.

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

Shareholders	Number of shares
Palmert Members Limited	24,150,408
Coalco International Limited	24,150,408
Persistency Private Equity Limited	17,792,675
Otsuka Pharmaceutical Factory, Inc.	25,000,000

Voting rights

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

Options
No voting rights.

Distribution of equity security holders

Holding	Number of holders	Shares
1 - 1,000	136	34,780
1,001 - 5,000	395	1,222,341
5,001 - 10,000	340	2,820,513
10,001 - 100,000	1,000	39,503,870
100,000 and over	303	313,414,269
Total	2,174	356,995,773

There were 728 holders of less than a marketable parcel of ordinary shares.

Additional information for listed public companies

30 June 2014

Twenty largest shareholders

	Number held	% of issued shares
National Nominees Limited	31,920,105	9
Otsuka Pharmaceutical Factory, Inc.	25,000,000	7
Coalco International Limited	24,150,408	7
HSBC Custody Nominees (Australia) Limited	22,216,967	6
Navigroup Management Limited	20,213,249	6
Citicorp Nominees Pty Limited	16,176,419	5
Jiangsu Aosaikang Pharmaceutical Co Ltd	14,334,080	4
Investment Custodial Services Limited	11,061,006	3
JP Morgan Nominees Australia Limited	8,030,993	2
Eris Pty Limited	6,894,729	2
ABN Amro Clearing Sydney Nominees Pty Ltd	5,766,196	2
Natalie Parke Trustee Limited	5,149,537	1
SC Trustee Limited	5,149,537	1
Foundation Services Limited	4,977,626	1
Robert B Elliott	4,390,060	1
4 Eyes Limited	4,028,366	1
Hugh Green Foundation	3,829,850	1
Michelle A Paine	3,015,000	1
Forsyth Barr Custodians Limited	2,663,205	1
Pan Australian Nominees Pty Limited	2,339,672	1

Securities exchange

The Company is listed on the Australian Securities Exchange.