



Living Cell Technologies Limited

Consolidated Financial Statements

For the 6 months to 31 December 2006

Living Cell Technologies Limited

For the 6 months to 31 December 2006

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Consolidated Financial Statements for the Half-Year ending 31 December 2006 | |
| Directors' Report | 1 |
| Auditors Independence Declaration | 6 |
| Condensed Consolidated Income Statement | 7 |
| Condensed Consolidated Balance Sheet | 8 |
| Condensed Consolidated Statement of Changes in Equity | 9 |
| Condensed Consolidated Cash Flow Statement | 10 |
| Notes to the Condensed Consolidated Financial Statements | 11 |
| Directors' Declaration | 16 |
| Independent Review to Members | 17 |

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any other public announcements made by Living Cell Technologies Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

Your directors present their report on the company and its controlled entities for the half year financial period ended 31 December 2006.

This half year financial report has been prepared under Australian equivalents to IFRS.

1. Directors

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

| Names | Appointed/Resigned |
|---------------------|----------------------------|
| Michael Yates | Resigned 25 August 2006 |
| Simon O'Loughlin | |
| Charles Macek | |
| David Collinson | |
| Robert Elliott | |
| Alfred Vasconcellos | |
| Laurie Hunter | Appointed 25 August 2006 |
| Paul Tan | Appointed 23 February 2007 |

2. Business review

a Operating Results

The consolidated loss of the Group amounted to \$3,135,247. (2005: Loss of \$3,222,945).

b Review of operations

The business of Living Cell Technologies Ltd ("LCT") began in a quest for a treatment for Type 1 diabetes that would not only minimise or replace daily injections of insulin but also avoid the long term complications created by the disease.

The company has since developed into a biotech manufacturing company with a unique international infrastructure and a suite of products ready to enter human clinical trials. The company received approval just after period end for DiabeCell to enter the clinic in a trial in Russia, to adhere to FDA guidelines and monitored by a Boston-based Contract Research Organisation.

It is the view of the Board of Directors that the company is now poised to make significant progress towards the commercialisation of the company's products, resulting from the company's focus on the implantation of healthy living cells to replace, repair or regenerate diseased or damaged organs. Treatment with LCT's cell products does not require the use of toxic drugs to prevent rejection.

In addition to our lead product, DiabeCell to treat Type 1 diabetes, the company also has a product portfolio focused on treatments for neurological disorders such as Huntington's disease and also a haemophilia product in development.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

2. Business review continued

b Review of operations continued

LCT's competitive advantages in the field of transplantation of living cells for the controlled, long term delivery of therapeutic proteins without immunosuppressive drugs include a specialised source of cells from a designated pathogen free herd, GMP cell processing and manufacture, proprietary alginate encapsulation technology and a strong patent position.

Importantly LCT owns its source of its cells, the specialised herd of Biocert® pigs, which are of the highest health and disease-free status.

In addition, to address the regulatory requirements for xenotransplantation, LCT has established a suite of diagnostic tests and a screening strategy for monitoring its donor herd of Biocert® pigs, maintaining their disease-free status and documenting their health data accumulated over the past 3 years. The same suite of tests also form part of a program for transplant recipients which LCT expects to be acceptable to regulatory bodies as it is now based on experience and data from patients who have received live cell transplants.

Significant Events During the Period:

5 July LCT granted US diabetes patent

LCT received a Notice of Allowance for a US patent relating to methods of preparing transplantable neo-natal porcine islets, for the treatment of diabetes.

7 July LCT raises \$2.8m in fund transaction

LCT announced the closure of a AUD\$2.8 million funding transaction with US and Australian institutional and retail investors, made up of \$2.1 million as a convertible note and \$0.7 million in share capital at 15 cents per share.

25 August LCT announces new Chairman and additional independent director

LCT announced the appointments of Mr Simon O'Loughlin as Chairman and Mr Laurie Hunter as an additional independent director.

28 August Lodged application for DiabeCell® clinical trial with MedSafe

LCT lodged an application with the New Zealand regulator MedSafe to conduct a Phase I/IIa clinical trial of its Type 1 diabetes product DiabeCell®.

19 October Granted EU diabetes patent

The European Patent Office granted LCT an EU patent relating to its porcine pancreatic islet cell product for Type 1 diabetes.

14 December Possible prevention of Type 1 diabetes with NtCell

LCT released results of early stage research which suggests its NeurotrophinCell (NtCell) product may hold the potential to prevent or delay the onset of Type I diabetes.

19 December Approval to manufacture xeno products for human use

The New Zealand Government issued LCT with a licence to manufacture a novel animal cell product for humans under Good Manufacturing Practice (GMP).

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

2. Business review continued

b Review of operations continued Fundraising

The period included significant investment and roadshow activity to institutional investors in the US and Europe, as well as Australasia. In addition to the \$2.8m funding transaction completed in the reporting period, LCT also announced the closing of a private placement to raise \$800,000 at 17.5 cents per share in December 2006, with the funds received after balance date in January 2007.

In late December 2006 LCT also announced a Share Purchase Plan (SPP) offer to existing shareholders. Closure of the SPP after the period resulted in a successful raising of AUD\$1.982 million in capital from eligible Australian and New Zealand shareholders. A further \$1.018 million was taken up by clients of stock broking firm Taylor Collison, pursuant to an underwriting agreement, resulting in total proceeds from the SPP of \$3 million.

In addition to the SPP, an additional placement of \$1.3 million, led by Taylor Collison, was completed at \$0.175 per share in January 2007.

These post balance date share capital receipts totaled \$5.1 million.

The funds raised will be used as working capital to drive the first phase of LCT's clinical trial strategy for its DiabeCell® product in two jurisdictions.

Grants

In the half-year, LCT was able to claim funds available under the successful TBG FRST and NZTE grants to the value of \$524,000. These grants extend through to May 2007 and May 2008 respectively.

Funds Used For:

DiabeCell®

The DiabeCell® Type 1 diabetes treatment has been approved for a Phase I/IIA clinical trial in Russia designed according to FDA guidelines and monitored by a Boston-based Contract Research Organisation. The trial may enable an expedited route to commercialisation within the region. The clinical trial is being funded via LCT's Russian partner.

LCT's intention is to conduct more than one Phase I/IIA clinical trial. LCT plans to test a different dose and protocol for administering DiabeCell® in a separate New Zealand trial. After preliminary consultation with MedSafe, LCT has lodged an application with the NZ regulator to conduct a Phase I/IIa clinical trial of DiabeCell® on eight long-standing Type 1 (insulin-dependent) diabetics. The different study designs will expedite the selection of a safe and optimal clinical protocol for using DiabeCell®.

The company continues to hold a dominant position amongst competitors in this field. This is currently the only human clinical trial of this kind approved anywhere in the world and recognises LCT's thorough pre-clinical testing of the product.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

2. Business review continued

b Review of operations continued

NeurotrophinCell

The NeurotrophinCell product continues development (including exploring other indications of use such as diabetes prevention and hearing loss), although further resources will be placed into DiabeCell® to support the product with the greatest potential to obtain near-term revenues.

Discovery Program

Living Cell Technologies possesses a technology platform and unique and safe cell supply applicable to the treatment of a number of disease areas.

A number of research programs remain active and include the treatment of haemophilia, stroke, Amyotrophic Lateral Sclerosis (ALS) and the rehabilitation of the auditory nerve. These programs are drawing upon the international expertise of Brown University, The Florey Neurosciences Institute and The Bionic Ear Institute.

Intellectual Property

LCT's portfolio of patents and patent applications are in series that encompass the use of porcine cells for the treatment of diabetes and CNS disorders, methods of encapsulating cells and selective breeding of pigs suitable as a source of tissues for human therapeutics.

Presently, LCT has 34 patents filed and in prosecution.

Filing of patents receives close attention with the company taking independent professional advice for appropriate protection of the company's intellectual property. The intellectual property portfolio is current and relevant to the purposes of the business.

Licensing

With the use of LCT's biocapsule technology, a variety of cell types are able to be transplanted and function in the human body for extended periods of time without the use of immunosuppressive drugs.

In addition, LCT is investigating the potential market opportunities for its porcine tissues, as well as licensing opportunities for its pipeline products.

The encapsulation process has also been scaled for manufacture within LCT's accredited GMP (Good Manufacturing Practice) facility and provides a future out-licensing opportunity for the company.

Awareness Building

The period has seen an increased interaction with the investment community of the company's new strategic direction and market opportunity for live cell therapy.

LCT has increased its engagement with the local and international biotech communities reflecting the company's progress in advancing its product portfolio into clinical trials. Ongoing media coverage, investor road shows and presentations of scientific papers have created a better understanding of LCT's technology and business model.

A significant commitment has been placed in building relationships with the investment banking community in the United States and Europe to help establish long-term support for the company as it approaches commercialisation.

Living Cell Technologies Limited

Directors' Report

For the 6 months to 31 December 2006

c After Balance Date Events

19 January 2007 New shares issued

4,870,000 fully paid ordinary shares were issued to sophisticated investors, at 17.5 cents per share, in relation to the capital raising of \$800,000 announced on 27th December 2006.

24 January 2007 Paul Tan appointed as CEO

Dr Paul Tan was appointed to the role of Group CEO subsequent to the resignation of the previous CEO, Mr David Collison, due to health reasons.

30 January 2007 LCT to start clinical trial of Type 1 diabetes treatment

Approval for a Phase I/IIA clinical trial of the company's DiabeCell product was announced. The trial is to be conducted in Russia and is designed to FDA guidelines and will be monitored by a Boston-based Contract Research Organisation.

14 February 2007 LCT raises \$4.3million

LCT announced the closure of a successful Share Purchase Plan and a Private Placement, with the shares priced at 17.5 cents, raising a total of \$4.3million in the process. As part of the clinical focus towards commercialising DiabeCell as soon as possible, LCT also announced it was in the process of downsizing its US operations and shifting its neurological program to its New Zealand facilities.

23 February 2007 Additional Director appointed

Dr. Paul Tan, the LCT's Ceo, was appointed to the Board Of Directors, as an Executive Director of the company.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 6.

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

Director:

S. O'Loughlin

Dated **28 February 2007**

Auditor's Independence Declaration**To the Directors of Living Cell Technologies Limited:**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2006, there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



PKF
Chartered Accountants



Arthur Milner
Partner

Sydney, 28 February 2007

Living Cell Technologies Limited

Condensed Consolidated Income Statement

For the Period Ended 31 December 2006

| | | December 31 | December 31 |
|---|------|--------------------|--------------------|
| | | 2006 | 2005 |
| | Note | \$ | \$ |
| Revenue - trading | 2 | 412 | 1,404 |
| Other revenue | 2 | 565,744 | 93,305 |
| Employee costs | | (1,824,881) | (1,809,240) |
| Depreciation, amortisation and impairments | | (91,139) | (79,321) |
| Finance costs | | (142,333) | (226) |
| Freight and cartage | | (13,322) | (7,473) |
| Advertising | | (7,679) | (13,190) |
| Research and development costs | | (616,743) | (422,936) |
| Lease rentals on operating lease | | (182,711) | (151,560) |
| Travel - overseas | | (108,788) | (142,957) |
| Consulting and professional fees | | (293,307) | (483,239) |
| Printing and stationery | | (30,164) | (36,884) |
| Telephone and fax | | (56,049) | (38,347) |
| Other expenses | | (334,287) | (132,281) |
| Loss before income tax from continuing activities | | (3,135,247) | (3,222,945) |
| Income tax expense | | - | - |
| Loss from continuing activities attributable to members of the parent entity | | (3,135,247) | (3,222,945) |

Earnings Per Share:

Continuing operations:

| | | |
|--|--------|--------|
| Basic & diluted earnings per share (cents per share) | (2.56) | (3.20) |
|--|--------|--------|

The weighted average number of ordinary shares on issue and used in the calculation of basic earning per share was 122,387,623 (2005: 100,408,145)

The above Income Statement should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Balance Sheet

As At 31 December 2006

| | December 31 | June 30 |
|--------------------------------------|------------------|------------------|
| | 2006 | 2006 |
| Note | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 896,333 | 2,956,379 |
| Trade and other receivables | 29,030 | 1,277 |
| Inventories | 34,294 | 32,488 |
| Other assets | 9,242 | 12,430 |
| Total current assets | 968,899 | 3,002,574 |
| Non-current assets | | |
| Property, plant and equipment | 974,674 | 949,361 |
| Biological assets | 335,127 | 306,229 |
| Total non-current assets | 1,309,801 | 1,255,590 |
| TOTAL ASSETS | 2,278,700 | 4,258,164 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 785,263 | 512,753 |
| Interest bearing liabilities | 2,029,613 | - |
| Provisions | 90,283 | 61,935 |
| Total current liabilities | 2,905,159 | 574,688 |
| Non-current liabilities | | |
| Interest bearing liabilities | - | 1,887,418 |
| Total non-current liabilities | - | 1,887,418 |
| TOTAL LIABILITIES | 2,905,159 | 2,462,106 |
| NET ASSETS | (626,459) | 1,796,058 |
| EQUITY | | |
| Contributed equity | 3 25,226,841 | 24,685,152 |
| Reserves | 4 839,775 | 654,247 |
| Accumulated losses | 4 (26,693,075) | (23,543,341) |
| TOTAL EQUITY | (626,459) | 1,796,058 |

The above Balance Sheet should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Statement of Changes in Equity

For the Period Ended 31 December 2006

December 31
2006

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

December 31
2005

| | Contributed Equity \$ | Accumulated Losses \$ | Foreign Currency Translation Reserve | Option Reserve \$ | Convertible Instruments Reserve \$ | Total \$ |
|---|-----------------------------|-----------------------------|---|-------------------------|---|------------------|
| Balance at 1 July 2005 | 19,536,574 | (16,730,364) | - | 329,344 | - | 3,135,554 |
| Loss attributable to members of the parent entity | - | (3,222,944) | - | - | - | (3,222,944) |
| Shares issued during the year | 4,999,002 | - | - | - | - | 4,999,002 |
| Transaction costs | (87,415) | - | - | - | - | (87,415) |
| Adjustments from translation of foreign controlled entities | - | - | (1,060) | - | - | (1,060) |
| Option reserve on recognition of options expense | - | - | - | 208,486 | - | 208,486 |
| Sub-total | 4,911,587 | (3,222,944) | (1,060) | 208,486 | - | 1,896,069 |
| Balance at 31 December 2005 | 24,448,161 | (19,953,308) | (1,060) | 537,830 | - | 5,031,623 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Condensed Consolidated Cash Flow Statement

For the Period Ended 31 December 2006

| | December 31 2006 \$ | December 31 2005 \$ |
|--|------------------------------|------------------------------|
| Cash from operating activities: | | |
| Receipts from customers & government grants | 524,244 | 38,143 |
| Payments to suppliers and employees | (3,218,814) | (2,905,726) |
| Dividends received | 402 | 76 |
| Interest received | 41,540 | 56,274 |
| Finance costs | (138) | (226) |
| Net cash provided by (used in) operating activities | (2,652,766) | (2,811,459) |
| Cash flows from investing activities: | | |
| Acquisition of property, plant and equipment | (116,452) | (178,437) |
| Net cash provided by (used in) investing activities | (116,452) | (178,437) |
| Cash flows from financing activities: | | |
| Proceeds from issue of shares | 711,292 | 4,999,002 |
| Repayment of borrowings | - | (18,180) |
| Payment of transaction costs | (2,120) | (87,415) |
| Net cash provided by (used in) financing activities | 709,172 | 4,893,407 |
| Net increase (decreases) in cash held | (2,060,046) | 1,903,511 |
| Cash and cash equivalents at beginning of the period | 2,956,379 | 2,552,582 |
| Cash at end of the period | 896,333 | 4,456,093 |

The above Statements of Cash Flows should be read in conjunction with the accompanying Notes and the 30 June 2006 Annual Report.

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

1 Basis of Preparation of Half-Year Financial Report

This general purpose financial report for the interim half-year ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting, other mandatory professional reporting requirements (Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any other public announcements made by Living Cell Technologies Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2006.

The financial report has been prepared on the basis that the Group is a going concern. The directors recognise that, as with other research based companies, there is a significant going concern risk associated with the Group. However, the Directors consider the going concern basis of preparation is appropriate because they are confident that the Group will be able to secure sufficient investment funding to enable the Group to continue to meet business objectives. In this regard, initiatives being taken include capital raising initiatives focused on raising additional share capital from accredited investors, predominantly existing shareholders, high net worth individuals and qualified professional investors.

Since 31 December 2006 the company has received \$5.1 million in proceeds from capital raising activity from two private placements, as well as an underwritten share purchase plan, with share subscriptions received from existing shareholders.

2 Income

| | December 31 | |
|---------------------|------------------|------------------|
| | December 31 2006 | December 31 2005 |
| | Note | |
| | \$ | \$ |
| - sale of goods | 412 | 1,404 |
| - Interest income | 41,540 | 56,122 |
| - Dividend income | 402 | 76 |
| - Donations | 22 | 13 |
| - Grants | 523,780 | 37,094 |
| Other Income | 566,156 | 94,709 |

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

3 Issued Capital

(a) Issued and paid up capital

| | December 31 2006 | June 30 2006 |
|--------------------------------|---------------------|-------------------|
| | \$ | \$ |
| - - Ordinary shares fully paid | 25,226,841 | 24,685,152 |
| Total | 25,226,841 | 24,685,152 |

(b) Authorised Capital

The authorised share capital of the company is 123,416,800 ordinary shares 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.

(c) Movements in shares on issue

| | 31 December 2006 | 31 December 2006 | 30 June 2006 | 30 June 2006 |
|--------------------------------------|------------------------|------------------------|---------------------|-------------------|
| | Number of shares | \$ | Number of shares | \$ |
| Description Title | | | | |
| Beginning of the financial year | 118,639,933 | 24,685,152 | 92,840,681 | 19,536,574 |
| Issued during the year | | | | |
| - private share issues | 4,539,947 | 680,992 | 25,162,455 | 5,281,225 |
| - contractors fees | 136,920 | 20,538 | 636,797 | 146,261 |
| - options exercised | 100,000 | 21,000 | - | - |
| Transaction costs in capital raising | - | (180,841) | - | (278,908) |
| Total | 123,416,800 | 25,226,841 | 118,639,933 | 24,685,152 |

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

4 Share capital and reserves

(a) Total equity

| | December 31 2006 \$ | June 30 2006 \$ |
|--------------------------------------|---------------------------|-----------------------|
| Share capital | | |
| Share capital - Ordinary | 25,226,841 | 24,685,152 |
| Total | 25,226,841 | 24,685,152 |
| Reserves | | |
| Foreign currency translation reserve | (2,703) | 27,389 |
| Option reserve | 765,094 | 549,474 |
| Convertible instruments reserve | 77,384 | 77,384 |
| Total | 839,775 | 654,247 |
| Accumulated losses | | |
| Opening balance | (23,543,341) | (16,730,364) |
| Translation adjustment | (14,487) | 6,634 |
| Net loss for the period | (3,135,247) | (6,819,611) |
| Total | (26,693,075) | (23,543,341) |
| Total Equity | (626,459) | 1,796,058 |

(b) Reserves

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

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

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

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

5 Segment Reporting

(a) Segment products and locations

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

(b) Geographical Segments

| | New Zealand | | USA | | Australia | | Eliminations | | Consolidated | |
|---------|--------------|--------------|-------------|-------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | December 31 | December 31 | December 31 | December 31 | December 31 | December 31 | December 31 | December 31 | December 31 | December 31 |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenue | \$ 1,624,169 | \$ 1,332,719 | \$ 923,051 | \$ 898,028 | \$ 57,356 | \$ 166,231 | \$ (2,038,420) | \$ (2,302,269) | \$ 566,156 | \$ 94,709 |
| Result | \$ (218,999) | \$ 14,075 | \$ (74,201) | \$ 89,822 | \$ (2,788,031) | \$ (3,327,250) | \$ (54,016) | \$ 408 | \$ (3,135,247) | \$ (3,222,945) |

(c) Accounting Policies

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

Living Cell Technologies Limited

Notes to the Condensed Consolidated Financial Statements

For the Period Ended 31 December 2006

6 Subsequent events

Issuance of shares

In January 2007, subsequent to balance date 31 December 2006, the company received \$800,000 in additional share capital, from the proceeds of a private placement, with shares to be issued at 17.5 cents per share.

In early February 2007 the company received a further \$4.3 million in additional share capital, from the proceeds of a share purchase plan and a subsequent private placement, with the shares to be issued at 17.5 cents per share.

The financial effect of the above events, increasing cash and contributed equity by \$5.1 million has not been recognised in the Balance Sheet as at 31 December 2006.

7 Company Details

The registered office of the company is:

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

8 Contingent Liabilities

Contingent Liabilities as at 31/12/2006 Nil (30/06/2006 Nil)

9 Controlled Entities

| Name of Parent Entity: | Country of incorporation | Equity Holding 31/12/2006 % | Equity Holding 31/12/2005 % |
|--|-------------------------------------|--|--|
| Living Cell Technologies Ltd | Australia | | |
| Name of Subsidiaries: | | | |
| Living Cell Products Pty Ltd | Australia | 100 | 100 |
| LCT Australia Pty Ltd | Australia | 100 | 100 |
| Living Cell Technologies New Zealand Ltd | New Zealand | 100 | 100 |
| Pancell New Zealand Ltd | New Zealand | 100 | 100 |
| LCT BioPharma Inc | USA | 100 | 100 |
| Fac8Cell Pty Ltd | Australia | 100 | 100 |
| DiaBcell Pty Ltd | Australia | 100 | 100 |
| NeurotrophinCell Pty Ltd | Australia | 100 | 100 |

Living Cell Technologies Limited

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 7 to 15:

(a) Comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the Consolidated Entity's financial position as at 31 December 2006 and of their performance, as represented by the results of its operation and its cash flows, for the half-year ended on that date.

In the directors' opinion:

(a) The financial statements and notes are in accordance with the Corporations Act 2001; and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

S. O'loughlin

Dated **28 February 2007**



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Living Cell Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Living Cell Technologies Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Living Cell Technologies Limited's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Living Cell Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the Living Cell Technologies Limited's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

*PKF***PKF**

Arthur Milner
Partner

Sydney, 28 February 2007