



Living Cell Technologies Limited

Consolidated Financial Report

31 December 2017

Living Cell Technologies Limited

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Living Cell Technologies Limited

Directors' Report

31 December 2017

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 2017.

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

Roy Austin (Chairman)

Robert Elliott

Laurie Hunter

Bernard Tuch

Robert Willcocks

Directors have been in office since the start of the financial period 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 2017:

Mark Licciardo

2. Business Review

(a) Operating results

The consolidated loss after tax for the half year amounted to \$1,807,763 (2016 loss: \$2,144,111).

Callaghan Innovation Growth Grant income decreased as a result of decreased eligible R&D expenditure. Research and development decreased due to completion of treatment and the manufacture of NTCELL® for the Phase IIb clinical trial of NTCELL for Parkinson's disease at Auckland City Hospital. General and administration expenses were similar to last year.

An increase exchange loss has resulted from funds held in NZD weakening against the AUD.

A R&D loss tax credit of \$201,802 was received in exchange for foregoing NZD800,000 of tax losses. Non-resident withholding tax deducted from interest earned in New Zealand of \$66,779 has been expensed because there is no taxable income in Australia to offset it against.

(b) Review of operations

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

During the period, the company announced the 26-week results of the Phase IIb clinical trial of NTCELL for Parkinson's disease. The three safety primary endpoints were met but disappointingly, there was not a statistically significant difference between the groups which received NTCELL and the patients who received sham surgery at this point. In December, the 3-year follow-up of the Phase I/IIa clinical trial of NTCELL in Parkinson's disease showed preliminary evidence of persistent long-term improvement in some recipients. Patients in this trial will be followed up until May 2019. The 52-week results for all three groups will be announced in May 2018.

Living Cell Technologies Limited

Directors' Report

31 December 2017

2. Business Review continued

The company supplied NTCELL capsules and secretions, and other cell-based materials to the Centre for Brain Research where the effects on cell cultures derived from human brains with Alzheimer's and Parkinson's disease was examined. The research showed that NTCELL capsules and secretions protected pericytes in these human tissue cultures. The protective effect was caused by NTCELL capsules and secretions only. Other materials did not provide any protective effect. These findings led to the filing of a provisional patent for pericyte protective agents. The next step will be to identify and synthesize the pericyte protective agents.

Due diligence is continuing on other pipeline projects, including eye and ear diseases.

The company's 50 percent joint venture Diatranz Otsuka Limited (DOL) licensed its other 50 percent shareholder, Otsuka Pharmaceutical Factory, Inc. (OPF) to use DIABECCELL[®] in the United States and Japan in 2014. OPF is further improving the product in the United States and has agreed to notify DOL when the development reaches milestones requiring the payment of licence fee instalments. DOL supports this development and retains the right to use DIABECCELL in the rest of the world. The company's share of joint venture losses exceeds its interest in the joint venture, so the investment is carried at zero. On 25 January 2018 the company announced that it had agreed to sell its share in DOL to OPF for \$3m. Settlement took place on 31 January 2018. Upon completion of the sale, a memorandum of understanding was signed on 31 January 2018 between LCT and DOL to exclusively licence LCT to use DIABECCELL in Australia, Argentina and New Zealand when it is FDA approved and to supply product on favourable terms.

3. Financial Review

(a) Financial position

The net assets of the consolidated group have decreased by \$1,757,126 from \$7,518,340 at 30 June 2016 to \$5,761,214 as at 31 December 2017. The decrease was due continued R&D expenditure.

(b) Cash from operations, investing and financing

Net cash outflow from operating activities decreased from \$2,351,661 in the previous period 31 December 2016 to \$2,160,325 due to completion of phase IIb clinical trial during the half year

(c) Liquidity and funding

As at 31 December 2017 the consolidated group had \$5,247,820 cash in the bank, compared to \$7,530,033 as at 30 June 2017. This balance, together with the \$3m from the sale of DOL shares, is projected to allow the planned level of operations to continue for approximately 30 months. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available.

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.

4. Other Items

(a) Significant events

(i) 7 November 2017 **Pericyte protective agent provisional patent filed**

The company filed a provisional patent for pericyte protective agents. The invention arises from the collaboration with the Centre for Brain Research at The University of Auckland. The collaboration found that NTCELL[®] was able to protect cell cultures derived from normal, Alzheimer's and Parkinson's human brains from damage.

Living Cell Technologies Limited

Directors' Report

31 December 2017

4. Other Items (continued)

(a) Significant events (continued)

(ii) 10 November 2017 **Phase IIb trial results require further analysis**

The results of Living Cell Technologies Limited's Phase IIb clinical study of NTCELL[®] for Parkinson's disease were unblinded. Three of the four primary endpoints were met. No product or procedure adverse events occurred and there is no evidence of xenogeneic infection in patients and their partners. However, at 26 weeks post implant, there is not a statistically significant difference between the groups who received NTCELL and the patients who had sham surgery, as measured by the change in the Unified Parkinson's Disease Rating Scale (UPDRS Part III in the off state). The data will be analysed in depth and patients will continue to be monitored in accordance with the study extension protocol, particularly for the efficacy movements at longer time points.

(iii) 21 December 2017 **NTCELL[®] and Parkinson's clinical trial update**

NTCELL remains the primary focus of research and development efforts. The 3-year follow-up of the Phase I/IIa clinical trial of NTCELL in Parkinson's disease gives preliminary evidence of persistent long-term improvement in some recipients. One year follow up data in patients from all three groups of the Phase IIb study will be announced in May 2018.

(iv) 25 January 2018 **Agreed to sell JV shares for \$3m and receive DIABECCELL licence**

The company has agreed to sell its 50% shareholding in joint venture company, Diatranz Otsuka Limited (DOL), to the other 50% shareholder, Otsuka Pharmaceutical Factory, Inc. (OPF), for \$3m. Settlement is on 31 January 2018. In association with this, LCT and DOL have agreed to sign a memorandum of understanding, upon completion of sale of the shareholding, to exclusively license LCT to use DIABECCELL[®] in Australia, Argentina and New Zealand when it is FDA approved, and to supply product on favourable terms.

(b) Auditor's 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 2017 has been received and can be found on page 4 of the financial report.

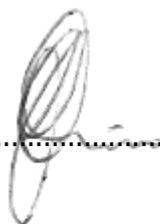
This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

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 22nd day of February 2018

Director:

Roy Austin (Chairman)



DECLARATION OF INDEPENDENCE BY GARETH FEW 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 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 22 February 2018

Living Cell Technologies Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year to 31 December 2017

	31 Dec 2017	31 Dec 2016
	Note	\$
	\$	\$
Revenue		
Services provided	51,197	55,556
Grant income	332,491	448,221
Interest	71,904	53,103
Total revenue and other income	455,592	556,880
Expenses		
Research and development	(1,708,189)	(2,229,755)
General and administration	(482,932)	(420,709)
Total expenses	(2,191,121)	(2,650,464)
Operating loss	(1,735,529)	(2,093,584)
Foreign exchange loss	(207,257)	(50,527)
Loss before income tax	(1,942,786)	(2,144,111)
R&D loss tax credit	201,802	-
Income tax expense	(66,779)	-
Loss after income tax from continuing operations	(1,807,763)	(2,144,111)
Other comprehensive income		
Exchange difference on translation of foreign operations	29,634	41,626
Other comprehensive income	29,634	41,626
Total comprehensive income	(1,778,129)	(2,102,485)
Earnings per share:		
From continuing operations:		
Basic earnings/(loss) per share (cents)	2	(0.31)
Diluted earnings/(loss) per share (cents)	2	(0.31)

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2017 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents		5,247,820	7,530,033
Trade and other receivables	5	346,742	576,100
Inventories		52,251	70,652
TOTAL CURRENT ASSETS		5,646,813	8,176,785
NON-CURRENT ASSETS			
Property, plant & equipment		329,202	377,296
Biological assets		94,545	99,080
Term deposit to secure lease bond	7	41,818	41,199
TOTAL NON-CURRENT ASSETS		465,565	517,575
TOTAL ASSETS		6,112,378	8,694,360
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		260,065	1,074,161
Short term provisions		91,099	101,859
TOTAL CURRENT LIABILITIES		351,164	1,176,020
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		351,164	1,176,020
NET ASSETS		5,761,214	7,518,340
EQUITY			
Share capital		74,371,070	74,339,770
Reserves		3,999,653	3,980,311
Accumulated losses		(72,609,509)	(70,801,741)
TOTAL EQUITY		5,761,214	7,518,340

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2017 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2017

31 December 2017

	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2017	570,815,981	74,339,770	(70,801,746)	3,797,607	182,705	5,676,356
Loss attributable to members of the entity	-	-	(1,807,763)	-	-	(1,807,763)
Total other comprehensive income	-	-	-	29,634	-	29,634
Total comprehensive income	-	-	(1,807,763)	29,634	-	(1,778,129)
Transactions with owners in their capacity as owners						
Shares issued during the period	625,000	40,750	-	-	-	40,750
Cost of capital raising	-	(9,450)	-	-	-	(9,450)
Share-based remuneration	-	-	-	-	64,531	64,531
Exercised options	-	-	-	-	(16,987)	(16,987)
Expired Options	-	-	-	-	(57,837)	(57,837)
Balance at 31 December 2017	571,440,481	74,371,070	(72,609,509)	3,827,241	172,412	5,761,214

31 December 2016

	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2016	496,488,328	68,406,383	(66,711,484)	3,792,816	188,945	5,676,660
Loss attributable to members of the entity	-	-	(2,144,111)	-	-	(2,144,111)
Total other comprehensive income	-	-	-	41,626	-	41,626
Total comprehensive income	-	-	(2,144,111)	41,626	-	(2,102,485)
Transactions with owners in their capacity as owners						
Shares issued during the period	74,117,653	6,300,00	-	-	-	6,300,000
Cost of capital raising	-	(378,478)	-	-	-	(378,478)
Share-based remuneration	-	-	-	-	21,941	21,941
Expired Options	-	-	-	-	(94,030)	(94,030)
Balance at 31 December 2016	570,605,981	74,327,405	(68,855,595)	3,834,442	116,856	9,423,608

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2017

	31 December 2017	31 December 2016
	\$	\$
Cash from operating activities:		
Receipts from customers	49,928	72,938
Payments to suppliers and employees	(2,923,683)	(2,875,939)
Grants and R & D tax credit received	636,380	391,381
Interest received	77,050	59,959
Net cash used in operating activities	(2,160,325)	(2,351,661)
Cash flows from investing activities:		
Payment for plant and equipment	-	(238,269)
Net cash used in investing activities	-	(238,269)
Cash flows from financing activities:		
Proceeds from issue of shares	40,750	6,300,000
Payment of share issue transaction costs	(9,450)	(378,478)
Net cash provided by financing activities	31,300	5,921,522
Net increase/(decrease) in cash and cash equivalents	(2,129,025)	3,331,592
Cash and cash equivalents at beginning of period	7,530,033	5,301,999
Exchange rate changes on cash and cash equivalents	(153,188)	(9,803)
Cash and cash equivalents at the end of the period	5,247,820	8,623,788

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2017

1 Statement of significant accounting policies

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2017 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards AASB 134 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 2017 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 2017.

(b) New, revised or amending Accounting Standards and Interpretations adopted

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

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.

(c) Going concern

As at 31 December 2017 the consolidated group had \$5,247,820 cash in the bank, compared to \$7,530,033 as at 30 June 2017. This balance, together with the \$3,000,000 from the sale of DOL shares, is projected to allow the planned level of operations to continue for approximately 30 months. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available.

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

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2017

2 Earnings per share

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

	31 Dec 2017	31 Dec 2016
Earnings used to calculate basic EPS	\$(1,807,763)	\$(2,144,111)
Weighted average number of ordinary shares outstanding during the year		
No. used in calculating basic EPS	571,100,356	508,975,951
Earnings/(loss) per share (cents)	(0.31)	(0.42)
Diluted earnings/(loss) per share (cents)	(0.31)	(0.42)

3 Net assets backing

	31 Dec 2017	30 Jun 2017
Net tangible assets per ordinary share (cents per share)	1.01	1.32

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.

Transactions with related parties:

	31 Dec 2017	31 Dec 2016
	\$	\$
Services fees received from 50% owned joint venture company	51,197	55,556

Balances with related parties:

	31 Dec 2017	30 Jun 2017
Trade and other payables include amount payable to 50% owned joint venture company; repayable within 12 months; interest free	7,882	10,271
Trade and other receivables include amount receivable from 50% owned joint venture company; repayable within 12 months; interest free	9,306	10,894

5 Trade and other receivables

	31 Dec 2017	30 Jun 2017
	\$	\$
Trade receivables	210,576	271,372
Prepayments	86,496	45,118
Accrued interest	32,140	37,286
Other receivables	17,530	222,324
Total	346,752	576,100

6 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.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2017

7 Contingent liabilities and contingent assets

A bank bond of \$41,818, secured by a term deposit was on issue at the reporting date (last year \$41,199). There were no other contingent assets or liabilities at the reporting date (last year nil).

8 Subsequent events

Living Cell Technologies Limited (LCT) has agreed to sell its 50% shareholding in joint venture company Diatranz Otsuka Limited (DOL) to the other 50% shareholder, Otsuka Pharmaceutical Factory, Inc (OPF) for \$3m. Settlement occurred on 31 January 2018. Upon completion of the sale, a memorandum of understanding was signed on the 31 January 2018 between LCT and DOL to exclusively licence LCT to use DIABECELL in Australia, Argentina and New Zealand when it is FDA approved and to supply product on favourable terms.

9 Company details

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

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 notes, as set out on pages 5 to 11 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 2017 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 and other mandatory reporting requirements.
- (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 22nd day of February 2018



.....
Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Living Cell Technologies Limited.

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Living Cell Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company 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 Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A handwritten signature in black ink that reads 'Gareth Few'. Above the signature, the letters 'BDO' are written in a cursive, handwritten style.

Gareth Few
Partner

Sydney, 22 February 2018