

## Living Cell Technologies Ltd

PO Box 3014, Auburn VIC 3123

ABN: 14 104 028 042



### Preliminary Final Report for the year ended 30 June, 2008

**August 29, 2008 – Melbourne, Australia and Auckland, New Zealand - Living Cell Technologies Limited (ASX:LCT; OTCQX: LVCLY)** today announced the Preliminary Final report (Appendix 4E) on the results for the year ended 30 June, 2008. In accordance with Listing Rule 4.3A, the report is attached.

This financial year has been one of significant progress for LCT, having raised substantial capital and making remarkable inroads with the development of its lead cell therapy product DiabeCell® in clinical trials for the treatment of Type 1 diabetes. Early stage results received from the trial have already indicated clinical benefit at the lowest dose, helping to raise investor confidence.

Over the last 12 months, the company has focused on developing a global presence. Listing on the International OTCQX in New York, working with the Barbara Davis Centre for Diabetes in Denver, Colorado and appointing a US-based CEO, Dr. Robert Caspari, have enabled the company to establish a stronger international position.

#### Financial Results

The net loss for the financial year to 30 June 2008 was \$6,974,037 compared to \$5,987,322 in the prior year, a 16.5% increase in the annual loss. The net operating cash flows for the company during the year to 30 June 2008 totalled (\$5,794,875) a 4.7% increase on the (\$5,536,560) last financial year.

The end of year cash balance increased by 340%, up from \$2,449,768 last year to \$10,767,335 as at 30 June 2008. Cash from shares issued generated \$14,998,445 during the year, prior to transaction costs of \$699,642. The convertible note that was on the balance sheet in the prior year was converted to equity by the noteholders during the year, in accordance with the terms of the convertible note. The combined effect of now having a significantly higher cash balance and the convertible note no longer on the balance sheet results in a significantly improved working capital position for the company. This year's working capital was \$10,306,026 compared to \$151,639 last year, an increase of \$10,154,387.

Revenue for the year was \$1,354,904, an increase of \$410,120 or 43.4%. Most of this increase was from a \$181,659 improvement in Interest Income (from funds on deposit amounting to \$292,031) as well as an increase of \$194,824 in Government Grants, which totalled \$1,010,521 for the year.

#### Key Announcements & Milestones Achieved

Since last year LCT has issued a number of significant announcements, including:

- Receipt of a total of approx AU\$15.5m in capital placements;
- Confirmation of positive preliminary and six month interim results in the Phase I/IIa DiabeCell® clinical trial;
- Receipt of approval to expand DiabeCell® clinical trial following positive preliminary data;
- Presentation of LCT's encapsulation technology at international conferences;
- Issued fourth US patent for lead product, DiabeCell®;
- Hosted diabetes seminar for world leaders in cell therapy;
- Gained further international support from US-based Children with Diabetes Foundation (CWDF)
- Began working with the Barbara Davis Centre for Diabetes in Denver;
- Increased US investment support through listing on the International OTCQX;
- Strengthened US presence through appointment of US-based CEO, Robert Caspari

**Living Cell Technologies Ltd***PO Box 3014, Auburn VIC 3123*

ABN: 14 104 028 042



Dr. Robert Caspari CEO Mob +1 303 859 5718 Tel +1 303 442 2519 rcaspari@lctglobal.com	Richard Justice CFO Mob: +64 21 223 4741 Tel: +64 9 276 2690 rjustice@lctglobal.com	Investor and Media Relations Rebecca Wilson Buchan Consulting P: +61 2 9237 2800 M: +61 417 382 391 rwilson@bcg.com.au	Investor and Media Relations (U.S.) Leslie Wolf-Creutzfeldt Grayling Global Tel: +1 646 284 9472 lwolf-creutzfeldt@hfgcg.com
---	---	--	--

**About Living Cell Technologies: [www.lctglobal.com](http://www.lctglobal.com)**

Living Cell is developing cell-based products to treat life threatening human diseases. The Company owns a bio-certified pig herd that it uses as a source of cells for treating diabetes and neurological disorders. For patients having type 1 diabetes, the Company implants micro-encapsulated islet cells so that near-normal blood glucose levels may be achieved without the need for administration of insulin or at significantly reduced levels. The company entered clinical trials for its diabetes product in 2007. The Company is developing treatments for Huntington's disease and other neurological disorders that involve implantation of micro-encapsulated choroid plexus cells to deliver beneficial proteins and neurotrophic factors to the brain. Living Cell's technology has the potential for allowing healthy living cells to be injected into patients to replace or repair damaged tissue without requiring the use of immunosuppressive drugs to prevent rejection. Living Cell also is developing medical-grade porcine-derived products for the repair and replacement of damaged tissues, as well as for research and other purposes.

**LCT Disclaimer**

This document contains certain forward-looking statements, relating to LCT's business, which can be identified by the use of forward-looking terminology such as "promising," "plans," "anticipated," "will," "project", "believe", "forecast", "expected", "estimated", "targeting", "aiming", "set to," "potential," "seeking to," "goal," "could provide," "intends," "is being developed," "could be," "on track," or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other health authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any health authorities for sale in any market or that they will reach any particular level of sales. In particular, management's expectations regarding the approval and commercialization of the product candidates could be affected by, among other things, unexpected clinical trial results, including additional analysis of existing clinical data, and new clinical data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. LCT is providing this information as of August 29, 2008, and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

# Appendix 4E

## Preliminary Final Report to the Australian Stock Exchange

<b>Name of Entity</b>	Living Cell Technologies Limited
<b>ACN</b>	104 028 042
<b>Financial Year Ended</b>	30 June 2008
<b>Previous Corresponding Reporting Period</b>	30 June 2007

### Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
<b>Revenue from ordinary activities</b>	1,354,904	43.4
<b>Profit/(loss) from ordinary activities after tax attributable to members</b>	(6,794,037)	16.5
<b>Net profit / (loss) for the period attributable to members</b>	(6,794,037)	16.5
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	-
<b>Previous corresponding period</b>	Nil	-
<b>Record date for determining entitlements to the dividends (if any)</b>	n/a	
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		
Refer to ASX release.		

### Dividends

ATTACHMENT 1  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

<b>Date the dividend is payable</b>	n/a
<b>Record date to determine entitlement to the dividend</b>	n/a
<b>Amount per security</b>	n/a
<b>Total dividend</b>	n/a
<b>Amount per security of foreign sourced dividend or distribution</b>	n/a
<b>Details of any dividend reinvestment plans in operation</b>	n/a
<b>The last date for receipt of an election notice for participation in any dividend reinvestment plans</b>	n/a

**NTA Backing**

	<b>Current Period</b>	<b>Previous corresponding period</b>
<b>Net tangible asset backing per ordinary security at market value of investments</b>	4.8 cents per share	0.9 cents per share

--

ATTACHMENT 1  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**Audit/Review Status**

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>
<b>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</b>  n/a			
<b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b>  n/a			

**Attachments Forming Part of Appendix 4E**

Attachment #	Details
1	Annual Financial Report for the Year ended 30 June 2008

<b>Signed By (Director/Company Secretary)</b>	
<b>Print Name</b>	
<b>Date</b>	



# **Living Cell Technologies Limited**

**Financial Report**

**For the Year Ended 30 June 2008**

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

For the Year Ended 30 June 2008

## CONTENTS

	<u>Page</u>
<b>Financial Report</b>	
Income Statement	1
Balance Sheet	2
Statement of Changes in Equity	3
Cash Flow Statement	5
Notes to the Financial Statements	6

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Income Statement

For the Year Ended 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue - trading	2(a)	<b>32,619</b>	18,211	-	-
Other revenue	2(b)	<b>1,322,285</b>	926,573	<b>286,886</b>	87,008
Employee benefits expense		<b>(2,587,835)</b>	(3,354,737)	<b>(331,231)</b>	(188,215)
Employee benefits expense - share/option based remuneration		<b>(556,136)</b>	(147,175)	<b>(556,136)</b>	(147,175)
Depreciation, amortisation and impairments		<b>(194,547)</b>	(197,556)	-	-
Finance costs		<b>(202,125)</b>	(294,001)	<b>(202,122)</b>	(293,971)
Freight and cartage		<b>(84,551)</b>	(24,836)	-	-
Advertising		<b>(97,663)</b>	(55,175)	<b>(85,383)</b>	(7,448)
Research and development costs		<b>(651,033)</b>	(1,148,518)	-	-
Writedown loans to recoverable amounts		-	-	<b>(3,380,831)</b>	(4,862,431)
Lease expenses		<b>(234,552)</b>	(312,685)	-	-
Travel - overseas		<b>(324,403)</b>	(264,790)	<b>(232,209)</b>	(160,359)
Consulting and professional fees		<b>(1,474,460)</b>	(536,392)	<b>(825,778)</b>	(625,114)
Printing and stationery		<b>(45,166)</b>	(52,936)	<b>(28,626)</b>	(25,327)
Telephone and fax		<b>(56,660)</b>	(82,112)	<b>(3,688)</b>	(1,100)
Foreign exchange gains (losses)		<b>(881,609)</b>	309,013	<b>(589,149)</b>	185,765
Auditors remuneration	19	<b>(70,813)</b>	(93,732)	<b>(57,750)</b>	(81,042)
Other expenses		<b>(687,388)</b>	(676,474)	<b>(274,843)</b>	(148,671)
<b>Loss before income tax</b>		<b>(6,794,037)</b>	(5,987,322)	<b>(6,280,860)</b>	(6,268,080)
Income tax expense		-	-	-	-
<b>Loss attributable to members of the parent entity</b>		<b>(6,794,037)</b>	(5,987,322)	<b>(6,280,860)</b>	(6,268,080)

## Earnings Per Share:

### Continuing operations:

Basic & diluted earnings/loss per share (cents per share)	3	<b>(3.64)</b>	(4.50)	-	-
--	---	---------------	--------	---	---

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Balance Sheet

As At 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		10,767,335	2,449,768	10,631,030	2,004,303
Trade and other receivables	4	172,930	32,793	33,264	19,345
Inventories	5	38,969	43,308	-	-
Other current assets	6	5,005	41,888	-	19,261
<b>TOTAL CURRENT ASSETS</b>		<b>10,984,239</b>	<b>2,567,757</b>	<b>10,664,294</b>	<b>2,042,909</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	916,603	909,089	-	-
Biological assets	9	297,120	340,600	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,213,723</b>	<b>1,249,689</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>12,197,962</b>	<b>3,817,446</b>	<b>10,664,294</b>	<b>2,042,909</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	489,464	408,725	230,274	182,969
Short-term Financial liabilities	11	28,785	1,877,982	-	1,877,982
Provisions	13	159,964	129,411	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>678,213</b>	<b>2,416,118</b>	<b>230,274</b>	<b>2,060,951</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term Financial liabilities		35,981	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>35,981</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>714,194</b>	<b>2,416,118</b>	<b>230,274</b>	<b>2,060,951</b>
<b>NET ASSETS</b>		<b>11,483,768</b>	<b>1,401,328</b>	<b>10,434,020</b>	<b>(18,042)</b>
<b>EQUITY</b>					
Issued capital	15	46,049,170	29,872,385	46,049,170	29,872,385
Reserves	16	1,242,485	1,070,404	1,174,846	1,087,016
Accumulated losses	16	(35,807,887)	(29,541,461)	(36,789,996)	(30,977,443)
<b>TOTAL EQUITY</b>		<b>11,483,768</b>	<b>1,401,328</b>	<b>10,434,020</b>	<b>(18,042)</b>

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Statement of Changes in Equity

For the Year Ended 30 June 2008

2008 Consolidated

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Convertible Instruments Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2007	29,872,385	(29,541,461)	(16,611)	1,009,631	77,384	1,401,328
Shares issued during year	16,876,427	-	-	556,136	-	17,432,563
Loss attributable to members of parent entity	-	(6,794,037)	-	-	-	(6,794,037)
Transaction costs	(699,642)	-	-	-	-	(699,642)
Adjustments from translation of foreign controlled entities	-	59,306	84,250	-	-	143,556
Transfer from Convertible Instruments Reserve to Retained Earnings	-	77,384	-	-	(77,384)	-
Cancellation of Options	-	390,921	-	(390,921)	-	-
<b>Sub-total</b>	<b>16,176,785</b>	<b>(6,266,426)</b>	<b>84,250</b>	<b>165,215</b>	<b>(77,384)</b>	<b>10,082,440</b>
<b>Balance at 30 June 2008</b>	<b>46,049,170</b>	<b>(35,807,887)</b>	<b>67,639</b>	<b>1,174,846</b>	<b>-</b>	<b>11,483,768</b>

2007 Consolidated

	Ordinary Shares	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
Loss attributable to members of parent entity	-	(5,987,322)	-	-	-	(5,987,322)
Shares issued during year	5,872,799	-	-	460,157	-	6,332,956
Transaction costs	(685,566)	-	-	-	-	(685,566)
- foreign currency translation reserve	-	-	(44,000)	-	-	(44,000)
Adjustments from translation of foreign controlled entities	-	(10,798)	-	-	-	(10,798)
<b>Sub-total</b>	<b>5,187,233</b>	<b>(5,998,120)</b>	<b>(44,000)</b>	<b>460,157</b>	<b>-</b>	<b>(394,730)</b>
<b>Balance at 30 June 2007</b>	<b>29,872,385</b>	<b>(29,541,461)</b>	<b>(16,611)</b>	<b>1,009,631</b>	<b>77,384</b>	<b>1,401,328</b>



# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Cash Flow Statement

For the Year Ended 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash from operating activities:</b>					
Receipts from customers and government grants		1,011,154	829,711	-	-
Payments to suppliers and employees		(7,093,058)	(6,463,835)	(5,958,962)	(5,795,580)
Dividends received		406	397	-	-
Interest received		292,031	97,207	286,886	87,008
Finance costs		(5,408)	(39)	-	(9)
<b>Net cash used in operating activities</b>		<b>(5,794,875)</b>	<b>(5,536,559)</b>	<b>(5,672,076)</b>	<b>(5,708,581)</b>
<b>Cash flows from investing activities:</b>					
Proceeds from sale of plant and equipment		36,437	-	-	-
Purchase of property, plant and equipment		(183,315)	(157,283)	-	-
<b>Net cash used in investing activities</b>		<b>(146,878)</b>	<b>(157,283)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities:</b>					
Proceeds from issue of shares		14,998,445	5,705,308	14,998,445	5,705,308
Repayment of borrowings		(39,483)	-	-	-
Payment of transaction costs		(699,642)	(518,075)	(699,642)	(518,075)
<b>Net cash provided by financing activities</b>		<b>14,259,320</b>	<b>5,187,233</b>	<b>14,298,803</b>	<b>5,187,233</b>
<b>Net increase (decrease) in cash held</b>		<b>8,317,567</b>	<b>(506,609)</b>	<b>8,626,727</b>	<b>(521,348)</b>
Cash and cash equivalents at beginning of financial year		2,449,768	2,956,377	2,004,303	2,525,651
<b>Cash and cash equivalents at end of financial year</b>		<b>10,767,335</b>	<b>2,449,768</b>	<b>10,631,030</b>	<b>2,004,303</b>

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies

#### (a) General Information

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Living Cell Technologies Limited and controlled entities, and Living Cell Technologies Limited as an individual parent entity. Living Cell Technologies Limited is a listed public company, incorporated and domiciled in Australia.

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

#### (b) Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

##### (i) Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### Principles of Consolidation

A list of controlled entities is contained in Note 20 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

A controlled entity is an entity Living Cell Technologies Limited has the power to control the financial and operating policies of, so as to obtain benefits from its activities.

#### (c) Foreign Currency Transactions and Balances

##### Functional and presentation currency

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

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (c) Foreign Currency Transactions and Balances continued

##### Transaction and balances

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

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

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

##### Group companies

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

#### (d) Comparative Figures

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

#### (e) Cash and Cash Equivalents

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

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (f) Inventories

Inventories consist of materials used in laboratory testing and are measured at the lower of cost and net realisable value.

#### (g) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

#### (h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### Plant and equipment

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

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

##### Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

##### Class of Fixed Asset

Plant and Equipment	7.5% - 48%
At cost	9.5% - 60%
Motor Vehicles	26%
Office Equipment	18% - 80%
Leasehold improvements	7.5 - 48%

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

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (h) Property, Plant and Equipment continued

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

#### (i) Biological Assets

Biological assets are recorded at cost.

#### (j) Investments

Non-current investments are carried at the lower of cost and recoverable amount. The carrying amount of non-current investments is reviewed annually by directors to ensure that it is not in excess of the recoverable amount of these investments.

#### (i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### (k) Intangibles

##### Research and development

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

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

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (l) Impairment of Assets

##### Impairment determination

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

#### (m) Payables

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

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

#### (n) Leases

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

#### (o) Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Finance lease liability is determined in accordance with the requirements of AASB 117 "Leases".

#### (p) Provisions

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

#### (q) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (r) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

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

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

#### (s) Employee Benefits

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

##### **Equity-settled compensation**

The Consolidated Group operates an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or the options granted.

#### (t) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (u) Income Tax

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

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

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

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

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

#### (v) Earnings per Share

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

#### (w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (x) New or amended Australian Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have been adopted in preparation of the financial statements at reporting date.

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (x) New or amended Australian Accounting Standards continued

##### AASB 8:

(a) specifies how an entity should report information about its operating segments in annual financial reports and, as a consequential amendment to AASB 134 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers;

(b) requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments;

(c) requires an entity to report a measure of operating segment profit or loss and of segment assets. It also requires an entity to report a measure of segment liabilities and particular income and expense items if such measures are regularly provided to the chief operating decision maker. It requires reconciliations of total reportable segment revenues, total profit or loss, total assets, liabilities and other amounts disclosed for reportable segments to corresponding amounts in the entity's financial statements;

(d) requires an entity to report information about the revenues derived from its products or services (or groups of similar products and services), about the countries in which it earns revenues and holds assets, and about major customers, regardless of whether that information is used by management in making operating decisions. However, the Standard does not require an entity to report information that is not prepared for internal use if the necessary information is not available and the cost to develop it would be excessive; and

(e) requires an entity to give descriptive information about the way the operating segments were determined, the products and services provided by the segments, differences between the measurements used in reporting segment information and those used in the entity's financial statements, and changes in the measurement of segment amounts from period to period.

AASB 8 will result in a change in the segment disclosures presented in the financial report such that the segments presented will not be based on primary and secondary segments but reflect those segments and amounts regularly reviewed by the entity's chief operating decision maker. While the amounts presented in the financial statements will not change the amounts presented in the segment reporting note may differ to those currently presented as a result of AASB 8 requiring the amounts presented to be based on those seen by the entity's chief operating decision maker.

##### AASB 101 (Amended)

AASB 101 amended changes how an entity presents changes in equity and especially how it reports changes in equity that arise from transactions with owners in their capacity as owners. The amended

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (x) New or amended Australian Accounting Standards continued

standard also changes presentation and terminology of the primary financial statements. The new rules do not change the recognition, measurement or disclosure of specific transactions and other events.

The introduction of AASB 101 (amended) will not have a material impact on the amounts presented within the financial statement but it likely to result in a substantial change in the presentation and terminology of the primary financial statements.

#### **AASB 127 Consolidated and Separate Financial Statements (Amended)**

AASB 127 (revised) changes the way in which an entity will account for Consolidated and Separate Financial Statements. The key changes from the previous AASB 127 (outlined in the revised AASB 127) are:

- (a) The term minority interest was replaced by the term non-controlling interest, with a new definition.
- (b) An entity must attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The previous version required excess losses to be allocated to the owners of the parent, except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.
- (c) Requirements were added to specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. The previous version did not have requirements for such transactions.
- (d) Requirements were added to specify how an entity measures any gain or loss arising on the loss of control of a subsidiary. Any such gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The previous version required the carrying amount of an investment retained in the former subsidiary to be regarded as its cost on initial measurement of the financial asset in accordance with AASB 139.
- (e) The application of revised AASB 3 and amended AASB 127 will supersede Interpretation 1001 Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements, Interpretation 1002 Post-Date-of-Transition Stapling Arrangements and Interpretation 1013 Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements.

Adoption of the revised AASB 127 is likely to result in changes in the way in which the entity accounts for changes Consolidated and Separate Financial Statements. The entity has been unable to assess (as at authorisation of this financial report) the financial impact of this change on the entity's financial report in the period of initial application.

#### **AASB 2008-1**

AASB 2008-1 clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies continued

#### (x) New or amended Australian Accounting Standards continued

Adoption of the revised AASB 2008-1 will not result in a change in accounting policy for the entity as AASB 2008-1 only clarifies an existing treatment the entity had already complied with.

#### AASB 2008-5

AASB 2008-5 results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs.

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The subjects of the principal amendments to the Standards are set out in the preface to the standard each entity needs to assess the likely impact of any changes.

#### AASB 2008-6

AASB 2008-6 amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.

Each entity needs to assess the likely impact of this change depending on their current accounting policy for the sale of controlling interests in subsidiaries.

### 2 Revenue

#### (a) Revenue - Trading

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
sale of goods	563	755	-	-
services revenue	32,056	17,456	-	-
	-	-	-	-
<b>Total Revenue - Trading</b>	<b>32,619</b>	<b>18,211</b>	-	-

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 2 Revenue continued

#### (b) Other revenue

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
- interest income	292,031	97,207	286,886	87,008
- dividend income	406	397	-	-
- donations	-	26	-	-
- other income	19,327	81	-	-
- government grants	1,010,521	828,862	-	-
<b>Total Other Revenue</b>	<b>1,322,285</b>	<b>926,573</b>	<b>286,886</b>	<b>87,008</b>

### 3 Earnings/(Loss) per share

	Consolidated	
	2008	2007
	\$	\$
Loss used in calculation of basic and diluted EPS	(6,794,037)	(5,987,322)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	191,748,497	133,326,103

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 4 Trade and Other Receivables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>CURRENT</b>				
Trade receivables	135,322	1,375	-	-
Other receivables	37,608	31,418	33,264	19,345
<b>Total Current Trade &amp; Other Receivables</b>	<b>172,930</b>	<b>32,793</b>	<b>33,264</b>	<b>19,345</b>

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NON-CURRENT</b>				
Amounts receivable from:				
- wholly-owned entities	-	-	22,400,726	19,019,896
- provision for impairment of receivables from wholly-owned entities	-	-	(22,400,726)	(19,019,896)
<b>Total Non Current Trade &amp; Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 5 Inventories

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Stores at cost	38,969	43,308	-	-
<b>Total Inventories</b>	<b>38,969</b>	<b>43,308</b>	<b>-</b>	<b>-</b>

### 6 Other Assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Prepayments	5,005	41,888	-	19,261
<b>Total Other Assets</b>	<b>5,005</b>	<b>41,888</b>	<b>-</b>	<b>19,261</b>

### 7 Financial Assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Unlisted investments, at cost				
shares in controlled entities	-	-	8,161,681	8,161,681
Less: impairment provision	-	-	(8,161,681)	(8,161,681)
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 8 Property, Plant and Equipment

#### (a) Detailed table

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>PLANT AND EQUIPMENT</b>				
Capital works in progress	16,066	-	-	-
Total capital works in progress	16,066	-	-	-
<b>Plant and equipment</b>				
At cost	879,910	756,559	-	-
Less Accumulated Depreciation	(369,728)	(303,940)	-	-
Total plant and equipment	510,182	452,619	-	-
<b>Furniture, fixture and fittings</b>				
At cost	86,168	95,557	-	-
Less accumulated depreciation	(39,532)	(34,182)	-	-
Total furniture, fixture and fittings	46,636	61,375	-	-
<b>Motor vehicles</b>				
At cost	5,637	6,462	-	-
Less accumulated depreciation	(4,240)	(4,297)	-	-
Total motor vehicles	1,397	2,165	-	-
<b>Office equipment</b>				
At cost	169,265	168,533	-	-
Less accumulated depreciation	(120,277)	(117,600)	-	-
Total office equipment	48,988	50,933	-	-
<b>Leasehold improvements</b>				
At cost	455,182	488,781	-	-
Opening balance	(161,849)	(146,783)	-	-
Total leasehold improvements	293,334	341,997	-	-
<b>Total plant and equipment</b>	<b>916,603</b>	<b>909,089</b>	<b>-</b>	<b>-</b>
<b>Total property, plant and equipment</b>	<b>916,603</b>	<b>909,089</b>	<b>-</b>	<b>-</b>

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 8 Property, Plant and Equipment continued (b) Movements in Carrying Amounts

Consolidated

	Capital works in progress \$	Plant and equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Office Equipment	Leasehold Improvements	Total
<b>Current Year</b>							
Balance at the beginning of year	-	452,620	61,374	2,164	50,933	341,998	909,089
Additions	16,066	233,883	2,809	-	36,065	28,796	317,619
Disposals	-	(15,733)	-	-	(1,503)	-	(17,236)
Depreciation expense	-	(113,846)	(10,520)	(532)	(33,037)	(36,612)	(194,547)
Foreign exchange movements	-	(46,741)	(7,028)	(235)	(3,469)	(40,849)	(98,322)
<b>Balance at 30 June 2008</b>	<b>16,066</b>	<b>510,183</b>	<b>46,635</b>	<b>1,397</b>	<b>48,989</b>	<b>293,333</b>	<b>916,603</b>
<b>Prior Year</b>							
Balance at the beginning of year	-	482,393	57,287	2,630	65,531	341,520	949,361
Additions	-	77,492	11,246	-	18,724	-	107,462
Disposals	-	(10,828)	(454)	-	-	-	(11,282)
Depreciation expense	-	(110,169)	(12,567)	(731)	(37,730)	(36,358)	(197,555)
Foreign exchange movements	-	13,732	5,862	265	4,408	36,836	61,103
<b>Balance at 30 June 2007</b>	<b>-</b>	<b>452,620</b>	<b>61,374</b>	<b>2,164</b>	<b>50,933</b>	<b>341,998</b>	<b>909,089</b>

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 9 Biological Assets

#### (a) Value of asset

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Animals - Pig herd at cost	297,120	340,600	-	-
<b>Total Biological Assets</b>	<b>297,120</b>	<b>340,600</b>	<b>-</b>	<b>-</b>

#### (b) Nature of asset

On 30 June 2005 the company purchased a herd of Auckland Island pigs which are critical to plans to produce pig cells for xenotransplantation, because they are free of infectious diseases common with other pig strains and they meet FDA requirements for donors of pig cells for human xenotransplantation.

#### (c) Significant assumptions

The Auckland Island pig herd has been valued at cost and not depreciated, as fair value cannot be reliably measured, given the highly specialised and unique characteristics of the pig herd.

### 10 Trade and Other Payables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Unsecured				
Trade payables	435,061	365,288	230,274	182,969
Accrued employee entitlements	54,169	42,996	-	-
Other payables	234	441	-	-
<b>Total Trade and Other Payables</b>	<b>489,464</b>	<b>408,725</b>	<b>230,274</b>	<b>182,969</b>

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 11 Financial Liabilities

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Unsecured					
Convertible Note	12	-	1,877,982	-	1,877,982
<b>Total Financial Liabilities</b>		-	1,877,982	-	1,877,982

### 12 Convertible Notes

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at beginning of year	1,877,982	1,887,418	1,877,982	1,887,418
Accrued Interest	196,717	294,637	196,717	294,637
Net total	2,074,699	2,182,055	2,074,699	2,182,055
Foreign exchange loss	-	(304,073)	-	(304,073)
Converted to shares	(2,074,699)	-	(2,074,699)	-
<b>Carrying amount at year end</b>	-	1,877,982	-	1,877,982

On 29 June 2006 the company received proceeds from the issue of Convertible Notes totaling \$2,053,800 (being \$1,500,000 USD). These convertible notes had an interest rate of 12% per annum, and matured on 30 November 2007, with the note holders having the option to convert to ordinary shares at \$0.175 per share.

All noteholders elected to convert the face value of their convertible notes plus accrued interest, in line with the terms of the Convertible Note Agreement. A total of 11,885,422 shares were issued at 17.5 cents per share in settlement of the note and accrued interest, which totalled \$2,074,699.

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 13 Provisions

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>CURRENT</b>				
Employee benefits	159,964	129,411	-	-
<b>Total Provisions</b>	<b>159,964</b>	<b>129,411</b>	<b>-</b>	<b>-</b>

### Consolidated Movement in Provisions

	Employee entitlements	Total
	\$	\$
Opening balance at 1 July 2007	129,411	129,411
Additional provisions	30,553	30,553
Balance at 30 June 2008	159,964	159,964

### 14 Capital and Leasing Commitments

#### Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Payable - minimum lease payments				
- not later than 12 months	225,999	210,985	-	-
- between 12 months and 5 years	528,453	556,715	-	-
- greater than 5 years	758,667	276,972	-	-
<b>Total Operating Lease Commitments</b>	<b>1,513,119</b>	<b>1,044,672</b>	<b>-</b>	<b>-</b>

The operating leases related to a number of property leases the company has entered into with terms and conditions as follows.

The lease of offices and laboratories in Papatoetoe, New Zealand, is a non-cancellable lease with a 5 year term, with 3 years until expiry and rent payable monthly in advance. Contingent rental provisions require the minimum lease payments shall be reviewed every 2 years.

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 14 Capital and Leasing Commitments continued

#### Operating Lease Commitments continued

The animal laboratory lease is a non-cancellable lease with a 6 year lease term with 2 ½ years until expiry and a right of renewal for a further 6 year term with rent payable monthly in advance. Contingent rental provisions require the minimum lease payments shall be reviewed every 2 years.

The southern animal facility sub lease is an annually renewable agreement with rent payable yearly in advance, with review arrangements annually at 30 June.

The land for housing the pigs on the South Island is a 20 year lease with rent renewal every 3 years.

The lease of the northern animal facility is a non-cancellable lease with a 10 year term, with 8 years until expiry and a right of renewal for a further 10 year term, with rent payable monthly in advance. Contingent rental provisions require the minimum lease payments shall be reviewed every 2 years.

### 15 Issued Capital

#### (a) Issued and paid up capital

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
- 2008 - Ordinary shares fully paid	<b>46,049,170</b>	29,872,476	<b>46,049,170</b>	29,872,385
<b>Total Issued Capital</b>	<b>46,049,170</b>	29,872,476	<b>46,049,170</b>	29,872,385

#### (b) Authorised capital

The authorised share capital of the company is 238,323,752 shares (2007 : 152,846,910) 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.

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 15 Issued Capital continued

(c) Movements in shares on issue	2008	2008	2007	2007
	Number of shares	\$	Number of shares	\$
<b>Ordinary Shares</b>				
Beginning of the financial year	152,846,910	29,872,385	118,639,933	24,685,152
Issued during the year				
- private share issues	64,576,740	14,695,531	22,756,053	3,868,811
- contractors fees	-	-	136,920	20,538
- convertible notes and accrued interest converted	11,855,422	2,074,699	-	-
Share purchase plan	-	-	11,214,004	1,962,450
- options exercised	9,044,680	106,197	100,000	21,000
Transaction costs in capital raising	-	(699,642)	-	(685,566)
<b>Total</b>	<b>238,323,752</b>	<b>46,049,170</b>	<b>152,846,910</b>	<b>29,872,385</b>

#### (d) Options

For information relating to Living Cell Technologies Limited employee option plan, including details of options issued and lapsed during the financial year and the options outstanding at year-end.

The weighted average fair value of options granted during the year was \$0.225 (2007: \$0.065).

The price was calculated by using the Black Scholes option pricing model applying the following inputs:

	2008	2007
Expected share volatility (%)	65.57	65.57
Risk free interest rate (%)	6.45	6.45
Weighted average expected life of the option (years)	4.81	4.28
Weighted average option price (\$)	0.29	0.26
Weighted average share price at grant date (\$)	0.36	0.14

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 16 Share capital and reserves

#### (a) Total equity

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Share capital</b>				
Share capital - ordinary	<b>46,049,170</b>	29,872,385	<b>46,049,170</b>	29,872,385
<b>Total share capital</b>	<b>46,049,170</b>	29,872,385	<b>46,049,170</b>	29,872,385
<b>Reserves</b>				
Foreign currency translation reserve	<b>67,639</b>	(16,611)	-	-
Convertible instruments reserve	-	77,384	-	77,384
Option reserve	<b>1,174,846</b>	1,009,631	<b>1,174,846</b>	1,009,632
<b>Total reserves</b>	<b>1,242,485</b>	1,070,404	<b>1,174,846</b>	1,087,016
<b>Accumulated losses</b>				
Opening balance	<b>(29,541,461)</b>	(23,543,341)	<b>(30,977,443)</b>	(24,709,363)
Foreign currency translation reserve	<b>59,306</b>	(10,798)	-	-
Cancellation of Options	<b>390,921</b>	-	<b>390,923</b>	-
Transfer Convertible Instrument Reserve	<b>77,384</b>	-	<b>77,384</b>	-
Net loss for the period	<b>(6,794,037)</b>	(5,987,322)	<b>(6,280,860)</b>	(6,268,080)
<b>Total accumulated losses</b>	<b>(35,807,887)</b>	(29,541,461)	<b>(36,789,996)</b>	(30,977,443)
<b>Total Equity</b>	<b>11,483,768</b>	1,401,328	<b>10,434,020</b>	(18,042)

#### (b) Reserves

##### Foreign currency translation reserve

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

##### Option reserve

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

##### Convertible instrument reserve

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

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 17 Currency translation rates

(a) Detailed table

	Currency	2008 AUD	2007 AUD
Year end rates used for the consolidated balance sheets, to translate the following currencies into Australian dollars (AUD), are:			
	USD	<b>1.04</b>	1.18
	NZD	<b>0.79</b>	0.91
Average rates of the year used for the consolidated income and cash flow statements, to translate the following currencies into Australian dollars (AUD), are:			
	USD	<b>1.12</b>	1.27
	NZD	<b>0.86</b>	0.87

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 18 Key Management Personnel Compensation

#### (a) Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

<b>Directors</b>	<b>Position</b>
Simon O'Loughlin	Independent Director and Chairman
Paul Tan	Executive Director, Chief Operating Officer LCT Group, CEO LCT NZ Ltd
Robert Elliott	Medical Director
Laurie Hunter	Independent Director
David Brookes	Independent Director (appointed 23 August 2007)
Robert Caspari	Independent Director, Group CEO (Appointed 29 July 2008)
David Collinson	Founding Director
<b>Executives</b>	
Richard Justice	Chief Financial Officer

### 19 Auditors' Remuneration

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Remuneration of PKF Sydney:</b>				
- Auditing or reviewing the consolidated financial report & Australian based subsidiaries	<b>57,750</b>	81,042	<b>57,750</b>	81,042
- Remuneration of Ross Melville PKF	<b>13,063</b>	12,690	-	-
<b>- Total</b>	<b>70,813</b>	93,732	<b>57,750</b>	81,042

# Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 20 Controlled Entities

Name	Country of incorporation	Percentage Owned 2008	Percentage Owned 2007
<b>Parent Entity:</b>			
Living Cell Technologies Ltd	Australia		
<b>Subsidiaries of parent entity:</b>			
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

### 21 Related Party Transactions

#### Wholly-owned group transactions

##### (i) Loans

All loan balances between the companies in the consolidated group have been fully provided for and eliminated on consolidation.

##### (ii) Service Fee

LCT BioPharma Inc, Living Cell Technologies New Zealand Ltd and Pancell New Zealand Ltd charge LCT Products Pty Ltd a service fee based on direct costs incurred and an appropriate mark up. The financial affect of the service fee has been eliminated on consolidation.

# **Living Cell Technologies Limited ABN 14 104 028 042 and Controlled Entities**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2008**

## **22 Company Details**

The registered office of the company is:

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