



Living Cell Technologies Limited

Consolidated Financial Report

31 December 2018

Living Cell Technologies Limited

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Living Cell Technologies Limited

Directors' Report

31 December 2018

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 2018.

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

Bernard Tuch (Chairman) appointed interim Chairman on 31st August 2018

Roy Austin (Chairman) retired 31st August 2018

Robert Elliott

Laurie Hunter

Robert Willcocks

Ken Taylor appointed 31st August 2018

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 persons held the position of joint company secretary at the end of the financial half year ended 31 December 2018:

Mark Licciardo, Elizabeth McGregor

2. Business Review

(a) Operating results

The consolidated loss after tax for the half year amounted to \$1,543,294 (2017 loss: \$1,807,763).

Callaghan Innovation Growth Grant income decreased as a result of decreased eligible R&D expenditure. Research and development decreased due to realised restructuring cost savings offset by the investment into Auckland University research projects.

An increased exchange gain has resulted from funds held in NZD strengthening against the AUD.

(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 78-week results of the Phase IIb clinical trial of NTCELL for Parkinson's disease. The results showed a statistically significant improvement ($p = <0.05$) in the UPDRS in the patients who received 80 NTCELL capsules implantation to the putamen on both sides of the brain as compared to the placebo group that received sham surgery. Patients in this trial will be followed up until May 2019. The 104-week results for all three groups will be announced in May 2019.

Living Cell Technologies Limited

Directors' Report

31 December 2018

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.

3. Financial Review

(a) Financial position

The net assets of the consolidated group have decreased by \$1,354,283 from \$7,135,323 at 30 June 2018 to \$5,781,040 as at 31 December 2018. The decrease was due to continued R&D expenditure.

(b) Cash from operations, investing and financing

Net cash outflow from operating activities decreased from \$2,160,325 in the previous period ended 31 December 2017 to \$1,521,539 due to monitoring phase of the Phase IIb clinical trial during the half year and restructuring cost savings.

(c) Liquidity and funding

As at 31 December 2018 the consolidated group had \$5,422,314 cash in the bank, compared to \$6,861,663 as at 30 June 2018. This balance is projected to allow the planned level of operations to continue for approximately 16 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) 31 August 2018

LCT Board Changes

Roy Austin steps down from his role as Chairman and from his position on the company's board, effective immediately. The board appointed Professor Bernard Tuch as interim chairman and also appointed LCT CEO Dr Ken Taylor to the board as an Executive Director.

(ii) 02 November 2018

NTCELL® Parkinson's trial –patient data 18 months after NTCELL implantation

Initial analysis of the data from the 18 month follow up of the 18 patients in the Phase IIb study of NTCELL® for Parkinson's disease shows a statistically significant improvement ($p = <0.05$) in the UPDRS in the patients who received 80 NTCELL capsules implantation to the putamen on both sides of the brain as compared to the placebo group that received sham surgery.

Living Cell Technologies Limited

Directors' Report

31 December 2018

(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 2018 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 18th day of February 2019

Director: 

Bernard Tuch (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 2018, 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, 18 February 2019

Living Cell Technologies Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year to 31 December 2018

	31 Dec 2018	31 Dec 2017
Note	\$	\$
Revenue		
Services provided	63,966	51,197
Grant income	230,801	332,491
Interest	62,821	71,904
Total revenue and other income	357,588	455,592
Expenses		
Research and development	(1,305,256)	(1,708,189)
Governance	(419,087)	(255,624)
Shareholder	(145,346)	(227,308)
Total expenses	(1,869,689)	(2,191,121)
Operating loss	(1,512,101)	(1,735,529)
Foreign exchange gain/(loss)	(31,193)	(207,257)
Loss before income tax	(1,543,294)	(1,942,786)
R&D loss tax credit	-	201,802
Income tax expense	-	(66,779)
Loss after income tax from continuing operations	(1,543,294)	(1,807,763)
Other comprehensive income		
Exchange difference on translation of foreign operations	137,306	29,634
Other comprehensive income	137,306	29,634
Total comprehensive income	(1,405,988)	(1,778,129)
Earnings per share:		
From continuing operations:		
Basic earnings/(loss) per share (cents)	2	(0.27)
Diluted earnings/(loss) per share (cents)	2	(0.27)

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2018 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 Dec 2018 \$	30 Jun 2018 \$
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents		5,422,314	6,861,663
Trade and other receivables	5	265,511	304,080
Inventories		1,058	1,019
TOTAL CURRENT ASSETS		5,688,883	7,166,762
NON-CURRENT ASSETS			
Property, plant & equipment		300,111	304,439
Biological assets		99,048	95,413
Investment	7	43,690	42,179
TOTAL NON-CURRENT ASSETS		442,849	442,031
TOTAL ASSETS		6,131,732	7,608,793
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		287,957	414,118
Short term provisions		62,735	59,352
TOTAL CURRENT LIABILITIES		350,692	473,470
TOTAL LIABILITIES		350,692	473,470
NET ASSETS		5,781,040	7,135,323
EQUITY			
Share capital		74,371,070	74,371,070
Reserves		4,129,497	3,940,486
Accumulated losses		(72,719,527)	(71,176,233)
TOTAL EQUITY		5,781,040	7,135,323

The above Statement should be read in conjunction with the accompanying notes and the 30 June 2018 Annual Report.

Living Cell Technologies Limited

Consolidated Statement of Changes in Equity

For the half year to 31 December 2018

31 December 2018

	Ordinary Shares Number	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2018	571,441,081	74,371,070	(71,176,233)	3,780,717	159,769	7,135,323
Loss attributable to members of the entity	-	-	(1,543,294)	-	-	(1,543,294)
Total other comprehensive income	-	-	-	137,306	-	137,306
Total comprehensive income	-	-	(1,543,294)	137,306	-	(1,405,998)
Transactions with owners in their capacity as owners						
Share-based remuneration	-	-	-	-	123,893	123,893
Expired Options	-	-	-	-	(72,188)	(72,188)
Balance at 31 December 2018	571,441,081	74,371,070	(72,719,527)	3,918,023	211,474	5,781,040

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

Living Cell Technologies Limited

Consolidated Statement of Cash Flows

For the half year to 31 December 2018

	31 December 2018	31 December 2017
	\$	\$
Cash from operating activities:		
Receipts from customers	83,304	49,928
Payments to suppliers and employees	(1,945,195)	(2,923,683)
Grants and R & D tax credit received	300,154	636,380
Interest received	40,198	77,050
Net cash used in operating activities	(1,521,539)	(2,160,325)
Cash flows from investing activity:		
Payment for plant and equipment	(10,626)	-
Net cash used in investing activity	(10,626)	-
Cash flows from financing activities:		
Proceeds from issue of shares	-	40,750
Payment of share issue transaction costs	-	(9,450)
Net cash provided by financing activities	-	31,300
Net decrease in cash and cash equivalents	(1,532,165)	(2,129,025)
Cash and cash equivalents at beginning of period	6,861,663	7,530,033
Exchange rate changes on cash and cash equivalents	92,816	(153,188)
Cash and cash equivalents at the end of the period	5,422,314	5,247,820

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2018

1 Statement of significant accounting policies

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2018 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 2018 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 2018, except for any new, revised or amended accounting standard and interpretation adopted in note 1(b).

(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 consolidated group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Living Cell Technologies Limited

Notes to the Consolidated Financial Statements

For the 6 months to 31 December 2018

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

AASB 15 Revenue from Contracts with Customers

The consolidated group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated group and therefore there was no impact on opening retained earnings as at 1 July 2018.

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 2018 the consolidated group had \$5,422,314 cash in the bank, compared to \$6,861,663 as at 30 June 2018. This balance is projected to allow the planned level of operations to continue for approximately 16 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 2018

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 2018	31 Dec 2017
Earnings/(loss) used to calculate basic EPS	\$(1,543,294)	\$(1,807,763)
Weighted average number of ordinary shares outstanding during the year		
No. used in calculating basic EPS	571,441,081	571,100,365
Earnings/(loss) per share (cents)	(0.27)	(0.31)
Diluted earnings/(loss) per share (cents)	(0.27)	(0.31)

3 Net assets backing

	31 Dec 2018	31 Dec 2017
	\$	\$
Net tangible assets per ordinary share (cents per share)	1.01	1.01

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 2018	31 Dec 2017
	\$	\$
Services fees received from 50% owned joint venture company	63,966	51,197

Balances with related parties:

	31 Dec 2018	30 Jun 2018
	\$	\$
Trade and other payables include amount payable to 50% owned joint venture company; repayable within 12 months; interest free	3,044	3,610
Trade and other receivables include amount receivable from 50% owned joint venture company; repayable within 12 months; interest free	6,730	16,474

5 Trade and other receivables

	31 Dec 2018	30 Jun 2018
	\$	\$
Trade receivables	142,990	177,762
Prepayments	2,541	44,799
Accrued interest	74,127	51,504
Other receivables	45,853	30,015
Total	265,511	304,080

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 2018

7 Contingent liabilities and contingent assets

A bank bond of \$43,690, secured by a term deposit was on issue at the reporting date (last year \$42,179). There were no other contingent assets or liabilities at the reporting date (last year nil).

8 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 2018 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 18th day of February 2019



.....
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 2018, 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, 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 2018 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 *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 2018 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 smaller, cursive script.

Gareth Few
Partner

Sydney, 18 February 2019