



Living Cell Technologies Limited

Consolidated Financial Report

31 December 2012

Living Cell Technologies Limited

CONTENTS

	<u>Page</u>
<i>Consolidated Financial Statements</i>	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	5
Consolidated Statement of Profit and Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Directors' Declaration	14
Independent Auditor's Review Report	15

Living Cell Technologies Limited

Directors' Report

31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity consisting of Living Cell Technologies Limited (LCT) and its controlled entities for the financial half year ended 31 December 2012.

1. General information

(a) Directors

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

Names	Appointed/Resigned
Roy Austin (Chairman)	
Robert Elliott	
Andrea Grant	Appointed 16 November 2012
Laurie Hunter	
Bernard Tuch	
Robert Willcocks	

Directors have been in office since the start of the half 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 half year ended 31 December 2012:

Nick Geddes, FCA, FCIS

2. Business review

(a) Operating Results

The consolidated loss for the half year amounted to (\$260,000) (2011 Profit: \$8,134,000).

(b) Review of operations

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.

This purpose is met by applying its people, technologies, intellectual property, cell sources and relationships to discovery and development of innovative treatments to people suffering from serious diseases with a high unmet need.

During the period excellent progress was made in the DIABECCELL® clinical trials which the company is carrying out on behalf of the joint venture company Diatranz Otsuka Limited. The results of the New Zealand trial were announced and the interim analysis of the Phase I/IIa trial released showing a clinically significant reduction in HbA1c, insulin dose and unaware hypoglycaemia. Recruitment has

Living Cell Technologies Limited

Directors' Report

31 December 2012

2. Business review continued

(b) Review of operations continued

begun for patients in the Phase IIb clinical trial of DIABECCELL in Argentina using an adaptive trial design so that the data generated in this 20 patient trial will likely form the foundation data for the product registration package.

The New Zealand Minister of Health authorised the company to proceed with the Phase I clinical trial of NTCELL® in Parkinson's disease and ethical approval has also been received for this trial.

On 17 December 2012 LCT and Otsuka Pharmaceutical Factory, Inc. (Otsuka) agreed to co-develop NTCELL for the treatment of Parkinson's disease and other neurological disorders. Otsuka has agreed to pay LCT \$3m and a further \$2m after the first patient in the Phase I trial has been safely implanted. Otsuka will also fund the cost of NTCELL for the Phase I clinical trial of NTCELL for Parkinson's. In return LCT has granted Otsuka an exclusive option to jointly develop and commercialise NTCELL in Parkinson's and other neurological diseases, including hearing loss, through their 50/50 New Zealand joint venture company Diatranz Otsuka Limited (DOL). If Otsuka exercises this option it will subscribe for \$20m of additional equity in DOL, and LCT will transfer \$20m of intellectual property relating to NTCELL in neurological diseases and hearing loss to retain an equal shareholding.

3. Financial Review

(a) Financial Position

The net assets of the consolidated group have increased by \$180,000 from \$14,353,000 at 30 June to \$14,533,000 as at 31 December 2012. The increase was largely due to the income received from services provided to the 50/50 owned joint venture, Diatranz Otsuka Limited and the option fee receivable from Otsuka.

(b) Cash from Operations

Net cash outflow from operating activities moved from \$2,078,000 in the previous year to \$816,000 primarily due to the recovery of DIABECCELL costs from Diatranz Otsuka Limited.

(c) Liquidity and Funding

As at 31 December 2012 the consolidated group had \$2,354,000 cash in the bank, compared to \$3,170,000 as at 30 June 2012 and \$2,502,000 at 31 December 2011. This balance, together with the option fee receivable, would allow the current level of operations to continue for over three years.

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

Living Cell Technologies Limited

Directors' Report

31 December 2012

4. Other Items

(a) Significant Events during the period

(i) 26 September 2012 Positive results from NZ DIABECCELL clinical trial

The NZ DIABECCELL Phase I/IIa clinical trial demonstrated that DIABECCELL is a safe and effective treatment which results in:

- A statistical significant reduction in unaware hypoglycaemic events
- A trend to reduction in HbA1c
- Improvement in patient reported quality of life.

(ii) 4 October 2012 Phase I trial of NTCELL in Parkinson's disease authorised

NZ Minister of Health authorised Phase I clinical trials of NTCELL for Parkinson's disease.

(iii) 16 November 2012 Ethical approval received for NTCELL Parkinson's trial

The NZ Ministry of Health's Health and Disability Ethics Committee has approved the Phase I clinical trial of NTCELL for Parkinson's disease.

(iv) 22 November 2012 Strong interim results in Argentine DIABECCELL trial

Interim analysis of the Argentine Phase I/IIa clinical trial for DIABECCELL clearly demonstrates a clinically significant reduction in HbA1c, insulin dose and unaware hypoglycaemia.

(v) 22 November 2012 DIABECCELL Phase IIb in Argentina starts

Recruitment has begun for patients in the Phase IIb clinical trial of DIABECCELL in Argentina using an adaptive trial design so that the data generated in this 20 patient trial will likely form the foundation data for the product registration package.

(vi) 27 December 2012 Co-development of NTCELL for Parkinson's disease

LCT and Otsuka Pharmaceutical Factory, Inc. (Otsuka) have agreed to co-develop NTCELL for the treatment of Parkinson's disease and other neurological disorders. Otsuka has agreed to pay LCT \$3m and a further \$2m after the first patient in the Phase I trial has been safely implanted. Otsuka will also fund the cost of NTCELL for the Phase I clinical trial of NTCELL for Parkinson's. In return LCT has granted Otsuka an exclusive option to jointly develop and commercialise NTCELL in Parkinson's and other neurological diseases, including hearing loss, through their 50/50 New Zealand joint venture company Diatranz Otsuka Limited (DOL). If Otsuka exercises this option it will subscribe for \$20m of additional equity in DOL, and LCT will transfer \$20m of intellectual property relating to NTCELL in neurological diseases and hearing loss to retain an equal shareholding.

Living Cell Technologies Limited

Directors' Report

31 December 2012

4. Other Items continued

(b) Auditors Independence Declaration

The lead auditor's independence declaration as required under section 307c of the Corporations Act 2001 for the half year ended 31 December 2012 has been received and can be found on page 5 of the financial report.

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

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

Dated at Auckland on the 27th day of February 2013



.....
Director

DECLARATION OF INDEPENDENCE BY TIM SYDENHAM TO THE DIRECTORS OF LIVING CELL TECHNOLOGIES LIMITED

As lead auditor for the review of Living Cell Technologies Limited for the half-year ended 31 December 2012, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



Tim Sydenham

Partner

BDO East Coast Partnership

Sydney, 27 February 2013

Living Cell Technologies Limited

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the half year to 31 December 2012

		31 December 2012	31 December 2011
	Note	\$000	\$000
Revenue			
Services provided	4	3,268	879
Interest		66	66
Total revenue		3,334	945
Cost of services provided		(3,038)	(809)
Gross profit		296	136
Other income			
Option fee		3,000	-
Grant income		-	422
Gain on sale of Intellectual Property	6	-	11,183
Foreign exchange		(301)	(63)
		-	-
Other expenses			
Research & development costs		(250)	(1,765)
Administrative costs		(631)	(1,097)
Occupancy costs		(74)	(230)
Finance costs		-	(8)
Share of profit/(loss) of joint venture		(2,300)	(444)
(Loss)/Profit from continuing operations before income taxes		(260)	8,134
Income tax		-	-
(Loss)/Profit attributable to members of the parent entity		(260)	8,134
Other comprehensive income			
Exchange differences on translating foreign operations net of tax		432	(146)
Other comprehensive income		432	(146)
Total comprehensive income		172	7,988

Earnings per share:

From continuing operations:

Basic & diluted (loss)/earnings/ per share (cents per share)	2	(0.07)	2.40
--	---	---------------	------

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2012 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Financial Position

As at 31 December 2012

	31 December 2012	30 June 2012
Note	\$000	\$000
ASSETS		
CURRENT ASSETS		
Cash & cash equivalents	2,354	3,170
Trade and other receivables	5 3,119	184
Other assets	16	31
Inventories	66	-
TOTAL CURRENT ASSETS	5,555	3,385
NON-CURRENT ASSETS		
Property, plant & equipment	50	38
Investment in joint venture	6 9,951	12,100
TOTAL NON-CURRENT ASSETS	10,001	12,138
TOTAL ASSETS	15,556	15,523
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	476	448
Provisions	223	206
Deferred income	324	516
TOTAL CURRENT LIABILITIES	1,023	1,170
NON-CURRENT LIABILITIES		
TOTAL LIABILITIES	1,023	1,170
NET ASSETS	14,533	14,353
EQUITY		
Share capital	60,686	60,686
Reserves	1,318	1,331
Accumulated losses	(47,471)	(47,664)
TOTAL EQUITY	14,533	14,353

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2012 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2012

31 December 2012

	Ordinary Shares Number	Ordinary Shares \$000	Accumulated Losses \$000	Foreign Currency Translation Reserve \$000	Option Reserve \$000	Convertible Instruments Reserve \$000	Total \$000
Balance as at 1 July 2012	356,995,773	60,686	(47,664)	538	793	-	14,353
(Loss)/Profit attributable to members of the parent entity	-	-	(260)	-	-	-	(260)
Other comprehensive income	-	-	-	432	-	-	432
Total comprehensive income	-	-	(260)	432	-	-	172
Share based remuneration	-	-	-	-	8	-	8
Options expired during the period	-	-	453	-	(453)	-	-
Balance at 31 December 2012	356,995,773	60,686	(47,471)	970	348	-	14,533

31 December 2011

	Ordinary Shares Number	Ordinary Shares \$000	Accumulated Losses \$000	Foreign Currency Translation Reserve \$000	Option Reserve \$000	Convertible Instruments Reserve \$000	Total \$000
Balance as at 1 July 2011	332,412,275	59,353	(53,657)	(245)	1,134	175	6,760
Profit/(Loss) attributable to members of the parent entity	-	-	8,134	-	-	-	8,134
Other comprehensive income	-	-	-	(146)	-	-	(146)
Total comprehensive income	332,412,275	59,353	(45,523)	(391)	1,134	175	14,748
Shares issued during the period	2,767,528	150	-	-	-	-	150
Conversion of securities	3,939,889	175	-	-	-	(175)	-
Share issue transaction costs	-	(5)	-	-	-	-	(5)
Share based remuneration	-	-	-	-	47	-	47
Options expired during the period	-	-	190	-	(190)	-	-
Balance at 31 December 2011	339,119,692	59,673	(45,333)	(391)	991	-	14,940

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2012 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2012

	31 December 2012 \$000	31 December 2011 \$000
Cash from operating activities:		
Receipts from customers	3,425	1,260
Payments to suppliers & employees	(4,302)	(3,912)
Grants received	-	515
Interest received	61	59
Net cash used in operating activities	(816)	(2,078)
Cash flows from investing activities:		
Payment for plant and equipment	(15)	(41)
Proceeds from sale of plant, property & equipment	-	1
Net cash used by investing activities	(15)	(40)
Cash flows from financing activities:		
Proceeds from issue of shares	-	150
Payment of share issue transaction costs	-	(5)
Net cash provided by financing activities	-	145
Net cash decrease in cash and cash equivalents	(831)	(1,973)
Cash and cash equivalents at beginning of period	3,170	4,505
Exchange rate changes on cash and cash equivalents	15	(30)
Cash and cash equivalents at the end of the period	2,354	2,502

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2012 Annual Report.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2012

1 Statement of Significant Accounting Policies

(a) Basis of preparation

This general purpose financial report for the interim half-year ending 31 December 2012 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards AASB134 Interim Financial Reporting.

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

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report made by Living Cell Technologies Limited for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2012.

New, revised or amending Accounting Standards and Interpretations adopted

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.

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

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

(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.

As at 31 December 2012 the consolidated group had \$2,354,000 cash in the bank, compared to \$3,170,000 as at 30 June 2012 and \$2,502,000 at 31 December 2011. This balance, together with option fee receivable, would allow the current level of operations to continue for over three years.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2012

2 Earnings per share

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

	31 December 2012	31 December 2011
Earnings used to calculate basic EPS	(\$260,000)	\$8,134,000
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic EPS	356,995,773	338,412,467
Earnings per share (cents)	(0.07)	2.40

3 Net asset backing

	31 December 2012	30 June 2012
Net tangible assets per ordinary share (cents per share)	4.07	4.02

4 Related Party Transactions

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

Transaction with related parties:

	31 December 2012	31 December 2011
	\$000	\$000
Services fees received from 50% owned joint venture company	3,241	869
Transactions with related parties	3,241	869

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2012

5 Trade receivables

	31 December 2012 \$000	30 June 2012 \$000
Trade receivables	119	184
Option fee receivable from Otsuka Pharmaceutical Factory, Inc.	3,000	-
Total	3,119	184

6 Joint venture

	31 December 2012 \$000	30 June 2012 \$000
Opening balance	12,100	25,000
Foreign exchange movement	151	524
50% of the result for the period	(2,300)	(2,242)
Elimination on gain of sale	-	(11,182)
Total	9,951	12,100

7 Segment reporting

The consolidated entity only operates one business segment being the research and development and product development into Living Cell Technologies, predominantly in New Zealand.

8 Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2012

9 Company details

The registered office of the company is:

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

The principal place of business is:

PO Box 23566
Hunters Corner, Manukau, 2155
Auckland, New Zealand

Living Cell Technologies Limited

Directors' Declaration

The directors of Living Cell Technologies Limited declare that:

- (a) The financial statements and note, as set out on pages 7 to 13 are in accordance with the Corporations Act 2001 including that they:
 - (i) give a true and fair view of the financial position as at 31 December 2012 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dated at Auckland on the 27th day of February 2013



.....

Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Living Cell Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Living Cell Technologies Limited and its controlled entities, which comprises the Consolidated Statement of Financial Position as at 31 December 2012, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Living Cell Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

BDO East Coast Partnership



Tim Sydenham
Partner

Sydney, 27 February 2013