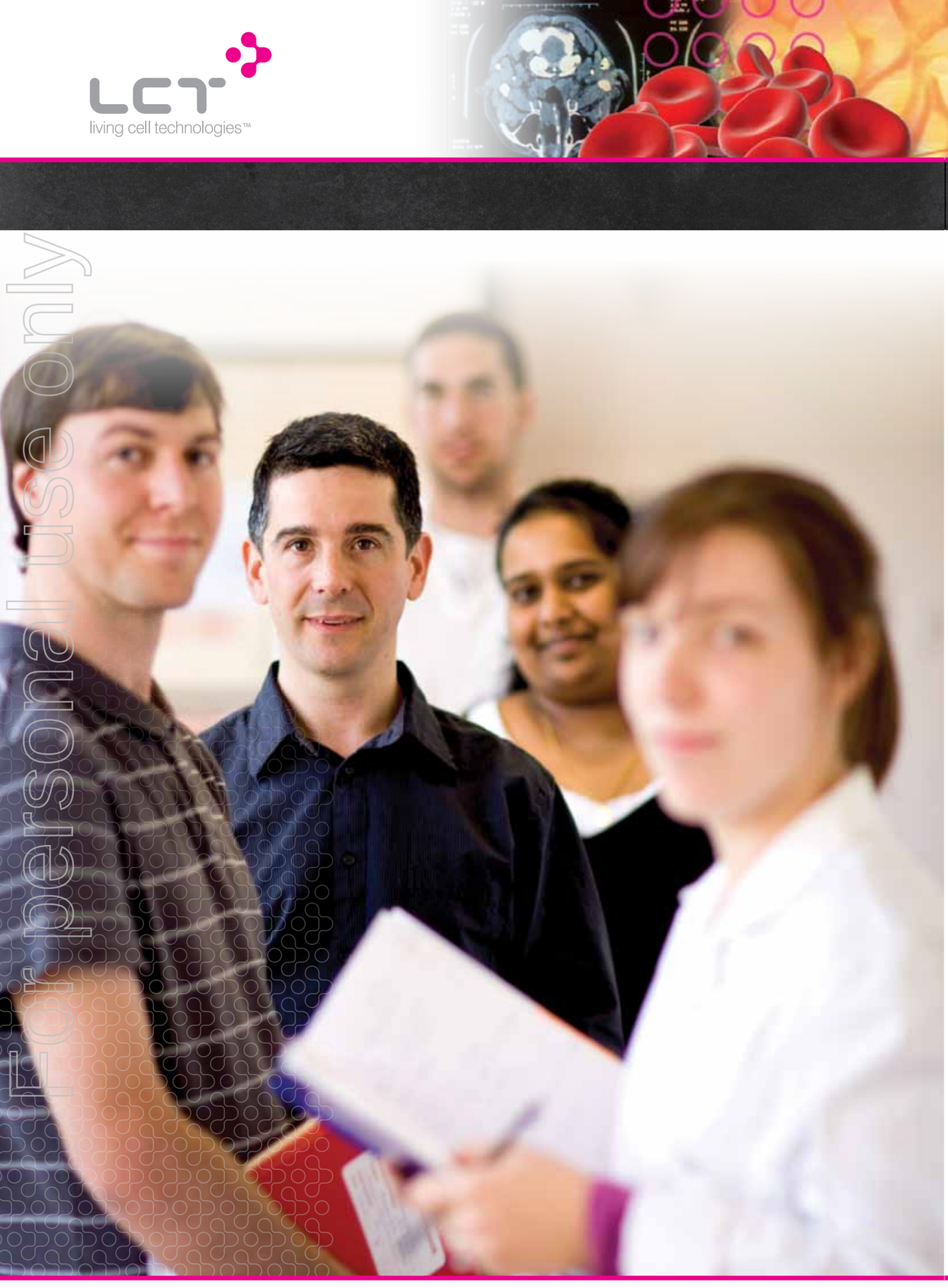
living cell technologies™

World Leading Cell Implant Company

Annual Report 2009–2010

Contents

INTRODUCTION



"The Cell Implant Company"

LCT is a global pioneer in the field of cell encapsulation and implantation for human therapeutics.

LCT is the first company globally to enter clinical trials using therapeutic porcine cell implants under current regulatory guidelines.

The Company's lead product DIABECELL® is designed to help normalise the lives of people with unstable Type 1 diabetes, especially those suffering from life-threatening episodes of unaware hypoglycaemia.

DIABECELL® microspheres containing live islet cells are implanted into a patient's abdomen using a simple laparoscopic procedure. Once implanted, DIABECELL® works by self-regulating and efficiently secreting insulin and glucagon in response to the patient's changing glucose levels. DIABECELL® islets are protected from the body's immune response by LCT's breakthrough proprietary encapsulation technology, IMMUPEL™, which means patients do not require immunosuppression.

The Company's revolutionary proprietary encapsulation technology, IMMUPEL™, is the most advanced in the world for the treatment of Type 1 diabetes.

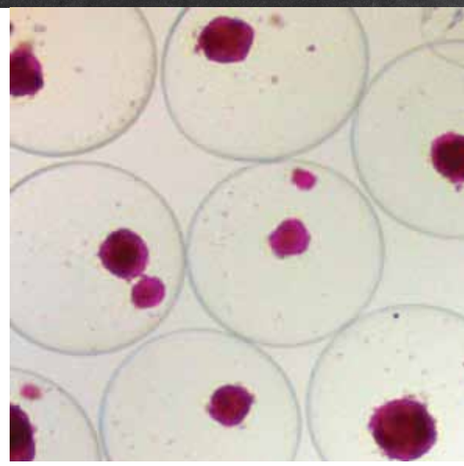
The Company has:

- Lead product, DIABECELL®, in Phase II clinical trials in New Zealand
- Completed Phase I/IIa trials of DIABECELL® in Russia
- Plans for multi-jurisdictional pivotal trials of DIABECELL®
- The world's most advanced proprietary encapsulation technology, IMMUPEL™
- A pipeline of cell therapy products targeting diseases such as Parkinson's disease, Huntington's disease, stroke and hearing loss
- Global partnerships to commercialise the company's product pipeline and technologies
- Designated pathogen-free pig herds suitable as a source of tissue for human therapeutics

The Future

Having completed a successful Phase I/IIa trial, LCT currently has a Phase IIb trial underway in New Zealand. Safety and preliminary efficacy data generated to date show promise that DIABECELL® will change the paradigm for treating diabetes and potentially lead the way for other indications when it becomes the world's first approved porcine cell implant.

Applying the same platform technologies used in DIABCELL®, LCT has developed NTCELL, a choroid plexus cell product which is currently in preclinical development to treat neurodegenerative diseases such as Parkinson's disease, Huntington's disease, stroke, and hearing loss.



OPPOSITE Staff at the Bionic Ear Institute where LCT has a collaboration to develop a process of effectively delivering neurotrophins to the cochlear to prevent neuron loss for bionic ear recipients.

Highlights for the Year

Highlights for the Year

2 JUL 2009 — New pig breeding facility opened for New Zealand diabetes clinical trial

The new pathogen-free pig breeding facility in Invercargill, Southland, was formally opened by the Mayor of Invercargill, Mr Tim Shadbolt. The facility is designed to meet health regulations for pig herds used as a source of medical-grade tissue.

6 JUL 2009 — DIABECELL® commercialisation program in Russia with New Subsidiary

LCT formed subsidiary, LCT Biomedical Limited (Russia), to facilitate the commercial development of DIABECELL®.

8 JUL 2009 — Encapsulated choroid plexus cells found to treat hearing loss

The encapsulated choroid plexus cells (NTCELL) were shown to protect nerve cells in the inner ear from degeneration in studies done with the Bionic Ear Institute (BEI), Melbourne, Australia.

22 JUL 2009 — LCT enrols patients into New Zealand diabetes clinical trial

LCT started trial of encapsulated pig islet cell product for insulin dependent diabetes, DIABECELL®. Commencement of the trial follows authorisation by the New Zealand Minister of Health and acceptance of the clinical trial protocol by the Regional Ethics Committee.

30 JUL 2009 — LCT Raises A$4.2m from a placement of shares to fund clinical trials of DIABECELL®

LCT raised funds to support the New Zealand clinical trial of DIABECELL® for Type 1 diabetes and to complete the dose-finding trial in Russia.

23 SEP 2009 — Appointment of two new Directors and a new Chairman

Mr Bob Finder and Mr David McAuliffe are appointed as Independent Directors and Dr David Brookes as Chairman.

7 OCT 2009 — Successful first implant of DIABECELL® in New Zealand

DIABECELL® was successfully implanted in the first patient with Type 1 diabetes in Auckland, New Zealand.

27 OCT 2009 — Russian clinical trial update released

The clinical trial in Russia continues to show positive results with conservative doses of DIABECELL®.

16 NOV 2009 — Share purchase plan announced

A share purchase plan enabling shareholders residing in Australia and New Zealand to purchase up to A$15,000 worth of new shares at 25 cents per share was announced. The issue closed on 17 December, raising A$2,180,901.

4 DEC 2009 — First patient in New Zealand clinical trial drops insulin dose without ill effects

The 48 year old man drops his insulin dose by 30% while maintaining healthy blood glucose levels.

10 DEC 2009 — Australian trials considered following lifting of animal cell transplant ban

LCT hopes to expand its clinical trial programme into Australia, following the National Health and Medical Research Council lifting the five-year moratorium on xenotransplantation, once regulatory and surveillance frameworks are in place.

21 DEC 2009 — New research collaboration and option to licence agreement with Centocor

LCT extends its research collaboration with Centocor Research & Development Inc. and grants Centocor an exclusive two-year option to take up a world-wide licence for LCT's encapsulation technology.

20 JAN 2010 — Patent for European neurological disease product NTCELL granted

LCT was granted a European patent for the use of its product NTCELL in the treatment of degenerative neurological conditions such as Parkinson's disease, Alzheimer's disease, multiple sclerosis, Huntington's disease and stroke.

10 FEB 2010 — LCT receives 10% of US-based wound healing company in supply and licensing agreement

LCT receives 10% ownership of CytoSolv Inc. in exchange for the restricted supply of choroid plexus cells and for granting a licence for wound healing.

12 FEB 2010 — LCT Awarded NZ$4.04m New Zealand government grant to advance DIABECELL® for Type 1 diabetes

LCT was awarded a grant of NZ$4.04m over two years from the New Zealand Government's Foundation for Research, Science & Technology to support the ongoing development of DIABECELL®.

10 MAR 2010 — Encapsulation device granted registration in Russia

LCT subsidiary LCT Biomedical Limited receives registration of the encapsulation device as a delivery system in Russia.

30 MAR 2010 — Approval granted to progress to the next stage of the Phase II diabetes trial with a higher dose

The New Zealand Data Safety and Monitoring Board approved advancing to the next stage of the Phase II clinical trial of DIABECELL® with a higher dose following a positive assessment of the first four patients in the trial.

7 APR 2010 — Report of safety and proof of principle on Phase I/IIa clinical trial of DIABECELL® in Russia

LCT provided the penultimate update regarding the three-year follow up of the clinical trial in Russia of DIABECELL®. The data confirmed that the trial had successfully met its end points of demonstrating safety and tolerability. In addition, the treatment showed proof of principle of efficacy in humans with insulin-dependent (Type 1) diabetes.

13 APR 2010 — LCT paper selected for "Best Publications of 2009" by Journal of Neural Engineering

An LCT publication on the use of encapsulated choroid plexus cells named as one of the best articles published by the Journal of Neural Engineering in 2009.

27 APR 2010 — Awarded grant from JDRF for New Zealand clinical trial

LCT was awarded a grant of US$500,000 from the Juvenile Diabetes Research Foundation International for the on-going Phase II clinical trial of DIABECELL® in New Zealand.

10 JUN 2010 — LCT works with New Zealand Government on animal-derived biologics

LCT started work with the New Zealand Government on an animal-derived therapeutics project to identify market opportunities for high quality by-products derived from LCT's unused porcine tissue for additional medical applications.

28 JUN 2010 — LCT presentation at American Diabetes Association

DIABECELL® Phase I/IIa clinical data was presented to the 70th Scientific Session of the American Diabetes Association (ADA) in Orlando, Florida, by Professor Boris Draznin, Director, Adult Diabetes Program, University of Colorado Denver, School of Medicine.

Chairman's Report

Dr David Brooks

Dear Shareholder,

Our efforts to develop new therapeutics from our cell implantation technologies have been boosted by increased global interest in LCT's clinical progress and groundbreaking results. This interest has resulted in regulatory changes, increased funding and the welcome support of major medical and government bodies around the world.

Following the approval to conduct our cell implant trials in New Zealand, we have started our DIABECELL® trial and continue to demonstrate some remarkable results. In Australia, the National Health and Medical Research Council has lifted its five-year moratorium on xenotransplantation and this we hope will lead to additional trials being conducted in Australia in the near future. We also continue discussions with potential partners in other countries who have expressed medical and commercial interest in what LCT is doing.

As we progress in the clinic, the Board has focused on expanding our capabilities to effectively bring our products to market. To this end, we have recently appointed two senior executives to support Dr Paul Tan and Prof Bob Elliot in developing global commercial partnerships and seeking the best possible value for the Company's shareholders.

Most recently we appointed Dr Ross Macdonald to the position of Managing Director. Ross has a 22-year history in the biotechnology market, mainly focused on business and product development. Ross will be based in Australia. We have also appointed Ms Susanne Clay to the position of Chief Business Officer, based in Auckland. Susanne brings invaluable experience and contacts – from the US market in particular. The Board believes that both these appointments will strengthen the Company in areas of growing importance as we progress DIABECELL® to market.

We are privileged to have received the support of several major organisations worldwide. The New Zealand Government continues its support of LCT, with additional funding and the creation of a venture to develop the potentially very lucrative animal-derived therapeutics market, leveraging LCT's unique pig herd. The Juvenile Diabetes Research Foundation International has pledged financial support for our ongoing Phase II clinical trial of DIABECELL®. As well as financial support, LCT is very pleased to note the growing appreciation by the research community of our unique technologies and potential therapeutic benefits.

We have also had changes to our Board over the year. Joining the Board are Mr Bob Finder and Mr David McAuliffe, and this has been my first year as Chairman. Both Bob and David have extensive industry experience and are a great asset to your existing Board members.

It has been a year of significant progress for LCT – in the clinic, with global regulatory bodies, and with potential commercial partners. The Board looks forward to reporting to you on upcoming commercial and clinical milestones.

Dr David Brookes

CEO's Report

Dr Paul Tan

Dear Shareholder,

The therapeutic and commercial potential of our lead product DIABECELL® has increased significantly this past year following the remarkable data from our clinical trials. The New Zealand trial of DIABECELL® at Middlemore Hospital in Auckland began in 2009. While it is too early to report full results, we are very encouraged by preliminary findings that DIABECELL® can reduce episodes of clinically significant hypoglycaemia (low blood glucose), improve blood glucose control and result in a reduction in insulin requirements.

We have now been given the go-ahead to expand the New Zealand trial to include further patients and administer higher doses of DIABECELL®. This will add further rigour to the study and provide valuable additional information about optimal dosing levels for pivotal trial.

Earlier this year, we reported the penultimate update from the three-year follow-up of our clinical trial in Russia. This data confirmed that the trial successfully met its end points of demonstrating safety and tolerability, and proof of principle of efficacy. As you may be aware, two patients on this trial were able to discontinue insulin injections entirely for a period of time at the doses administered. It was pleasing to see this data presented at the American Diabetes Association Scientific Session in Florida in June by Professor Boris Draznin of the University of Colorado,

We are now talking to a number of potential global partners in other locations about extending our trials and generating pivotal data for taking DIABECELL® to market. With the lifting of the ban on cell implantation in Australia, we are hoping that trials will start there as soon as regulatory frameworks can be established.

In 2010, the executive team was expanded with the appointment of Susanne Clay, who is already very busy with meetings with potential partners worldwide. The selection of potential partners will allow us not only to expand our clinical trials into other jurisdictions, but is part of our strategy to take our products to global markets.

Our unique cell implantation technologies are also being used to develop the Company's product pipeline. In January, LCT was granted a European patent for NTCELL, a product in development for the treatment of degenerative neurological conditions.

I would like to take this opportunity to thank all shareholders for your ongoing support. With your help, and with the dedication of our world-class team at LCT, we are developing truly unique technologies. These technologies offer hope to patients who suffer from some of the most prevalent incurable diseases today, and target significant markets of unmet need.

Dr Paul Tan

Management Team

Dr Paul Tan

Dr Paul Tan

CHIEF EXECUTIVE OFFICER

Dr Tan has been an Executive Director since 23 February 2007 and was appointed as Chief Executive Officer of the Group on 23 December 2008. **Dr Tan** joined the company in 2004 as the Managing Director of LCT's New Zealand operations.

Dr Tan has 15 years experience in the biotechnology industry. Prior to this he was Chief Executive Officer of CenTec Ltd and founding Deputy Director and Head of Health Division at Genesis Research & Development Corporation Limited. He has managed intellectual property, international partnerships and has been involved in product and clinical development in the USA, Brazil, The Philippines, New Zealand and Australia. He was Associate Professor in immunology at the University of Auckland and a physician rheumatologist. He is on the NZBio National Advisory Council and the Committee of the NZBio Auckland.

Emeritus Professor Robert Elliott

Emeritus Professor Robert Elliott

MEDICAL DIRECTOR

Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Director of Paediatrics at the University of Auckland. **Professor Elliott** co-founded LCT. He is an Emeritus Professor of Child Health Research, Professor of Paediatrics and a world leader in diabetes and autoimmune related research.

He is on the board of the New Zealand Child Health Foundation, Wings Trust (a New Zealand trust for the treatment of alcohol and substance abuse) and patron of the NZ Cystic Fibrosis Foundation. In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community.

Dr Ross Macdonald

Dr Ross Macdonald

MANAGING DIRECTOR

Dr Macdonald has a 22-year career history in the pharmaceuticals industry. Most recently he was Vice President of Business Development for Sinclair Pharmaceuticals Ltd, a UK-based specialty pharmaceuticals company. Prior to that he was Vice President, Corporate Development for Stiefel Laboratories Inc, the largest independent dermatology company in the world, which was acquired by GlaxoSmithKline in 2009 for £2.25b. He joined Stiefel following its acquisition of Palo Alto-based Connetics Corporation for US$650m in 2006.

At that time **Dr Macdonald** was Connetics' Vice President, Business Development, a position he had held for over five years. Before joining Connetics he was Vice President of Research & Development with FH Faulding & Co Limited and a former managing director of Soltec Research Pty Ltd. Ross is a director of CNSBio Pty Ltd, Telesso Technologies Ltd and Hatchtech Pty Ltd.

Management Team

Mr John Cowan

FINANCE & ADMINISTRATION MANAGER

Mr Cowan has over 30 years of experience in senior finance positions in publicly-listed companies with international operations and public benefit entities. He was Head of Finance & Facilities at Auckland War Memorial Museum, CFO at The University of Auckland, Company Secretary at Mair Astley Limited and held senior finance positions in the Goodman Fielder Wattie Group.

He holds a BCA from Victoria University of Wellington and is a Fellow of the New Zealand Institute of Chartered Accountants.

Mr John Cowan

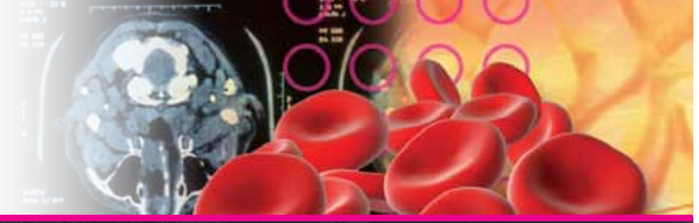
Susanne Clay

CHIEF BUSINESS OFFICER

Ms Clay has spent the last 25 years gaining experience as an international technology-based business development and finance professional. She was founder and CEO of Algos Therapeutics, a U.S.-based biotech focused on the research, discovery, and development of new drugs to treat chronic pain with the world's leading pharmaceutical and biotech research organisations.

Previous to this she spent two years serving as the senior business leader at another neuroscience-based biotech start-up, and eight years at Cargill, Inc., where she managed cross-functional teams that researched, developed and launched bioscience – and technology – based new products, businesses, joint ventures and strategic alliances. Prior to this, she held various treasury and banking positions. She obtained her BS degree with honours in Business Administration from the University of Wisconsin – Milwaukee, Wisconsin, U.S..

Susanne Clay



The Year Ahead

Clinical

LCT is conducting a Phase IIb clinical trial of its lead product DIABECELL® in New Zealand. The company expects to be able to report interim results from this trial early 2011, and final results after a one year follow-up. The Company is planning to start a DIABECELL® pivotal study in 2011.

Following the lifting of the moratorium on the use of animal tissue in human clinical trials in Australia, LCT is in discussions with several centres about commencing DIABECELL® in Australia. The positive results from our two existing DIABECELL® trials have allowed the company to consider further global trials.

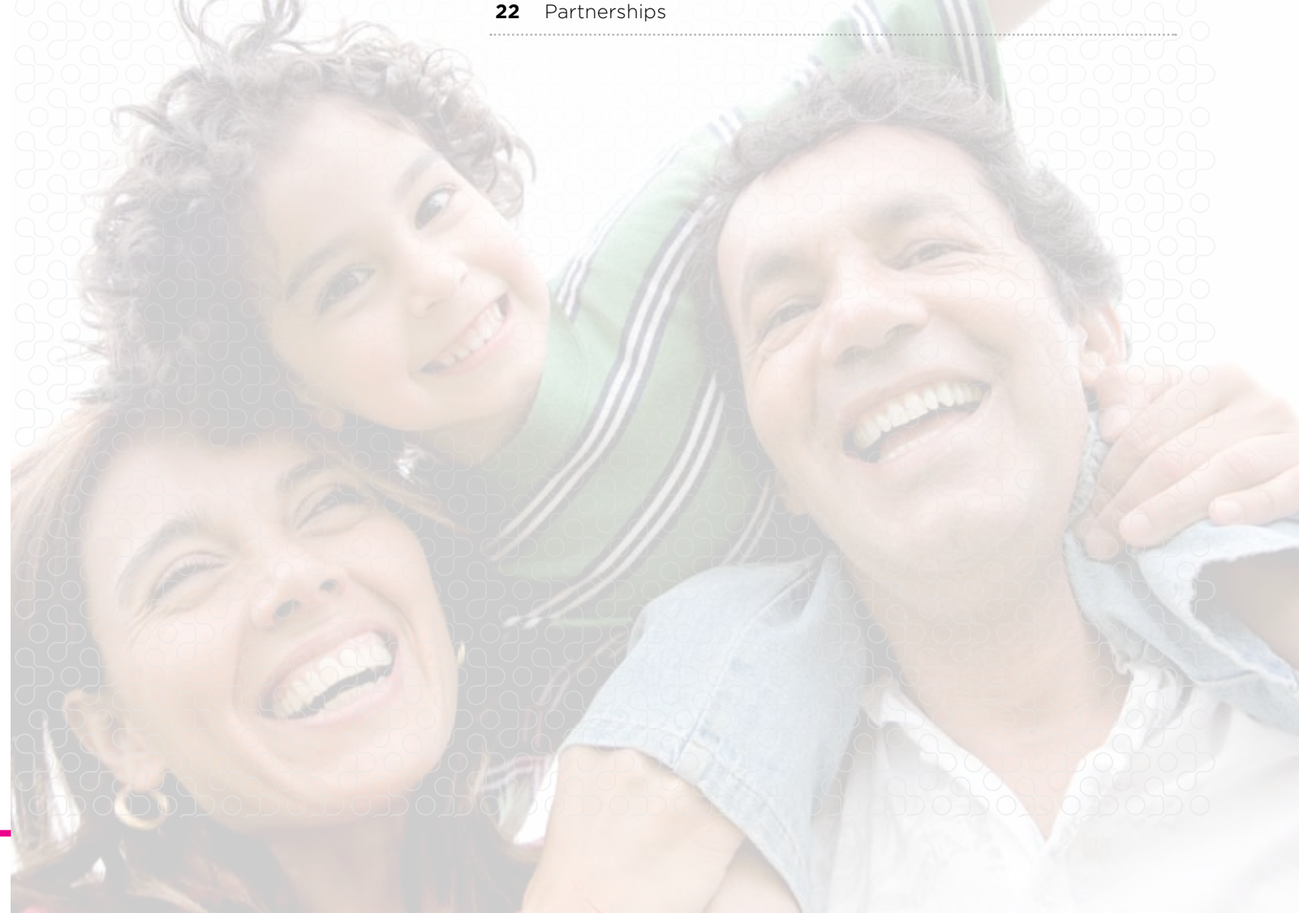
The most recent New Zealand trial has been given the go-ahead to extend patient numbers and dosing levels. This will allow LCT to better determine optimum dosing levels.

Commercial

As DIABECELL® advances through the clinic, LCT is forging relationships with leading health centres around the world. These partners will conduct DIABCELL clinical trials and LCT will have designated DIABECELL® Centres of Excellence in multiple markets where DIABCELL will be sold upon approval. This unique commercial pathway provides LCT with a direct, quality-based channel to market in key jurisdictions. LCT's fully-integrated proprietary supply position and manufacturing capabilities are scalable, and designed to accommodate the needs of the business as it grows.

LCT's NTCELL research programs and our breakthrough microencapsulation delivery technology IMMUPEL™ provide LCT with multiple opportunities to develop value-enhancing strategic alliances to facilitate the development and commercialisation of these valuable assets.

TECHNOLOGIES



Pipeline of Products

PRODUCT	INDICATION	RESEARCH/ DISCOVERY	PRECLINICAL	PHASE I TRIALS	PHASE II TRIALS	PIVOTAL TRIALS
DIABECELL®	**Diabetes – Type 1**	*NZ, Russia, other jurisdictions*				
NTCELL	**Parkinson's Disease**					
NTCELL	**Stroke**					
NTCELL	**Hearing Loss**		*Bionic Ear Insitute, Melbourne Australia*			
NTCELL	**Huntington's**					

DIABECELL®

Life-changing cellular therapy for Type 1 diabetes

DIABECELL® is a porcine, insulin-producing cell product for the treatment of Type 1 diabetes. These islet cells are self-regulating and efficiently secrete insulin in the patient's body.

The treatment involves introducing encapsulated porcine cells into the abdominal cavity of the patient in a simple laparoscopic procedure. LCT's unique proprietary encapsulation technology means that this procedure does not require the use of immunosuppression.

TRIALS

LCT is currently conducting a Phase II clinical trial in New Zealand. The long-term safety of DIABECELL® has been demonstrated in at least one patient, whose implanted cells produced insulin after more than 10 years.

Data from Russia confirmed that the initial Phase I/IIa trial we conducted there from 2007 to 2010 successfully met its endpoints of demonstrating safety and tolerability. In addition, the trial showed proof of principle of efficacy in humans with insulin-dependent diabetes. Six of the eight patients on that trial demonstrated improvements in blood glucose control, as reflected by a reduction in glycated haemoglobin (HbA1c %) levels and a reduction of the required daily dose of insulin injections. Two patients discontinued insulin injections entirely for up to 32 weeks.

NEW ZEALAND

LCT is advancing a Phase II trial with DIABECELL® at Middlemore Hospital in Auckland. Under the trial guidelines, eight patients with unstable Type 1 diabetes will be treated. The first four patients received a lower dose of DIABECELL®, 10,000 islet equivalents per kilogram body weight (IEQ). The New Zealand Data Safety Monitoring Board granted approval to LCT in March, based on the initial safety and efficacy data from these four patients, to proceed with the next four patients. This second group of patients is receiving a dose of 15,000 IEQ. The study is expected to be completed in the summer of 2010–11.

Products

RUSSIA

From 2007–2010, LCT conducted a Phase I/IIa clinical trial in Russia. The trial was monitored by a Boston-based contract research organisation. A total of eight patients received DIABECELL® implants of varying dose strength. Several patients received multiple doses.

To date, the trial has successfully met its endpoints of demonstrating safety and tolerability. In addition, the trial showed proof of principle of efficacy in humans with insulin-dependent (Type 1) diabetes.

Six of the eight patients on the trial demonstrated improvements in blood glucose control, as reflected by a reduction in glycated haemoglobin (HbA1c %) levels and a reduction of the required daily dose of insulin injections. Two patients discontinued insulin injections entirely for up to 32 weeks.

Clinical Advisor for the Russian trial, Professor Boris Drazin

PRODUCT DEMAND

- Diabetes is the world's fastest growing chronic disease, affecting 220 million people worldwide. The World Health Organisation predicts diabetes deaths will likely increase by more than 50% in the next 10 years.
- Type 1 diabetes represents an estimated 10% of all diabetes cases.
- In Australia, diabetes is the sixth leading cause of death.
- 890,000 Australians are currently diagnosed with diabetes. The total number (diagnosed and undiagnosed) of Australians with diabetes is estimated to be 1.7 million people.
- In 2007, diabetes cost the US economy $174 billion and it is estimated that one in every 10 health dollars in the US is spent on diabetes.
- The World Health Organisation (WHO) estimates that 2.5–15% of annual health budgets are spent on diabetes-related illnesses.

FUTURE MILESTONES

- LCT expects to report interim results from the New Zealand trial in late 2010.
- Final results will be reported after a one year follow-up.
- Pivotal DIABECELL® studies are expected to start in 2011.
- DIABECELL® trials are expected to start in Australia and other global locations.

NTCELL

Cellular therapy for Parkinson's disease, Huntington's disease, stroke and hearing loss

NTCELL is a choroid plexus cell product with the potential to treat neurodegenerative diseases. These cells help produce cerebrospinal fluid as well as a range of neurotrophins (or neural growth factors) that have been shown to protect against neural cell death in animal models of disease.

PRODUCT DEVELOPMENT

- NTCELL is well tolerated in pre-clinical primate studies targeting neurological disorders, with no evidence of adverse side effects.
- The treatment significantly diminishes the degeneration of striatal neurons in neurodegenerative conditions.
- Pre-clinical results reveal that brain cell damage in primates treated with the NTCELL product was five times lower than in control animals in a Huntington's disease model.
- Data from pre-clinical studies shows that choroid plexus cell transplants can potentially reduce damage to the brain by 86% and can dramatically improve limb use.
- Early stage research indicates the product may be effective in protecting insulin-secreting beta cells and preventing the onset of diabetes in a non-obese diabetic (NOD) mouse model of Type 1 diabetes.
- Through studies conducted with the Bionic Ear Institute, encapsulated porcine choroid plexus cells have been shown to protect nerve cells in the inner ear from degeneration.

PRODUCT DEMAND

Parkinson's

Parkinson's disease (PD) is the second most common neurodegenerative disorder globally. It involves increasing movement-related disability, including tremors, slow and rigid movement, impaired balance, and cognitive changes. PD is chronic, progressive, and has no known cure.

In the absence of a cure, the treatment of PD is directed toward relieving the symptoms, and often involves pharmacological dopamine replacement therapy.

PD affects about one in 500 people and approximately 1% of people over 60 have PD. In the US it affects over 500,000 people, and it affects more than 4 million people worldwide, according to the NIH. A recently-published study in Drug Benefit Trends estimates the annual economic impact of PD in the US to be over US$10 billion. Annual direct medical costs per patient with PD are estimated to be between US$10,000 and $12,000, which is more than double that of patients without the disease.

Products

Huntington's

Huntington's disease (HD) is an inherited, degenerative brain disease that causes uncontrolled movements, emotional disturbance and loss of intellectual faculties.

HD is caused by a defective gene and usually strikes between the ages of 30 and 45, although it may appear earlier or later. Every child of an HD parent has a 50% risk of inheriting this genetic disease. There is a gradual physical, emotional and cognitive deterioration over 10 to 25 years, leading to total incapacitation and eventual death.

There is currently no known cure or effective treatment for HD. Approximately 30,000 Americans have HD and over 200,000 more are at risk of inheriting it from a parent. In Australia, seven to 10 individuals per 100,000 people will be affected

Hearing Loss

Gradual age-related hearing loss (presbycusis) is common, affecting an estimated one-third of individuals between the ages of 65 and 75, and close to one-half of those older than 75, according to the NIH. There are many possible causes, including complex changes along the nerve pathways leading to the brain.

A safe and effective technique to administer the neurotrophins to the cochlea is yet to be found. Recent studies using cell-based therapy at the Bionic Ear Institute (BEI) in Melbourne have taken a major step to overcome this problem. A collaborative project between the BEI and Living Cell Technologies, has shown that by implanting a bionic ear along with encapsulated neurotrophin-producing cells (NTCELL) into the cochlea, the auditory neurons are protected from dying following extended periods of deafness (8 to 9 months). These results take us one step closer to providing an effective therapy to prevent neuron loss for bionic ear recipients.

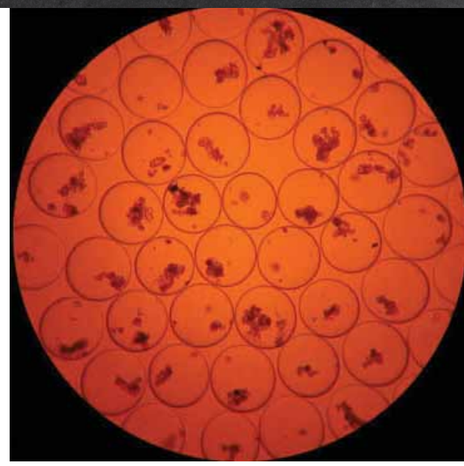
A bionic ear is an electronic device that restores hearing to deaf children and adults. Incoming sound is converted by the bionic implant into electrical pulses that excite auditory neurons in the inner ear (cochlea). However, the performance of this device can be significantly affected by the continued degeneration and death of the auditory neurons. Neurotrophins are a group of proteins that, if administered to the cochlea, can prevent neuron degeneration and death.

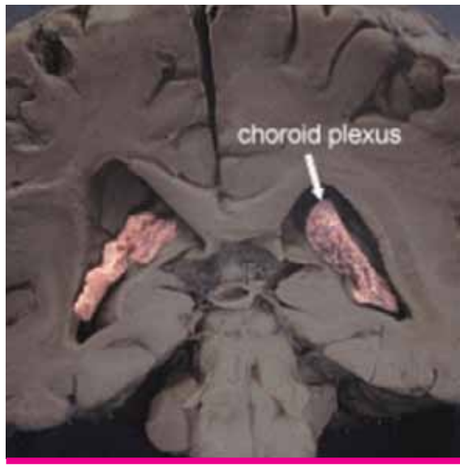
Stroke

According to the NIH, recurrent stroke is frequent – about 25 % of people who recover from their first stroke will have another stroke within five years. Stroke is the third most common cause of death in the US, based on information from the US Centre for Disease Control (CDC).

Almost 6 million people in the US have suffered a stroke. Older people are more likely to have a stroke. About 75% of all strokes occur in people over the age of 65. One third of people who have suffered a stroke will die within 12 months.

Due to its often disabling and repetitive nature, stroke results in substantial health care expenditures. Mean lifetime costs resulting from ischemic stroke are estimated at US$140,000 per patient. Nationwide, US costs related to stroke are expected to reach more than US$60 billion (CDC).





Other

CYTOSOLV

LCT has a 10% ownership stake in US-based wound healing company CytoSolv Inc.

CytoSolv is a biomedical company developing proprietary technology to address wound healing, initially targeting diabetic ulcers. Its technology involves the delivery of a mixture of wound-healing factors derived from porcine choroid plexus (CP) cells cultured using proprietary techniques.

These cells normally secrete a variety of factors that are responsible for growth, differentiation, nurturing and maintenance of the brain into the cerebrospinal fluid. CytoSolv has demonstrated that a topical gel based on a cocktail of these factors accelerates and improves the quality of healing of open skin wounds.

CytoSolv is currently engaged in more advanced pre-clinical development of its technology.

ANIMAL-DERIVED BIOLOGICS

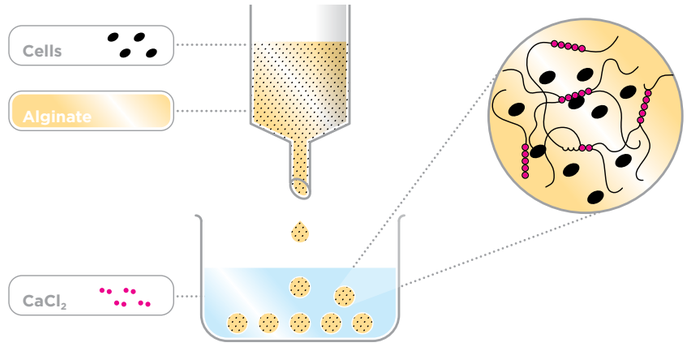
LCT is working with the New Zealand Government's investment promotion agency, Investment New Zealand (a division of New Zealand Trade & Enterprise) to investigate the commercial potential of developing high quality by-products derived from the Company's unused porcine tissue for other medical applications.

Given New Zealand's premier animal health status, Investment New Zealand aims to position New Zealand as the global location of choice for companies developing human therapeutics and biologics that require high quality animal-derived materials, based around LCT's unique pig herd. LCT's pig herds are free from viruses, bacteria and parasites and do not secrete porcine endogenous retroviruses.

Encapsulation technology, IMMUPEL™

LCT's encapsulation technology is based on a patented process which involves wrapping healthy, living cells in a tiny alginate capsule, allowing them to be safely implanted into patients without the need for immunosuppression. These cells act to replace or repair damaged tissue in patients.

The technology is amenable to the delivery of many different types of living cells including insulin-producing islets, choroid plexus, stem cells, Schwann cells, and more.



Facilities

LCT is the first company to receive International Accreditation New Zealand (IANZ) accreditation for a xenotransplantation laboratory. This accreditation will ensure that LCT's laboratory test reports are accepted in 49 countries, including the US, Canada, the UK, Australia and New Zealand. LCT's accredited laboratory uses specific diagnostic and monitoring tests to minimise the risk of animal viruses passing to humans when transplanting animal cells products such as DIABECELL® into human patients.

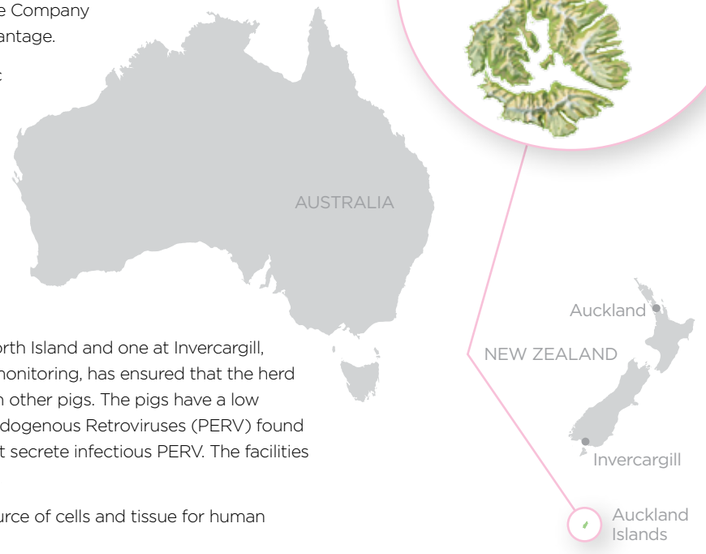
The accredited laboratory is capable of testing for potential infections in recipients and of testing for a range of viruses. This is a unique capability that has been developed by the company over many years and is fully-owned by LCT. LCT houses its unique pig herds in designated pathogen-free pig breeding facilities at two separate locations in New Zealand.

Our cell processing and encapsulation takes place in LCT's fully integrated state-of-the-art cGMP facility.

Pig herd

LCT's herd of pathogen-free pigs offers the Company a sustainable competitive commercial advantage.

The herd originates from the sub-Antarctic Auckland Islands. The pigs were transported there over 150 years ago as a possible food source for stranded sailors. The herd has been effectively untouched by humans since this time and is free of common viruses, bacteria and parasites.



LCT maintains its herds in two designated pathogen-free facilities in New Zealand – one at Auckland, on the North Island and one at Invercargill, South Island. This isolation, with ongoing monitoring, has ensured that the herd contains no pathogens commonly found in other pigs. The pigs have a low copy number of the ubiquitous Porcine Endogenous Retroviruses (PERV) found in the genome of all pigs. LCT's pigs do not secrete infectious PERV. The facilities have separate maternity and holding units.

LCT considers its herd to be the purest source of cells and tissue for human therapeutics.

LEFT Dr Paul Tan and Prof. Bob Elliott in the laboratory in Auckland.

ABOVE Auckland Island is a remote, uninhabited island in the South Pacific where LCT's pure and disease-free pigs have been sourced.

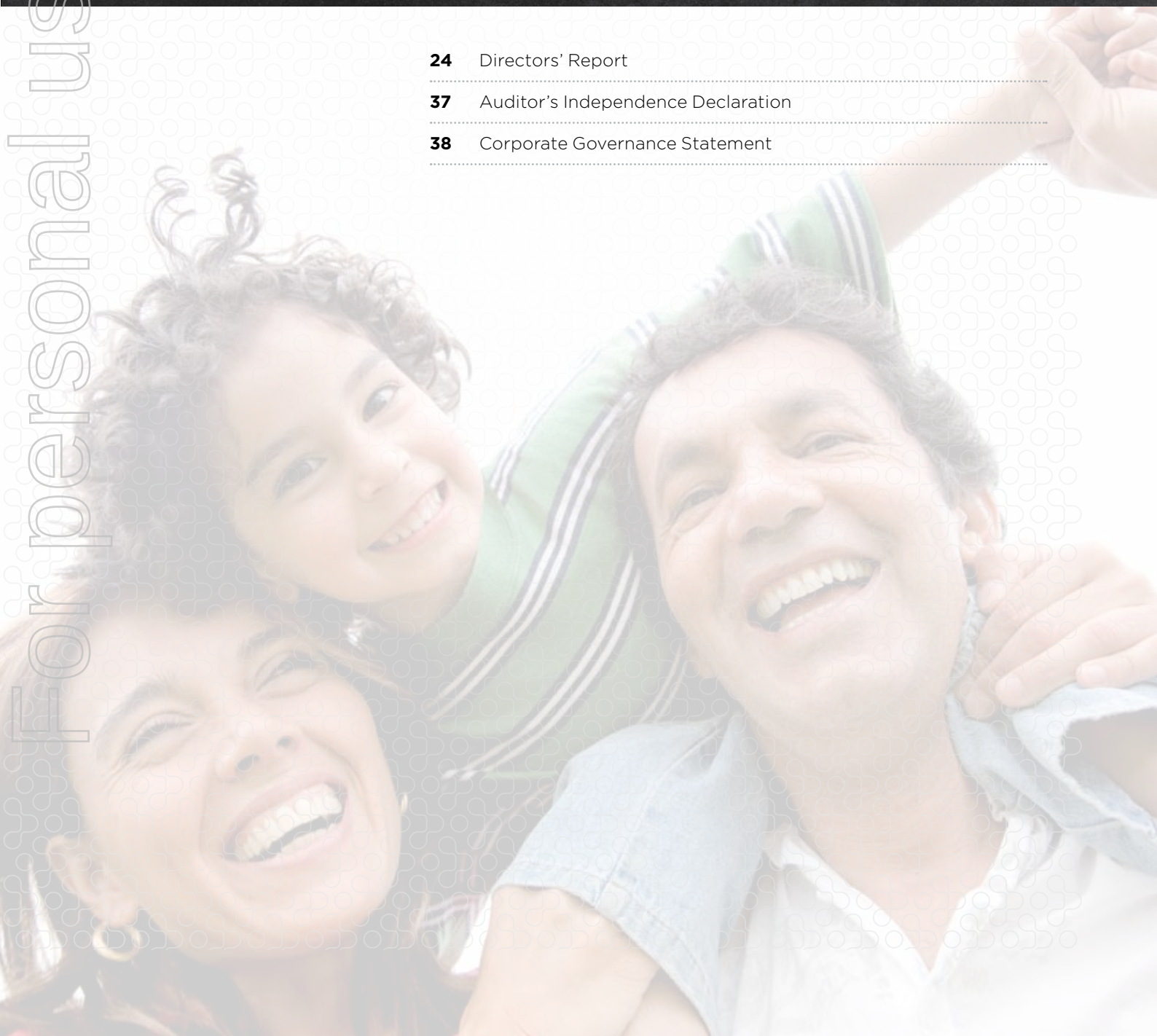
Partnerships

Partnerships are a key cornerstone to LCT's success and the company is in ongoing discussions with a number of potential partners with a goal to further developing and commercialising our assets.

Centocor

Centocor Research & Development Inc., a subsidiary of Johnson & Johnson in the U.S. has an exclusive two-year option to take up a worldwide licence for LCT's encapsulation technology in a specified field of use. The agreement includes a Centocor-funded research program for two years.

CORPORATE



Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2010.

1/ General Information

A/ DIRECTORS

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

NAMES	APPOINTED/RESIGNED
David Brookes	
David Collinson	Died 7 August 2009
Robert Elliott	
Robert Finder	Appointed 23 September 2009
Laurie Hunter	
David McAuliffe	Appointed 23 September 2009
Simon O'Loughlin	
Paul Tan	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

B/ COMPANY SECRETARY

The following person held the position of company secretary at the end of the year:

Nick Geddes

FCA, FCIS

Nick is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nick is President and Board Chairman of Chartered Secretaries Australia and a former Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa the Middle East and Asia. Qualifications: Chartered Accountant (Fellow of Institute of Chartered Accountants in England and Wales) and Fellow of the Institute of Chartered Secretaries (Chartered Secretaries Australia).

2/ Director Information

A/ INFORMATION ON DIRECTORS

David Brookes

Independent Director and Chairman
MB.BS, FACRRM | Age 50

Dr Brookes has a Bachelor of Medicine and Bachelor of Surgery from Adelaide University and is a Fellow of the Australian College of Rural and Remote Medicine.

He currently works as a general medical practitioner and has extensive experience in rural Australia, especially in paediatric and procedural practice. His involvement in the biotechnology sector started in the late 1990's as an analyst. He is currently Chairman of Innovance Ltd (NSX) and a director of Atcor Medical Holdings Ltd, listed on the ASX. Dr Brookes was elected Chairman of LCT on 23 September 2009 and has been an independent director of LCT since August 2007.

David Collinson

Founding Director | Age 59, Died: 7 August 2009

David Collinson was a New Zealand company director who, with Professor Robert Elliott, founded LCT's research and development activity in 1987 when his son became diabetic at the age of two.

David contributed a substantial amount of private capital to the establishment of LCT and was instrumental in raising further funding for the development and growth of LCT. He was the driving force behind the international development of the company and was CEO until he stepped down for health reasons on 24 January 2007.

David was a director of J Collinson Ltd and was also a director of several new biotechnology companies in the food and health sector. He founded the New Zealand Textile Importers Institute.

Robert Elliott

Medical Director | MBBS, MD, FRACP | Age 76

Professor Elliott trained as a Paediatrician at Adelaide University. He moved to New Zealand in 1970 to become the Foundation Professor, Department of Paediatrics at the University of Auckland. Professor Elliott co-founded LCT.

He is an Emeritus Professor of Child Health Research, Professor of Paediatrics and a world leader in diabetes and autoimmune related research. Professor Elliott is on the board of the New Zealand Child Health Foundation and the Wings Trust (a NZ trust for the treatment of alcohol and substance abuse). He is also patron of the NZ Cystic Fibrosis Foundation.

In 1999 he was awarded a CNZM (a Companion of the New Zealand Order of Merit) for services to the community. He is a director of Somnaceutics Ltd and Breathe Easy Ltd, a NZ company that is developing a new treatment for Cystic Fibrosis. He was appointed to the board on 15 January 2004.

Robert Finder

Independent Director | BSChE | Age 63

Mr Finder has over 35 years experience in the international biotech/pharmaceutical and chemical industries. He is Chairman of the Board of the ASX-listed LBT Innovations Limited and a Director on the Board of National Pharmacies. Bob was Managing Director and Chief Executive Officer of GroPep, and subsequently CEO of Novozymes GroPep Limited, the Australian subsidiary of Novozymes, a global biotechnology company.

Prior to joining GroPep in 2002, he was President and Chief Operating Officer of Mayne Pharma responsible for the commercial activities for the Americas and Asia Pacific region as well as for global research and Faulding Pharmaceuticals – Asia Pacific.

He is a Member of the Australian Institute of Company Directors and of the American Institute of Chemical Engineers and has a Bachelor of Science Chemical Engineering from the University of Detroit. He was appointed to the board on 23 September 2009.

Laurie Hunter

Independent Director | MA (Hons) | Age 63

Laurie Hunter has over 40 years experience as a stockbroker, investment banker and corporate investor in London, Paris and San Francisco. Laurie was a Member of The Stock Exchange, London, a partner at L. Messel & Co, London, a director of Shearson Lehman Hutton and founder of Hunter Capital International Inc.

His recent focus has been on investing in and providing strategic advice to developing companies. He currently serves on a number of boards including Direct Petroleum Exploration Inc and Madagascar Oil where he is Chairman and CEO. He was appointed to the board on 25 August 2006.

David McAuliffe

Independent Director | LLB (Hons), BPharm | Age 44

Mr McAuliffe has over 14 years experience in the international Life Science sector. During this time he has been involved in numerous capital raisings and technology in-licensing exercises. He is the founder and until recently executive director of NeuroDiscovery. He founded several biotechnology companies in Australia, France and the United Kingdom, many of which have become public companies. David has an Honours Degree in Law and a Bachelor of Pharmacy degree and is President of the Dyslexia – Speld Foundation WA (Inc). He was appointed to the board on 23 September 2009.

Simon O'Loughlin

Independent Director | BA Acc, Law Society (SA) certificate in law | Age 53

Simon O'Loughlin is a legal practitioner with over 25 years experience as a corporate and commercial solicitor. He has had extensive involvement in the corporate world, especially in relation to the formation, structuring and listing of small to medium sized companies. Simon is Chairman of Bondi Mining Ltd, as well as a director Aura Energy Ltd, Petratherm Ltd, Chesser Resources Ltd, WCP Resources Ltd and Probiomics Ltd. Simon's knowledge of Australian Corporate Law and ASX listing rules is critical for his role on the board and its committees. He was appointed to the board on 12 May 2004.

Directors' Report

2/ Director Information

B/ MEETINGS OF DIRECTORS

Meetings of Directors and Committees held during the year were as follows:

DIRECTOR	MEETINGS OF DIRECTORS		REMUNERATION AND NOMINATION COMMITTEE MEETINGS		AUDIT RISK AND COMPLIANCE COMMITTEE MEETINGS	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
David Brookes	13	13	1	1	5	5
David Collinson (to 07/08/09)	3	1	-	-	-	-
Robert Elliott	13	13	-	-	-	-
Robert Finder (from 23/09/09)	9	9	3	3	-	-
Laurie Hunter	13	11	4	4	5	5
David McAuliffe (from 23/09/09)	9	9	3	3	-	-
Simon O'Loughlin	13	13	1	1	5	5
Paul Tan	13	12	-	-	-	-

3/ Business Review

A/ PRINCIPAL ACTIVITIES

The principal activity of the consolidated group during the financial year was:

the clinical development of cell based therapeutics for the treatment of diabetes and pre-clinical research and development into neurological disorders.

There have been no significant changes in the nature of the consolidated group's principal activity during the financial year.

B/ CORPORATE STRUCTURE

The companies within the consolidated group make up a vertically integrated cell therapy business operating globally, through an office in Australia, with fully owned subsidiaries in New Zealand and the United States. The parent entity is a public listed company

(ASX : "LCT"; OTCQX: "LVCLY") incorporated and domiciled in Australia.

The consolidated group has one main operating division:

The research, production and clinical division is located in Auckland, New Zealand. The facility includes GMP manufacturing and IANZ accredited diagnostic laboratories, as well as separate designated pathogen-free pig facilities. The facility is headed by CEO Dr Paul Tan who has extensive international experience in operating facilities, conducting clinical studies and managing intellectual property portfolios.

C/ REVIEW OF OPERATIONS

As a live cell therapy company, Living Cell Technologies Limited focuses on developing treatments for implanting healthy living cells to replace or repair disease or damaged organs, for a range of life-threatening diseases. LCT's products do not require the use of immunosuppression to prevent rejection, due to the proprietary coating technology used with the cells (bio-encapsulation technology).

The core business of LCT focuses on a treatment for Type 1 diabetes to regulate blood glucose levels and avoid long term complications created by the disease. In addition, the company owns specialised pig breeding facilities that enable the use of pig cells and tissues for human medicinal purposes. The company is also developing a suite of products for neurological disorders, which are at various stages of pre-clinical development and discovery.

The company has developed a good manufacturing practice (GMP) manufacturing unit for the production of cell based therapeutics, as well as an internationally accredited diagnostic laboratory for monitoring of potential viruses. This integrated infrastructure enables the company to manufacture and supply cell based products directly to the market upon commercialisation.

LCT's competitive advantages in the field of transplantation of living cells for the controlled, long-term delivery of therapeutic proteins include:

- a fully owned specialised source of cells from a designated pathogen-free pig herd, which has been internationally and independently reviewed;
- a GMP cell processing and manufacturing unit to enable the production of human medicines;
- international IANZ accredited diagnostic facilities for monitoring of transplant recipients;
- proprietary encapsulation technology to enable transplants without rejection; and
- a strong international intellectual property position.

This financial year has been one of significant progress for LCT with the opening of the new high health pig facility, hearing loss studies, starting phase II clinical trials of DIABECELL® in New Zealand, completion of the safety and proof of principal clinical trials in Russia with no remarkable adverse events, completion of the first 4 patients in the NZ trial with promising results and approval to proceed with the next 4 at a higher dose.

The research collaboration with Centocor Research and Development Inc. to explore the use of the company's encapsulation technology was extended for another 2 years and an option to licence the technology was granted with annual fees. It was gratifying to receive a USD500,000 grant from the Juvenile Diabetes Research Foundation International towards the New Zealand trial and we look forward to further collaborating with them to develop DIABECELL® for those suffering from Type 1 diabetes. It was also pleasing to be awarded a NZD4m grant to scale up the production of DIABECELL®. This grant is for a two year term and reimburses up to 50% of approved expenditure following submission of a report and invoice.

D/ OPERATING RESULTS

The consolidated loss for the year amounted to $5,674,059. (2009: Loss of $6,123,562).

4/ Financial Review

A/ FINANCIAL POSITION

The net assets of the consolidated group have increased by $712,232 from $5,527,390 to $6,239,622 as at 30 June 2010. The increase was largely due to an increase in sundry amounts receivable, a decrease in liabilities and an increase in cash on hand from private share issues.

B/ LIQUIDITY AND FUNDING

As at 30 June 2010 the consolidated group had $3,121,524 cash in the bank, compared to $2,868,482 as at the previous year end, which based on anticipated levels of operational cash flow requirements would allow the consolidated group to fund current operations for approximately 7 months.

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. This is not withstanding that the consolidated entity incurred losses for the year of $5,674,059 (2009: $6,123,562). The loss has negatively impacted the consolidated entity's cash balance. On 13 July 2010 the parent company issued 9,523,810 shares to underwriters of expired options, raising $2.0 million, which has increased the cash balance to approximately $4.7 million at the date of this report. However, unless further new funds are raised or expenditure curtailed there is significant uncertainty regarding the ability of the parent company and consolidated entity to continue as a going concern and pay their debts as they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they still believe that additional cash will be sourced by the consolidated entity.

The company continues to work with its funders and has taken action to address the going concern issue and to protect the financial security of the consolidated entity. The directors are considering opportunities to further improve the cash position by applying for grants and other measures.

4/ Financial Review

B/ LIQUIDITY AND FUNDING

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- There will be further cash injection from potential investors and grantors;
- The group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

5/ Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of the consolidated entity, and for the executives receiving the highest remuneration.

A/ REMUNERATION POLICY

The remuneration policy of Living Cell Technologies Limited has been designed to align key management personnel and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Living Cell Technologies Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, and align the interests of directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for the key management person of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), plus where appropriate superannuation, fringe benefits, options and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management persons are also entitled to participate in the employee share and option arrangements.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

B/ KEY MANAGEMENT PERSONNEL

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

KEY MANAGEMENT	POSITION
Directors	
David Brookes	Independent Director and Chairman
David Collinson	Founding Director (died 7 August 2009)
Robert Elliott	Medical Director
Robert Finder	Independent Director (appointed 23 September 2009)
Laurie Hunter	Independent Director
David McAuliffe	Independent Director (appointed 23 September 2009)
Simon O'Loughlin	Independent Director
Paul Tan	Executive Director and CEO
Specified Executives	
Susanne Clay	Chief Business Officer (appointed 15 March 2010)
John Cowan	Finance and Administration Manager

C/ REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the remuneration for the directors and the key management personnel of the consolidated group during the year was as follows:

2010	SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT	TOTAL	% OF TOTAL THAT CONSISTS OF OPTIONS
	Cash, salary & commissions $	Superannuation $	Options $	$	
Directors					
David Brookes	53,765	14,985	65,760	134,510	48.9%
David Collinson (to 7/8/09)	15,919	-	-	15,919	
Robert Elliott	154,159	-	-	154,159	
Robert Finder (from 23/9/09)	34,404	3,096	51,916	89,416	58.1%
Laurie Hunter	50,000	-	-	50,000	
David McAuliffe (from 23/9/09)	37,500	-	51,916	89,416	58.1%
Simon O'Loughlin	56,250	-	-	56,250	
Paul Tan	294,485	-	-	294,485	
Specified Executives					
Susanne Clay (from 15/3/10)	48,426	-	-	48,426	
John Cowan	127,272	-	-	127,272	
	872,180	**18,081**	**169,592**	**1,059,853**	

2009	SHORT-TERM BENEFITS	POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENT	TOTAL	% OF TOTAL THAT CONSISTS OF OPTIONS
	Cash, salary & commissions $	Superannuation $	Options $	$	
Directors					
Robert Caspari (to 30/04/09)	441,014	-	40,345	481,359	8.38%
Simon O'Loughlin	-	75,000	-	75,000	
Robert Elliott	163,204	-	-	163,204	
Paul Tan	234,811	-	-	234,811	
David Collinson (to 07/08/09)	100,000	-	-	100,000	
David Brookes	30,000	20,000	19,471	69,471	28.03%
Laurie Hunter	50,000	-	-	50,000	
Specified Executives					
Richard Justice (to 31/10/08)	125,625	-	-	125,625	
John Cowan (from 20/10/08)	81,916	-	-	81,916	
	1,226,570	**95,000**	**59,816**	**1,381,386**	

5/ Remuneration Report (Audited)

D/ OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

Options are issued to the directors and specified executives as part of their remuneration. Each share options converts to one ordinary share of Living Cell Technologies Limited on exercise. The options are not issued based on performance criteria, but are issued to the directors and senior executives of Living Cell Technologies Limited and its subsidiaries to align the interests of executives, directors and shareholders.

	TERMS AND CONDITIONS FOR EACH GRANT						
	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
Robert Finder	-	250,000	19 Nov 2009	0.17	0.35	23 Sep 2010	19 Nov 2014
Robert Finder	-	150,000	19 Nov 2009	0.19	0.25	23 Sep 2010	19 Nov 2014
David McAuliffe	-	250,000	19 Nov 2009	0.17	0.35	23 Sep 2010	19 Nov 2014
David McAuliffe	-	150,000	19 Nov 2009	0.19	0.25	23 Sep 2010	19 Nov 2014
David Brookes	-	250,000	19 Nov 2009	0.17	0.35	23 Sep 2010	19 Nov 2014
David Brookes	-	250,000	19 Nov 2009	0.19	0.25	23 Sep 2010	19 Nov 2014
Total	**-**	**1,300,000**					

The vesting date of the options is 23 September 2010.

All options in 2010 and 2009 usually vest within one year to two years of grant date and expire within four to five years of vesting. Options granted have not been subject to performance conditions and are part of remuneration packages. Options may be granted to key management personnel with more than one year's full-time service.

Exercise prices in 2010 and 2009 have been structured at levels greater than the market price at date of the original grant by the Board, which will pre-date the ultimate shareholder approval, which is required for options to be issued to directors.

E/ OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2009

	TERMS AND CONDITIONS FOR EACH GRANT						
	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
Robert Caspari	250,000	250,000	6 Nov 2008	0.11	0.30	7 Jan 2009	5 Nov 2013
Robert Caspari	150,000	150,000	6 Nov 2008	0.09	0.40	7 Jan 2009	5 Nov 2013
Total	**400,000**	**400,000**					

The vesting date of the options was 7 January 2009 and there were no vesting conditions attached to the options.

F/ EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

Non-executive directors are subject to ordinary election and rotation requirements as stipulated in the ASX Listing Rules and the company's constitution. Accordingly, there are no specific employment contracts with non-executive directors.

The employment contracts stipulate a range of one to three month resignation periods. The company may terminate an employment contract without cause by providing written notice in accordance with the terms in the employment agreements, or making payment in lieu of notice, based on the individual's annual salary component, together with a redundancy payment based on the individual's fixed salary component and length of service. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

	DURATION	PERIOD OF NOTICE	TERMINATION PAYMENTS
Directors			
Robert Elliott	Indefinite	60 working days	Redundancy payments of 2 weeks per year of service
Paul Tan	Indefinite	60 working days	Redundancy payments of 2 weeks per year of service
Specified Executives			
Susanne Clay	Indefinite	20 working days	Redundancy payments of 2 weeks for the first year and 1 week for every 6 months thereafter. Reimbursement of relocation expenses up to NZD30,000.
John Cowan	Indefinite	30 working days	Redundancy payments of 4 weeks for first year and 2 weeks for additional years up to 12 weeks.

6/ Shares and Options Held

A/ UNISSUED SHARES UNDER OPTION

At the date of this report, the unissued ordinary shares of Living Cell Technologies Limited under option are as follows:

GRANT DATE	VESTING DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER OF OPTIONS 2010	NUMBER OF OPTIONS 2009
24 March 2004	25 March 2005	30 June 2010	0.21	-	895,000
30 August 2004	31 August 2006	30 June 2010	0.21	-	2,510,830
30 August 2004	15 January 2006	30 June 2010	0.21	-	467,500
30 August 2004	15 November 2005	30 June 2010	0.21	-	510,000
30 August 2004	31 August 2006	30 June 2010	0.21	-	2,025,000
30 August 2004	31 August 2006	30 June 2010	0.21	-	5,702,820
28 October 2004	15 November 2005	15 November 2010	0.30	1,175,000	1,175,000
5 July 2005	15 November 2005	14 November 2011	0.24	175,000	175,000
16 March 2006	16 March 2008	16 March 2011	0.23	182,000	182,000
24 November 2006	24 November 2006	12 December 2011	0.18	713,464	713,464
24 November 2006	24 November 2006	12 December 2011	0.18	586,800	586,800
23 April 2007	23 April 2007	1 February 2010	0.25	-	3,000,000
25 May 2007	25 May 2008	25 May 2012	0.20	300,000	300,000
25 May 2007	25 May 2008	25 May 2012	0.30	500,000	500,000
1 July 2007	25 May 2007	1 June 2012	0.20	950,000	1,100,000
1 July 2007	25 May 2008	1 June 012	0.30	1,000,000	1,000,000
31 October 2007	31 October 2007	30 November 2009	0.20	-	103,000
31 October 2007	31 October 2007	30 November 2009	0.20	-	150,000
27 November 2007	27 November 2007	27 November 2012	0.30	1,010,000	1,210,000
27 November 2007	28 August 2008	30 November 2012	0.20	150,000	150,000
27 November 2007	28 August 2008	30 November 2012	0.30	250,000	250,000
7 March 2008	23 February 2008	23 February 2013	0.30	500,000	500,000
27 July 2008	27 July 2008	25 June 2012	0.30	249,999	249,999
29 July 2008	29 July 2008	25 June 2012	0.30	150,000	150,000
5 November 2008	7 January 2009	5 November 2013	0.40	150,000	150,000
5 November 2008	7 January 2009	5 November 2013	0.30	250,000	250,000
4 August 2009	4 August 2009	31 December 2010	0.24	10,080,000	-
23 September 2009	23 September 2010	19 November 2014	0.25	550,000	-
23 September 2009	23 September 2010	19 November 2014	0.35	750,000	-
Total			**-**	**19,672,263**	24,006,413

B/ OPTIONS EXERCISED DURING THE YEAR

The weighted average number of years to expiry is 1.29 and the weighted average exercise price is $0.25.

During the year ended 30 June 2010, shares were issued as a result of exercise of options during the year. All options have vested except 1,300,000 issued to directors this year.

C/ OPTIONS AND RIGHTS HOLDINGS

Number of Options Held by Directors and Key Management Personnel over ordinary shares in the parent entity held during the financial year, including their personally related parties are:

	BALANCE 01/07/2009	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OPTIONS EXPIRED	BALANCE 30/06/2010	TOTAL EXERCISABLE	TOTAL UNEXERCISABLE
Directors							
David Brookes	400,000	500,000	-	-	900,000	400,000	500,000
David Collinson (to 07/08/09)	2,123,300	-	-	(2,123,300)	-	-	-
Robert Elliott	2,023,300	-	-	(2,023,300)	-	-	-
Robert Finder (from 23/09/09)	-	400,000	-	-	400,000	-	400,000
Laurie Hunter	1,700,264	-	-	-	1,700,264	1,700,264	-
David McAuliffe (from 23/09/09)	-	400,000	-	-	400,000	-	400,000
Simon O'Loughlin	950,000	-	-	-	950,000	950,000	-
Paul Tan	1,300,000	-	-	-	1,300,000	1,300,000	-
Specified Executives							
Susanne Clay (from 15/3/10)	-	-	-	-	-	-	-
John Cowan	-	-	-	-	-	-	-
Total	**8,496,864**	**1,300,000**	**-**	**(4,146,600)**	**5,650,264**	**4,350,264**	**1,300,000**

No options have been forfeited by holders during the year under review.

Directors' Report

6/ Shares and Options Held

C/ OPTIONS AND RIGHTS HOLDINGS

	BALANCE 01/07/2008	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OPTIONS EXPIRED	BALANCE 30/06/2009	TOTAL EXERCISABLE	TOTAL UNEXERCISABLE
Directors							
Simon O'Loughlin	950,000	-	-	-	950,000	950,000	-
Paul Tan	1,300,000	-	-	-	1,300,000	1,300,000	-
David Collinson	2,473,300	-	-	(350,000)	2,123,300	2,123,300	-
Robert Elliott	2,373,300	-	-	(350,000)	2,023,300	2,023,300	-
Laurie Hunter	1,700,264	-	-	-	1,700,264	1,700,264	-
David Brookes	400,000	-	-	-	400,000	400,000	-
Robert Caspari (to 30/04/09)	-	400,000	-	-	400,000	400,000	-
Specified Executives							
Richard Justice (to 31/10/08)	1,125,000	-	-	(150,000)	975,000	975,000	-
John Cowan (from 20/10/08)	-	-	-	-	-	-	-
Total	**10,321,864**	**400,000**	**-**	**(850,000)**	**9,871,864**	**9,871,864**	**-**

D/ SHAREHOLDING

Number of Shares held by Directors and Key Management Personnel over ordinary shares in the parent entity held during the financial year, including their personally related parties are:

	BALANCE 01/07/2009	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2010
Directors					
David Brookes	485,000	-	-	60,000	545,000
David Collinson (to 7/8/09)	10,359,568	-	-	-	10,359,568
Robert Elliott	2,593,126	-	-	40,000	2,633,126
Robert Finder (from 23/9/09)	-	-	-	-	-
Laurie Hunter	2,645,661	-	-	-	2,645,661
David McAuliffe (from 23/9/09)	-	-	-	-	-
Simon O'Loughlin	367,142	-	-	20,000	387,142
Paul Tan	148,571	-	-	60,000	208,571
Specified Executives					
Susanne Clay (from 15/3/10)	-	-	-	-	-
John Cowan	-	-	-	-	-
Total	**16,599,068**	**-**	**-**	**180,000**	**16,779,068**

	BALANCE 01/07/2008	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/06/2009
Directors					
Simon O'Loughlin	367,142	-	-	-	367,142
Paul Tan	148,571	-	-	-	148,571
David Collinson	10,462,978	-	-	(103,410)	10,359,568
Robert Elliott	2,596,792	-	-	(3,666)	2,593,126
Laurie Hunter	2,645,661	-	-	-	2,645,661
David Brookes	485,000	-	-	-	485,000
Robert Caspari (to 30/04/09)	-	-	-	-	-
Specified Executives					
Richard Justice (to 31/10/08)	118,571	-	-	-	118,571
John Cowan (from 20/10/08)	-	-	-	-	-
Total	**16,824,715**	**-**	**-**	**(107,076)**	**16,717,639**

Net Change Other refers to shares purchased or sold during the financial year.

7/ Indemnifying Officers

INSURANCE PREMIUMS PAID FOR DIRECTORS AND AUDITORS

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $49,000.

No amount was paid in relation to auditors.

8/ Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

9/ Other Items

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those outlined in this report and the financial statements, there were no changes in the state of affairs of the consolidated entity during the financial year.

10/ Events Subsequent to Reporting Date

A/ 13 JULY 2010 REPORT OF CONSISTENT BENEFIT IN DIABECELL® NZ PHASE II CLINICAL TRIAL

All 8 patients with insulin dependent diabetes in the NZ trial have now received implants of DIABECELL® without remarkable adverse events due to the treatment. The first cohort of 4 patients with unstable diabetes, have shown a reduction or elimination of episodes of low blood glucose levels which are often life-threatening.

Directors' Report

10/ Events Subsequent to Reporting Date

B/ 13 JULY 2010 UNDERWRITING OF EXPIRING OPTIONS RAISES $2M

9,523,810 shares were issued to the underwriters of options which expired on 30 June 2010, raising $2 million.

C/ 2 AUGUST 2010 MANAGING DIRECTOR APPOINTED

Dr Ross Macdonald is appointed to the new position of Managing Director and will work closely with the NZ CEO Dr Paul Tan as the company drives to commercialise DIABECELL®.

Other than noted above, there were no further events subsequent to balance date.

11/ Auditor's Independence Declaration

The lead auditor's independence declaration as required under Section 307c of the *Corporations Act 2001* for the ended 30 June 2010 has been received and can be found on page 37 of the financial report.

12/ Future Developments, Prospects and Business Strategies

Following a highly successful 2009/2010 year LCT is now well placed to leverage from its promising clinical data. The following developments are intended to be implemented in the near future:

i) continue with dose finding clinical trials, identify target product profile and commence pivotal trials in a number of jurisdictions;

ii) continue to improve and scale up our manufacturing capabilities;

iii) place the company favourably for commercialisation of our lead product DIABECELL®.

iv) advance discussions with regulators;

v) engage with strategic partners to advance and develop products.

These developments together with the current strategy of continuous improvement and adherence to quality control will assist in the achievement of the consolidated entity's key milestones, whilst identifying other countries for doing clinical trials and continue discussions with potential strategic partners.

13/ Environmental Issues

The Consolidated entity's operations are not regulated under a law of the Commonwealth or of a State or territory.

14/ Non-audit Services

There were no non-audit services performed by PKF during the year or in the prior year.

15/ Rounding of Amounts

The amounts in the directors' report have been rounded to the nearest dollar.

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

Director

Dated this 27th day of August 2010

Auditor's Independence Declaration

PKF

Chartered Accountants
& Business Advisers

As lead auditor for the audit of Living Cell Technologies Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PKF

PKF

Tim Sydenham

Partner

Sydney, 27 August 2010

Corporate Governance Statement

The board of directors of the company is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The directors reviewed the governance policies in the light of the ASX Corporate Governance Council's revised Corporate Governance Principles and Recommendations December 2007 which are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

Living Cell Technologies Ltd's corporate governance practices were in place throughout the year ended 30 June 2010 and were fully compliant with the Council's Principles and recommendations apart from the following recommendation:

Recommendation 8.1 Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.

The company does not have a formal board / committee / director evaluation process at present although there is regular discussion at board meetings about the performance of the board and its effectiveness.

For further information on corporate governance policies adopted by the company, refer to our website:

www.lctglobal.com

Board Composition

The skills, experience and expertise relevant to the position of each director in office at the date of the annual report is included in the Directors' Report section on Directors' Information, commencing on page 24. Directors of Living Cell Technologies Limited are considered to be independent when they are independent of management and substantial shareholders; not previously a member of management or a professional advisor to the company; free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective.

The names of the independent directors of the company are:

Simon O'Loughlin, Laurie Hunter, Dr David Brookes, Robert Finder and David McAuliffe.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

Selection and Appointment of Directors

Generally Directors are appointed on the basis that they have skills that compliment those of the board. The Nomination and Remuneration Committee will assess the skills required on the Board and make a recommendation to the Board as to candidates to be considered to join the Board.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market.

Board Audit Risk and Compliance Committee

A Board Audit Risk and Compliance Committee (BARCC) has been formed and is responsible for:

- overseeing and appraising the quality of the external audit and the internal control procedures, especially in the following areas:
  - financial reporting and practices;
  - business ethics, policies and practices;
  - accounting policies; and
  - management and internal controls;
- providing, through regular meetings, a forum for communication between the board, senior financial management staff involved in internal control procedures and the external auditors; and
- enhancing the credibility and objectivity of financial reports with other interested parties, including creditors, key stakeholders and the general public.

The Board Audit Risk and Compliance Committee charter has been posted on the Company's website.

The Committee comprises three independent directors; Dr David Brookes (Chair), Laurie Hunter and Simon O'Loughlin. The Chief Executive Officer (CEO), the Financial and Administration Manager and the Company Secretary may be invited to attend the meetings but are not members of the committee. The qualifications and experience of members are shown in the Directors' Report.

Risk

As to Risk Management, LCT's executive management team is responsible for implementing and assessing the effectiveness of risk management strategies, and internal controls across the Group.

- Business risks are assessed and reported at business unit and Group level, using both a 'bottom up' and 'top down' approach.
- At business unit level ('bottom up'), an assessment of key risks is undertaken by management, incorporating an evaluation of internal controls in place, and the development of corrective action where necessary to treat residual risk. Business unit assessments are monitored, updated and reported to Group level on a quarterly basis.
- At Group level ('top down'), an assessment of key risks is also undertaken by the senior management team, having regard to the business unit level assessments and other significant issues.
- Group risk assessments are monitored and updated, and then reported to the LCT Executive management team, and BARCC. Progress with the implementation of recommendations is also monitored by LCT's Executive management team.
- Through the various structures and functions outlined above, LCT believes it has established a sound system of risk oversight and management and internal control for the conduct of its operations.

The Board receives the assurance in writing from the CEO and Finance and Administration Manager required by s295A of the Corporations Act that the declaration is based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

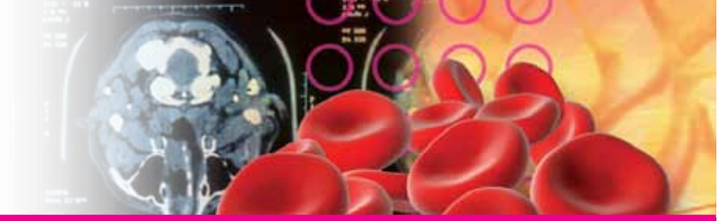
Compliance

The Board Audit Risk and Compliance Committee is responsible for:

- setting, reviewing and ratifying corporate compliance policies;
- overseeing the corporate compliance system including, but not limited to:
  liquidity; financial and secretarial; tax returns; licences and permits; safety; environment; industrial relations, including employment contracts; quality assurance, including good manufacturing practice; trade practices; privacy; insurance; risk management; and equal opportunity and anti discrimination.
- referring to the board, if necessary, any substantial matters arising from compliance reviews.

Board and Committee Performance Evaluation

There has been no formal performance evaluation of the board or board committee during the financial year ended 30th June 2010. However there is regular discussion at board meetings about the performance of the board and its effectiveness.



Corporate Governance Statement

Remuneration Policies

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the company

A full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the remuneration report, which is contained within the Director's Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three independent directors and no executive directors. The Committee presently comprises Robert Finder, Laurie Hunter and David McAuliffe.

Remuneration

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The duties of the Committee as to remuneration include the following:

- setting policies for senior officers' remuneration;
- setting policies for directors' remuneration;
- making specific recommendations to the board on remuneration of directors and senior officers;
- setting the terms and conditions of employment of a Chief Executive Officer (CEO);
- undertaking a detailed review of the CEO's performance, at least annually, including setting, with the CEO, goals for the coming year and reviewing progress in achieving these goals; and
- approving the recommendations of the CEO on the remuneration of all line managers.

There are no schemes for retirement benefits other than statutory superannuation for non executive directors.

Nomination of Directors

The Nomination and Remuneration Committee duties as to nomination of directors include:

- devising criteria for board membership;
- identifying specific candidates with skills for nomination;
- providing advice on corporate governance;
- making recommendations to the board for new directors and membership of corporate governance committees;
- assisting the chairperson in advising directors about their performance and possible retirement; and
- monitoring management succession plans, including the CEO and line management.

Communication with Shareholders

The Company maintains a comprehensive website and emails copies of all ASX announcements to shareholders and others than express an interest in receiving communication from the Company. Copies of the last five Annual Reports are available for downloading from the investor section of the website. The site also has sections devoted to the Company's science, product news and media resources including the facility to view television news clips on the company.

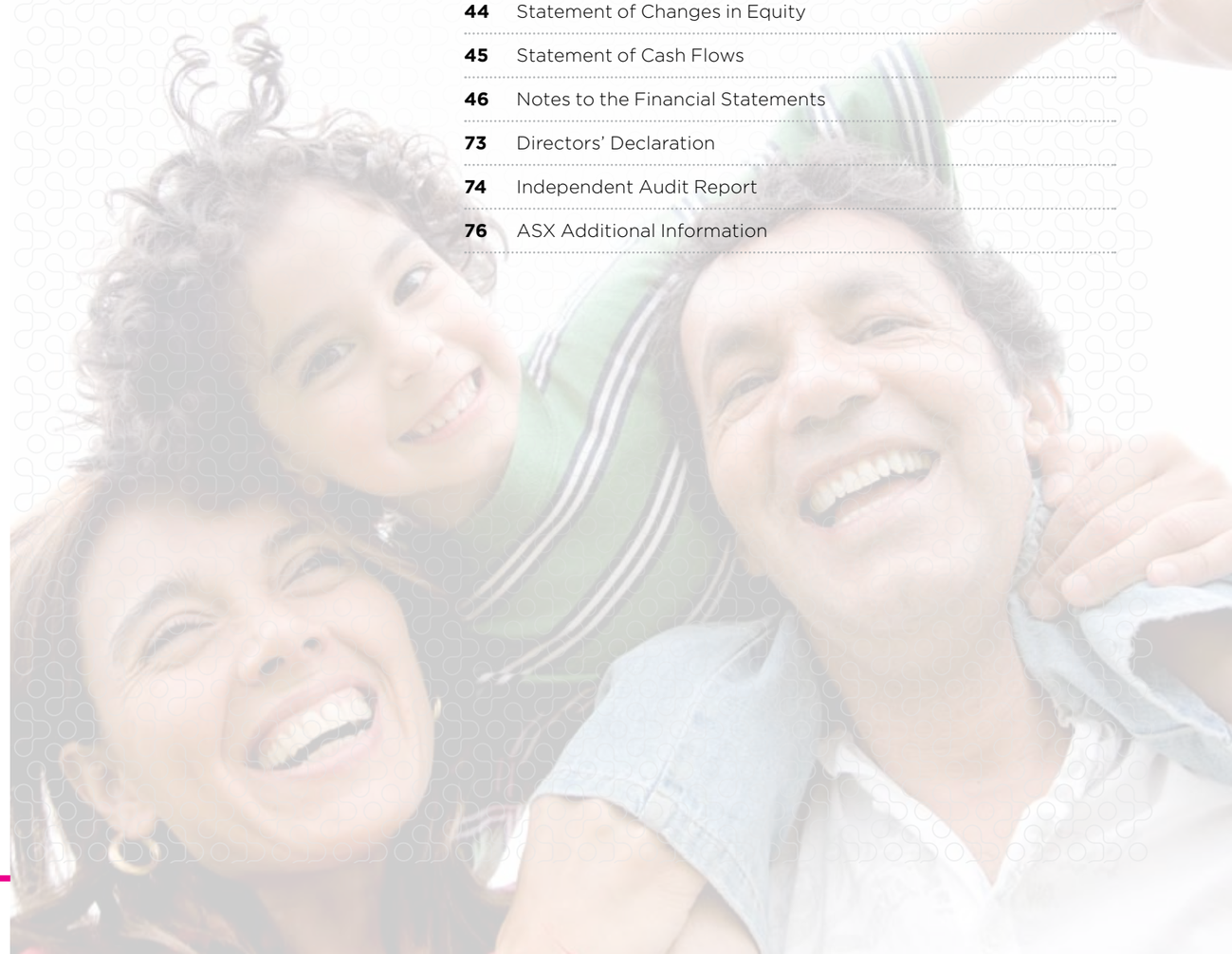
In order to give shareholders an opportunity to attend the Annual General Meeting and meet the directors informally after the meeting, the AGM has been held in Sydney and Adelaide, where there are significant numbers of shareholders. Consideration will be given to holding the AGM in other centres where there are significant numbers of shareholders.

Other Information

Further information relating to the company's corporate governance practices and policies have been made publicly available on the company's web site.

www.lctglobal.com

FINANCIALS



Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenue – trading	2(a)	**300,938**	185,846
Other income	2(b)	**1,372,531**	995,302
Employee benefits expense		**(3,244,352)**	(3,185,803)
Share based payment expense		**(184,976)**	(170,928)
Depreciation and amortisation expense		**(367,640)**	(256,955)
Freight and cartage		**(64,705)**	(50,037)
Advertising		**(153,925)**	(196,181)
Research and development costs		**(1,458,674)**	(1,265,145)
Lease expenses		**(217,826)**	(252,507)
Travel – overseas		**(279,531)**	(303,402)
Consulting and professional fees		**(654,253)**	(1,402,842)
Printing and stationery		**(32,070)**	(44,622)
Telephone and fax		**(42,789)**	(62,702)
Foreign exchange (losses) /gains		**222,664**	689,806
Auditors remuneration	20	**(86,559)**	(90,660)
Other expenses		**(782,892)**	(712,732)
Loss before income tax		**(5,674,059)**	(6,123,562)
Income tax expense	3	**-**	-
Loss attributable to members of the parent entity		**(5,674,059)**	(6,123,562)
Other comprehensive income			
Exchange differences on translating foreign operations net of tax		**(214,922)**	(47,224)
Other comprehensive income / (loss)		**(214,922)**	(47,224)
Total comprehensive loss attributable to members of the parent entity		**(5,888,981)**	(6,170,786)
Earnings Per Share:			
Continuing operations:			
Basic and diluted loss per share (cents per share)	5	**(2.13)**	(2.57)

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position

AS AT 30 JUNE 2010

	Note	2010 $	2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	21	**3,121,524**	2,868,482
Trade and other receivables	7	**711,256**	276,853
Other current assets	8	**11,925**	135,102
TOTAL CURRENT ASSETS		**3,844,705**	3,280,437
NON-CURRENT ASSETS			
Property, plant and equipment	9	**2,793,819**	2,918,011
Biological assets	10	**304,842**	301,581
TOTAL NON-CURRENT ASSETS		**3,098,661**	3,219,592
TOTAL ASSETS		**6,943,366**	6,500,029
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**411,111**	738,600
Short-term financial liabilities	12	**7,383**	36,521
Provisions	13	**285,250**	197,518
TOTAL CURRENT LIABILITIES		**703,744**	972,639
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		**703,744**	972,639
NET ASSETS		**6,239,622**	5,527,390
EQUITY			
Issued capital	15	**52,430,728**	46,049,170
Reserves	17	**1,473,708**	1,468,975
Accumulated losses		**(47,664,814)**	(41,990,755)
TOTAL EQUITY		**6,239,622**	5,527,390

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED 2010	Ordinary Shares $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total $
Balance at 1 July 2009	46,049,170	(41,990,755)	123,201	1,345,774	5,527,390
Loss attributable to members of parent entity	-	(5,674,059)	-	-	(5,674,059)
Other comprehensive loss	-	-	(214,922)	-	(214,922)
Total comprehensive loss	-	(5,674,059)	(214,922)	-	(5,888,981)
Shares issued during the year	6,751,478	-	-	-	6,751,478
Share issue transaction costs	(369,920)	-	-	-	(369,920)
Share based remuneration	-	-	-	219,655	219,655
Balance at 30 June 2010	52,430,728	(47,664,814)	(91,721)	1,565,429	6,239,622

CONSOLIDATED 2009	Ordinary Shares $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total $
Balance at 1 July 2008	46,049,170	(35,867,193)	170,425	1,174,846	11,527,248
Loss attributable to members of parent entity	-	(6,123,562)	-	-	(6,123,562)
Other comprehensive loss	-	-	(47,224)	-	(47,224)
Total comprehensive loss	-	(6,123,562)	(47,224)	-	(6,170,786)
Share/Option based remuneration	-	-	-	170,928	170,928
Balance at 30 June 2009	46,049,170	(41,990,755)	123,201	1,345,774	5,527,390

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash from operating activities:			
Receipts from customers and grants		**1,399,685**	934,202
Payments to suppliers and employees		**(7,372,992)**	(7,029,060)
Dividends received		**387**	386
Interest received		**109,102**	390,900
Net cash used in operating activities	21(a)	**(5,863,818)**	(5,703,572)
Cash flows from investing activities:			
Payment for plant and equipment		**(279,605)**	(2,367,281)
Proceeds from disposal of property, plant and equipment		**3,540**	3,707
Net cash used in investing activities		**(276,065)**	(2,363,574)
Cash flows from financing activities:			
Proceeds from issue of shares	15(c)	**6,751,478**	-
Expenses from the issue of shares	15(c)	**(369,920)**	-
Payment of finance lease liabilities		**(29,138)**	-
Repayment of borrowings		**-**	(28,245)
Net cash provided by / (used in) financing activities		**6,352,420**	(28,245)
Net increase / (decrease) in cash and cash equivalents		**212,537**	(8,095,391)
Cash and cash equivalents at beginning of year		**2,868,482**	10,767,335
Effect of exchange rates on cash holdings in foreign currencies		**40,505**	196,538
Cash and cash equivalents at end of financial year	21(b)	**3,121,524**	2,868,482

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

1/ Statement of Significant Accounting Policies

A/ BASIS OF PREPARATION

This general purpose financial report for the year ended 30 June 2010 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*. Compliance with Australian Accounting Standards ensures that the consolidated entity financial report conforms with International Financial Reporting Standards (IFRS).

The financial report covers the consolidated entity of Living Cell Technologies Limited and Controlled entities ("the economic entity" and/or "the group"). 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

The financial report has been presented in Australian Dollars, which is the Group's presentation currency, rounded to the nearest dollar. The report has been prepared on an accruals basis and is based on historical cost 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.

The financial report of Living Cell Technologies Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2010.

B/ GOING CONCERN

The directors have prepared the report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. This is not withstanding that the consolidated entity incurred losses for the year of $5,674,059 (2009: $6,123,168). The losses have negatively impacted the consolidated entity's cash balances. On 13 July 2010 the parent company issued 9,523,810 shares to underwriters of expired options raising $2.0 million which has increased the cash balance to approximately $4.7 million at the date of this report. However, unless further new funds are raised or expenditure curtailed there is significant uncertainty regarding the ability of the parent company and consolidated entity to continue as a going concern and pay their debts as they fall due and to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. Whilst the directors acknowledge that there are credit and liquidity risks due to the current economic market, they still believe that additional cash will be sourced by the consolidated entity.

The company continues to work with its funders and has taken action to address the going concern issue and to protect the financial security of the consolidated entity. The directors are considering opportunities to further improve the cash position by applying for grants and other measures.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- There will be further cash injections from potential investors and grantors;
- The group will be able to pay its debts as and when they become due and payable; and
- The basis of preparation of the financial report on a going concern basis is appropriate.

C/ PRINCIPLES OF CONSOLIDATION

A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a 30 June financial year end.

As at year end the assets and liabilities of all controlled entities have been included in the consolidated financial statements as well as their results for the year. The directors have deemed that control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

D/ 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. The functional currencies of the other subsidiaries are American dollars and New Zealand dollars.

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 statement of comprehensive income, 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 statement of comprehensive income.

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 statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

E/ COMPARATIVE FIGURES

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

F/ 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

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.

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

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.

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

1/ Statement of Significant Accounting Policies

H/ PROPERTY, PLANT AND EQUIPMENT

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

CLASS OF FIXED ASSET	
Buildings	8.5%
Plant and Equipment	7.5%–80.4%
Furniture, Fixtures and Fittings	9.5%–60%
Motor Vehicles	26%–30%
Office Equipment	18%–80.4%
Leasehold improvements	7.5–48%

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

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. Any foreign exchange movements are taken to the statement of comprehensive income.

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.

J/ INVESTMENTS

Investments in controlled entities are carried at the lower of cost and recoverable amount. The carrying amount of Investments is reviewed annually by directors to ensure that it is not in excess of the recoverable amount of these assets.

K/ 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 statement of comprehensive income in the period in which they arise.

L/ 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.

M/ 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 which have a finite life are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

N/ IMPAIRMENT OF ASSETS

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 statement of comprehensive income.

O/ 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.

P/ 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.

Where substantially all the risks and benefits incidental to the ownership of a leased fixed asset, but not the legal ownership, are transferred to the company, these leases are classified as finance leases. Finance leases are capitalised as an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residential value is brought to account. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the lease interest expense for the period and the reduction of the lease liability.

Q/ INTEREST BEARING LIABILITIES

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

R/ 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.

S/ ISSUED CAPITAL

Issued 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.

T/ 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).

U/ EMPLOYEE BENEFITS

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting 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.

Share-based payments

Share-based payments are provided to employees through issue of shares and options.

Issue of Shares

Share-based compensation benefits are provided to employees.

The fair value of shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares.

Issue of Options

The fair value of options is recognised as a benefit to directors/employees. The fair value is measured at the grant date and recognised over the period during which the options vest to the directors/employees.

The fair value at the grant date is independently determined using the Black-Scholes binomial convergence model for the employee's options. These models take into account the exercise price, the life of the option, the current price of the underlying share, the expected volatility of the share price and the risk-free rate for the life of the option.

V/ 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

1/ Statement of Significant Accounting Policies

W/ 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 reporting date.

Deferred tax is accounted for using the statement of financial position 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 statement of comprehensive income 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.

X/ EARNINGS PER SHARE (EPS)

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

Diluted EPS is calculated as net profit/(loss) attributable to members of the consolidated entity, adjusted for:

- costs of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Y/ 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 statement of financial position are shown inclusive of GST.

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

Z/ 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.

AA/ ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The following Standards, amendments to standards and interpretations have been adopted in the current period and have affected the disclosures in these financial statements:

- Revised AASB 101 *Presentation of Financial Statements* has introduced as a financial statement (formerly 'primary' statement) the 'statement of comprehensive income'. The balance sheet is now referred to as 'statement of financial position' and the cash flow statement is now referred to 'statement of cash flows'. If an entity has made a prior period adjustment or reclassification a third balance sheet as at the beginning of the comparative period will be required. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs.
- AASB 8 *Operating Segments* replaced AASB 114 *Segment Reporting* and has introduced the 'management approach" to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

Currently the Company operates in one operating segment. As a result, the Company concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

- Revised AASB 7 *Financial Instrument's Disclosures* has introduced disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*. This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss.

AB/ ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, certain new standards, amendments and interpretation to existing standards have been issued but are not yet effective, and have not been adopted by the Company for the reporting period ended 30 June 2010.

The Company has assessed the impact of these new standards, amendments and interpretations, and set below information that is expected to be relevant to the Company's financial statements.

AASB 124 *Related Party Disclosures (2009)*, AASB 2009-12 *Amendments to Australian Accounting Standards*

Effective: Annual periods beginning on or after 1 January 2011

Expected implementation: Year commencing 1 January 2011

Amends the requirements of the previous version of AASB 124 to:

- Provide a partial exemption from related party disclosure requirements for government related entities
- Clarify the definition of a related party
- Include an explicit requirement to disclose commitments involving related parties.

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process*

Effective: Annual periods beginning on or after 1 January 2011

Expected implementation: Year commencing 1 January 2011

- Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences.
- Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

  Note: The amendments made to the guidance to AASB 118 *Revenue* regarding determining whether an entity is acting as agent or principal have no explicit application date and we understand that they are taken to be immediately applicable.

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*

Effective: Annual periods beginning on or after 1 January 2013

Expected implementation: Year commencing 1 January 2013

AASB 9 introduces new requirements for classifying and measuring

financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

1/ Statement of Significant Accounting Policies

AC/ CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the group.

Key estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

2/ Income

A/ REVENUE – TRADING

	2010 $	2009 $
Sale of goods	**548**	527
Services revenue	**300,390**	185,319
Total Revenue – Trading	**300,938**	185,846

B/ OTHER REVENUE

	2010 $	2009 $
Interest income	**166,293**	390,900
Dividend income	**387**	386
Other revenue	**216,149**	617
Grant income	**989,702**	603,399
Total Other Revenue	**1,372,531**	995,302

Grant income comprises a NZ Foundation for Research Science and Technology grant for scaling up technology which reimburses up to 50% of approved expenditure and a Juvenile Diabetes Research Foundation International grant based on achievement of agreed milestones.

Other Revenue consists of a research and development tax credit, sale of fixed assets, and an option to license fee.

3/ Income Tax Expense

The prima facie tax benefit, using tax rates applicable in the country of operation, on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2010 $	2009 $
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2009: 30%)		
- Consolidated economic entity	**(1,702,218)**	(1,837,069)
Tax effect of non-allowable and non-assessable items:		
- Deductible capital expenditure	**(51,833)**	(38,517)
- Unrealised foreign exchange gains	**(12,376)**	(245,756)
- Other items (net)	**57,194**	1,940
- Tax effect of temporary differences	**20,460**	10,913
- Deferred tax asset not brought to account	**1,688,773**	2,108,489
Income tax expense	**-**	-

4/ Tax Losses

As at 30 June 2010 companies within the consolidated entity had estimated unrecouped operating income tax losses as shown below. The benefit of these losses has not been brought to account as realisation is not probable.

	2010 $	2009 $
Unused tax losses for which no deferred tax asset has been recognised	**36,177,552**	33,125,703
Potential tax benefit @ 30%	**10,853,265**	9,937,711

The benefit will only be obtained if:

- the companies derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised.
- the companies continue to comply with the conditions for deductibility imposed by the law.
- no changes in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

5/ Earnings / (Loss per share)

A/ DETAILED TABLE

	2010 $	2009 $
Losses used in calculation of basic and diluted EPS	**(5,674,059)**	(6,123,562)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	**265,956,265**	238,323,752

B/

	2010 cents	2009 cents
Basic earnings / (loss) per share	**(2.13)**	(2.57)
Diluted earnings / (loss) per share	**(2.13)**	(2.57)

6/ Parent Entity Disclosures

	2010 $	2009 $
Current Assets	**2,995,332**	3,028,681
Total Assets	**2,995,332**	3,028,681
Current Liabilities	**(101,954)**	(328,428)
Total Liabilities	**(101,954)**	(328,428)
Loss	**(6,408,089)**	(7,904,695)
Comprehensive Loss	**(6,408,089)**	(7,904,695)
Accumulated Losses	**(44,694,692)**	(36,789,997)
Issued Capital	**52,430,728**	46,049,170
Options Reserve	**1,565,430**	1,345,775
Shareholders' Equity	**2,893,377**	2,700,253

The parent company has no guarantees, contingent liabilities or capital commitments.

7/ Trade and Other Receivables

A/ CURRENT RECEIVABLES

	2010 $	2009 $
Other receivables	**501,529**	276,853
Trade receivables	**209,727**	
Total Current Trade and Other Receivables	**711,256**	276,853

B/ ALLOWANCE FOR IMPAIRMENT LOSS

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence than an individual trade receivable is impaired. There is no impairment loss for the current year (2009:$Nil) by the Group.

C/ AGED ANALYSIS

At 30 June 2010, there were no trade receivables past due, bad debts or doubtful debts (2009:$Nil).

8/ Other Assets

	2010 $	2009 $
Other assets	**11,925**	135,102
Total Other Assets	**11,925**	135,102

9/ Property, Plant and Equipment

A/ DETAILED TABLE

	2010 $	2009 $
Buildings		
High Health Pig Facility		
At cost	**1,875,590**	-
Less accumulated depreciation	**(131,944)**	-
Capital Works in Progress		
High Health Pig Facility	**-**	1,790,160
Total buildings	**1,743,646**	1,790,160
Plant and equipment		
At cost	**1,454,145**	1,317,474
Less accumulated depreciation	**(736,180)**	(553,837)
Total plant and equipment	**717,965**	763,637
Furniture, fixture and fittings		
At cost	**95,552**	91,560
Less accumulated depreciation	**(57,409)**	(48,994)
Total furniture, fixture and fittings	**38,143**	42,566
Motor vehicles		
At cost	**16,332**	16,779
Less accumulated depreciation	**(5,600)**	(7,068)
Total motor vehicles	**10,732**	9,711
Office equipment		
At cost	**192,913**	182,305
Less accumulated depreciation	**(165,455)**	(148,020)
Total office equipment	**27,458**	34,285
Leasehold improvements		
At cost	**488,274**	476,326
Less accumulated depreciation	**(232,399)**	(198,674)
Total leasehold improvements	**255,875**	277,652
Total property, plant and equipment	**2,793,819**	2,918,011

B/ MOVEMENTS IN CARRYING AMOUNTS

	Capital works in progress $	Buildings INVGL HH Pig Facility $	Plant and Equipment $	Furniture, Fixtures and Fittings $	Motor Vehicles $	Office Equipment $	Leasehold Improvements $	Total $
Current Year								
Balance at 1 July 2009	**1,790,160**	**-**	**763,637**	**42,566**	**9,711**	**34,285**	**277,652**	**2,918,011**
Additions	**85,430**	**1,875,590**	**149,467**	**3,002**	**5,155**	**10,714**	**6,799**	**2,136,157**
Disposals	**-**	**-**	**(14,394)**	**-**	**(946)**	**(362)**	**-**	**(15,702)**
Depreciation expense	**-**	**(129,391)**	**(179,115)**	**(7,732)**	**(3,230)**	**(17,206)**	**(30,967)**	**(367,641)**
Transfer to High Health Pig Facility	**(1,875,590)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,875,590)**
Foreign exchange movements	**-**	**(2,553)**	**(1,630)**	**307**	**42**	**27**	**2,391**	**(1,416)**
Balance at 30 June 2010	**-**	**1,743,646**	**717,965**	**38,143**	**10,732**	**27,458**	**255,875**	**2,793,819**
Prior Year								
Balance at 1 July 2008	16,066	-	510,182	46,636	1,397	48,989	293,333	916,603
Additions	1,774,094	-	429,631	4,099	11,058	13,241	14,310	2,246,433
Disposals	-	-	(20,122)	-	-	(1,234)	-	(21,356)
Depreciation expense	-	-	(182,490)	(8,995)	(2,804)	(27,784)	(34,883)	(256,956)
Foreign exchange movements	-	-	26,436	826	60	1,073	4,892	33,287
Balance at 30 June 2009	1,790,160	-	763,637	42,566	9,711	34,285	277,652	2,918,011

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

10/ Biological Assets

A/ VALUE OF ASSET

	2010 $	2009 $
Pig herd: Opening balance	**301,581**	340,600
Effect of exchange rate movements	**3,261**	(39,019)
Total Biological Assets	**304,842**	301,581

B/ NATURE OF ASSET

On 30 June 2005 the company purchased a herd of sub-Antarctic 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.

11/ Trade and Other Payables

	2010 $	2009 $
Unsecured		
Trade payables	**286,741**	612,315
Accrued expenses	**124,370**	126,285
Total Trade and Other Payables	**411,111**	738,600

12/ Financial Liabilities

	Note	2010 $	2009 $
Unsecured			
Finance lease: Current	14(b)	**7,383**	36,521
Total Financial Liabilities		**7,383**	36,521

13/ Provisions

	2010 $	2009 $
CURRENT		
Opening balance	**197,518**	159,964
Amounts used	**163,998**	139,024
Unused amounts reversed	**(76,266)**	(101,470)
Balance at end of year	**285,250**	197,518

A provision has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee entitlements have been included in note 1 of this report.

14/ Capital and Leasing Commitments

A/ OPERATING LEASE COMMITMENTS

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

	2010 $	2009 $
Payable - minimum lease payments		
- not later than 12 months	**231,691**	180,914
- between 12 months and 5 years	**884,286**	481,473
- greater than 5 years	**520,539**	630,377
	1,636,516	1,292,764

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 5 years until expiry and rent payable in advance. Contingent rental provisions require the minimum lease payments to be reviewed every 2 years.

The animal laboratory lease is a non-cancellable lease with a 6 year lease term with 1 1/2 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 to be reviewed every 2 years.

The land for the new designated pathogen free pig breeding facility on the South Island is a 20 year lease with rent renewal every 3 years.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

14/ Capital and Leasing Commitments

A/ OPERATING LEASE COMMITMENTS

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 to be reviewed every 2 years.

The lease of three copiers is a non-cancellable lease expiring on 27 February 2014.

Living Cell Technologies New Zealand Limited has a contract with the Centre for Clinical Research at Middlemore Hospital to conduct the NZ clinical trial. Under this contract the company is committed to pay $565,000 over the term of the trial which is scheduled to end in February 2011.

B/ FINANCE LEASE COMMITMENTS

	Note	2010 $	2009 $
Payable - minimum lease payments			
- less than 1 year		**7,469**	30,789
- later than 1 year and not later than 5 years		**-**	7,469
- later than 5 years		**-**	-
Lease payments		**7,469**	38,258
Less future finance changes		**(86)**	(1,737)
Present value of lease payments	12	**7,383**	36,521

Living Cell Technologies NZ Ltd entered into an agreement with Roche Diagnostics NZ Ltd with a lease to buy a LightCycler® 480 Real Time PCR Instrument, with a 36 month term payable each month with 3 months remaining on the lease at reporting date.

15/ Issued Capital

A/ ISSUED CAPITAL

	2010 $	2009 $
274,266,196 Ordinary shares fully paid (2009: 238,323,752)	**52,430,728**	46,049,170
Total Issued Capital	**52,430,728**	46,049,170

B/ AUTHORISED CAPITAL

The authorised share capital of the company is 274,266,196 shares (2009: 238,323,752) of nil par value.

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

C/ MOVEMENTS IN SHARES ON ISSUE

	2010 Number of shares	2010 $	2009 Number of shares	2009 $
Ordinary Shares				
Beginning of the financial year	**238,323,752**	**46,049,170**	238,323,752	46,049,170
Issued during the year				
- private share issues	**34,223,604**	**6,388,401**	-	-
- staff options exercised	**42,500**	**8,925**	-	-
- options exercised	**1,676,340**	**354,152**	-	-
Transaction costs in capital raising	**-**	**(369,920)**	-	-
At reporting date	**274,266,196**	**52,430,728**	238,323,752	46,049,170

On the 8 July 2010 the Board issued 9,523,810 ordinary shares at A$0.21 relating to the shortfall from unexercised options which expired on 30 June 2010.

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, as well as information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report in section 5(d) of the Directors' Report and Key Management Personnel compensation in note 20(b).

The weighted average fair value of options granted during the year was $0.13 (2009: $0.1009)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

15/ Issued Capital

D/ OPTIONS

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

	2010	2009
Expected share volatility (%)	**76.00**	75.50
Risk free interest rate (%)	**3.50**	4.05
Weighted average expected life of the option (years)	**4.85**	4.45
Weighted average exercise price ($)	**0.31**	0.30
Weighted average share price at grant date ($)	**0.29**	0.19

Included under the share based payments expense in the statement of comprehensive income is $184,976 (2009: $170,928) of equity-settled share based payment transactions.

16/ Capital Management

The capital of the consolidated group is equity held in the group. The consolidated group's objective when managing capital is to safeguard the ability to continue as a going concern so that they can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure.

Management effectively manages the group's capital structure by assessing the group's financial risks and adjusting the capital structure in response to changes in these risks and the market. These responses include the issue of additional shares.

There were no changes to the group's approach to capital management nor were there any externally imposed capital requirements during the year.

17/ Share Capital and Reserves

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 the statement of comprehensive income 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.

18/ Currency Translation Rates

	CURRENCY	2010 AUD	2009 AUD
Year end rates used for the consolidated statement of financial position to translate the following currencies into Australian dollars (AUD), are:			
	USD	1.17	1.24
	NZD	0.81	0.80
Average rates of the year used for the consolidated statements of comprehensive income and cash flows, to translate the following currencies into Australian Dollars (AUD), are:			
	USD	1.14	1.36
	NZD	0.80	0.82

19/ 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:

DIRECTORS	POSITION
David Brookes	Independent Director and Chairman
David Collinson	Director (died 7 August 2009)
Robert Elliott	Medical Director
Robert Finder	Independent Director (appointed 23 September 2009)
Laurie Hunter	Independent Director
David McAuliffe	Independent Director (appointed 23 September 2009)
Simon O'Loughlin	Independent Director
Paul Tan	Executive Director, CEO
Executives	
Susanne Clay	Chief Business Officer (appointed 15 March 2010)
John Cowan	Finance and Administration Manager

B/ COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the consolidated group is set out below:

	2010 $	2009 $
Short-term employee benefits	**872,180**	1,226,570
Post-employment benefits	**18,081**	95,000
Share-based payments	**169,592**	59,816
Total	**1,059,853**	1,381,386

C/ OPTIONS AND RIGHTS HOLDINGS

	Balance 01/07/2009	Granted as Remuneration	Options Exercised	Options Expired	Balance 30/06/2010	Total Exercisable	Total Unexercisable
Directors							
David Brookes	400,000	500,000	-	-	900,000	400,000	500,000
David Collinson	2,123,300	-	-	(2,123,300)	-	-	-
Robert Elliott	2,023,300	-	-	(2,023,300)	-	-	-
Robert Finder	-	400,000	-	-	400,000	-	400,000
Laurie Hunter	1,700,264	-	-	-	1,700,264	1,700,264	-
David McAuliffe	-	400,000	-	-	400,000	-	400,000
Simon O'Loughlin	950,000	-	-	-	950,000	950,000	-
Paul Tan	1,300,000	-	-	-	1,300,000	1,300,000	-
Specified Executives							
John Cowan	-	-	-	-	-	-	-
Susanne Clay	-	-	-	-	-	-	-
Total	**8,496,864**	**1,300,000**	**-**	**(4,146,600)**	**5,650,264**	**4,350,264**	**1,300,000**

No options have been forfeited by holders during the year under review.

	Balance 01/07/2008	Granted as Remuneration	Options Exercised	Options Expired	Balance 30/06/2009	Total Exercisable	Total Unexercisable
Directors							
Simon O'Loughlin	950,000	-	-	-	950,000	950,000	-
Paul Tan	1,300,000	-	-	-	1,300,000	1,300,000	-
David Collinson	2,473,300	-	-	(350,000)	2,123,300	2,123,300	-
Robert Elliott	2,373,300	-	-	(350,000)	2,023,300	2,023,300	-
Laurie Hunter	1,700,264	-	-	-	1,700,264	1,700,264	-
David Brookes	400,000	-	-	-	400,000	400,000	-
Robert Caspari	-	400,000	-	-	400,000	400,000	-
Specified Executives							
Richard Justice	1,125,000	-	-	(150,000)	975,000	975,000	-
John Cowan	-	-	-	-	-	-	-
Total	**10,321,864**	**400,000**	**-**	**(850,000)**	**9,871,864**	**9,871,864**	**-**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

19/ Key Management Personnel Compensation

D/ SHAREHOLDINGS

	Balance 01/07/2009	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2010
Directors					
David Brookes	485,000	-	-	60,000	545,000
David Collinson	10,359,568	-	-	-	10,359,568
Robert Elliott	2,593,126	-	-	40,000	2,633,126
Robert Finder	-	-	-	-	-
Laurie Hunter	2,645,661	-	-	-	2,645,661
David McAuliffe	-	-	-	-	-
Simon O'Loughlin	367,142	-	-	20,000	387,142
Paul Tan	148,571	-	-	60,000	208,571
Specified Executives					
John Cowan	-	-	-	-	-
Susanne Clay	-	-	-	-	-
Total	**16,599,068**	**-**	**-**	**180,000**	**16,779,068**

	Balance 01/07/2008	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2009
Directors					
David Brooks	485,000	-	-	-	485,000
David Collinson	10,462,978	-	-	(103,410)	10,359,568
Robert Caspari	-	-	-	-	-
Robert Elliot	2,596,792	-	-	(3,666)	2,593,126
Laurie Hunter	2,645,661	-	-	-	2,645,661
Simon O'Loughlin	367,142	-	-	-	367,142
Paul Tan	148,571	-	-	-	148,571
Specified Executives					
Richard Justice	118,571	-	-	-	118,571
John Cowan	-	-	-	-	-
Total	**16,824,715**	**-**	**-**	**(107,076)**	**16,717,639**

20/ Auditors' Remuneration

	2010 $	2009 $
Remuneration of PKF Sydney:		
- Auditing or reviewing the consolidated financial report and Australian based subsidiaries	**73,000**	74,500
Remuneration of PKF Ross Melville Auckland:		
- Auditing New Zealand based subsidiaries	**13,559**	14,280
- Auditors remuneration	**86,558**	88,780

21/ Cash Flow Information

A/ RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX

	2010 $	2009 $
Net loss for the period	**(5,674,059)**	(6,123,562)
Non-cash flows in loss:		
Depreciation	**367,640**	256,954
Net foreign currency (gains) / losses	**(222,664)**	(689,806)
Gain on disposal of plant, property and equipment	**(3,407)**	-
Share options expensed	**219,655**	170,928
Changes in assets and liabilities.		
(Increase) / decrease in trade and other receivables	**(434,403)**	(103,923)
(Increase) / decrease in other assets	**123,177**	(6,230)
(Decrease) / increase in trade payables and accruals	**(327,489)**	754,512
Increase in employee entitlements	**87,732**	37,554
Cash flow from operations	**(5,863,818)**	(5,703,573)

B/ RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2010 $	2009 $
Cash and cash equivalents	**3,121,524**	2,868,482

22/ Controlled Entities

NAME	COUNTRY OF INCORPORATION	PERCENTAGE % OWNED 2010	PERCENTAGE % OWNED 2009
Parent Entity and ultimate parent of group:			
Living Cell Technologies Ltd	Australia		
Subsidiaries of parent entity:			
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
LCT Biomedical Ltd	Russia	**100**	-
Fac8Cell Pty Ltd	Australia	**100**	100
DiabCell Pty Ltd	Australia	**100**	100
NeurotrophinCell Pty Ltd	Australia	**100**	100

23/ Related Party Transactions

A/ WHOLLY OWNED GROUP TRANSACTIONS

i) Parent Entity

The parent entity and ultimate parent entity of the group is Living Cell Technologies Limited.

ii) Subsidiaries

Subsidiaries are detailed in note 22 to the financial statements.

iii) Loans

All loan balances between the companies in the consolidated group have been fully provided for and eliminated on consolidation. All intercompany loan transactions to and from subsidiaries and with the parent entity are fully provided for.

iv) Service Fee

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

v) Key Management Personnel

Disclosures relating to key management personnel are set out in note 19 and the director's report.

24/ 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.

25/ Financial Instruments

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. These activities expose the Group to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group manages the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rates and foreign exchange rates. The Group's policy is to invest in a spread of maturities to manage interest rate risk and to invest in currencies in approximate proportions of forecast expenditure to manage foreign exchange risk.

The Group holds the following financial instruments:

CONSOLIDATED	2010 $	2009 $
Financial Assets:		
Cash and cash equivalents	**3,121,524**	2,868,482
Trade and other receivables	**711,256**	276,853
Total Financial Assets	**3,832,780**	3,145,335
Financial Liabilities:		
Trade and other payables	**411,111**	738,600
Lease liabilities	**7,383**	36,521
Total Financial Liabilities	**418,494**	775,121

A/ MARKET RISK

The consolidated entity's activities expose it to the financials risks of changes in foreign currency exchange rates and interest rates. These risks are managed at a company and consolidated level through sensitivity analysis. There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

B/ INTEREST RATE RISK

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held. The company manages this risk by investing in term deposits ranging between two week term and 6 months. This investment policy is adopted to manage risks and enhance returns.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

25/ Financial Instruments

B/ INTEREST RATE RISK

Interest Rate Risk Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, based on interest income at the average rate for the year, with all other variables remaining constant would be as follows:

CONSOLIDATED	2010 $	2009 $
+ 1% (100 basis points)	**34,906**	93,015
- 0.5% (50 basis points)	**(17,453)**	(46,507)

C/ FOREIGN CURRENCY RISK

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. At 30 June 2010, the group had exposure to fluctuations in foreign currency arising from the sale and purchase of goods and services in currencies other than the consolidated group's measurement currency.

		2010 $	2009 $
Financial Assets			
Cash and cash equivalents:	NZD	**165,232**	1,834,954
	USD	**42,909**	89,658
Trade and other receivables	NZD	**396,379**	276,610
	USD	**245,809**	243
Other assets (current)	NZD	**11,439**	50,203
Property, plant and equipment:	NZD	**2,718,877**	2,789,924
	USD	**67,753**	82,980
Biological assets	NZD	**304,842**	301,581
Financial Liabilities			
Trade and other payables:	NZD	**(296,773)**	(376,592)
	USD	**(1,466)**	-
Short term borrowings	NZD	**(7,383)**	(36,521)
Current provisions	NZD	**(285,250)**	(197,518)
Retained earnings:	NZD	**1,924,330**	1,232,017
	USD	**128,685**	713,726
Net exposure		**5,415,383**	6,761,265

The consolidated entity is mainly exposed to US dollars and New Zealand dollars.

The following sensitivity analysis is based on the foreign currency rate risk exposure in existence at the reporting date.

At 30 June 2010, if the Australian dollar moved, as illustrated in the table below, based on all year end balances in foreign currency, with all other variables held constant, post tax profit/(loss) and equity would have been affected as follows:

CONSOLIDATED	NET LOSS HIGHER (LOWER)		NET ASSETS HIGHER (LOWER)	
	2010 $	2009 $	2010 $	2009 $
AUD/NZD 10%	**522,261**	330,278	**329,828**	330,278
AUD/NZD -5%	**(261,131)**	(165,139)	**(164,914)**	(165,139)
AUD/USD 10%	**(61,480)**	4,374	**(74,349)**	4,374
AUD/USD -5%	**30,740**	(2,187)	**37,174**	(2,187)

D/ PRICE RISK

The consolidated entity is not subject to any price risk.

E/ CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any allowances for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

F/ LIQUIDITY RISK

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that sufficient working capital is available to enable the company to maintain adequate reserves to allow the company to achieve identified strategic objectives.

The tables below analyse the consolidated entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows.

CONSOLIDATED	< Less than 1 year $	1 - 5 years $	> greater than 5 years $
Lease liabilities	7,383	-	-
Trade and other liabilities	411,111	-	-
Total	**418,494**	**-**	**-**

25/ Financial Instruments

G/ NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of the consolidated entity's identified financial assets and liabilities are a reasonable approximation of their fair value.

26/ Contingent Liabilities and Contingent Assets

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

27/ Events Subsequent to Reporting Date

A/ 13 JULY 2010 REPORT OF CONSISTENT BENEFIT IN DIABECELL® NZ PHASE II CLINICAL TRIAL

All 8 patients with insulin dependent diabetes in the NZ trial have now received implants of DIABECELL® without remarkable adverse events due to the treatment. The first cohort of 4 patients with unstable diabetes, have shown a reduction or elimination of episodes of low blood glucose levels which are often life-threatening.

B/ 13 JULY 2010 UNDERWRITING OF EXPIRING OPTIONS RAISES $2M

9,523,810 shares were issued to the underwriters of options which expired on 30 June 2010, raising $2 million.

C/ 2 AUGUST 2010 MANAGING DIRECTOR APPOINTED

Dr Ross Macdonald is appointed to the new position of Managing Director and will work closely with the NZ CEO Dr Paul Tan as the company drives to commercialise DIABECELL®.

Other than noted above, there were no further events subsequent to balance date.

28/ Company Details

The registered office of the company is:

Living Cell Technologies Limited

Level 9, 20 Hunter Street
Sydney NSW 2001
+61 2 2952 1933

The principal place of business is:

PO Box 23566
Hunters Corner, Manukau 2155
Auckland, New Zealand
+64 9 276 2690

Directors' Declaration

The directors of Living Cell Technologies limited declare that:

a) in the directors' opinion the financial statements and notes on pages 24 to 73, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 24 to 36, are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

   ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and.

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

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

The directors have been given the declarations by the chief executive officer and the chief financial officer for the financial year ended 30 June 2010, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

Dated at 27th day of August 2010

Director

Independent Auditor's Report

TO THE MEMBERS OF LIVING CELL TECHNOLOGIES LIMITED

PKF

Chartered Accountants
& Business Advisers

Report on the Financial Report

We have audited the accompanying financial report of Living Cell Technologies Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises the parent company and the entities it controlled at the year end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

a) the financial report of Living Cell Technologies Limited is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

MATERIAL UNCERTAINTY REGARDING CONTINUATION AS A GOING CONCERN

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $5,674,059 (2009 : $6,123,562) during the year ended 30 June 2010. These losses have had a negative impact on the cash resources of the consolidated entity. These conditions, along with other matters as set forth in Note 1 gives rise to a significant uncertainty regarding the ability of the consolidated entity to continue as a going concern and the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern or be able to pay their debts as and when they fall due.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the remuneration report on pages 28 to 31 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion the Remuneration Report of Living Cell Technologies Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PKF

Tim Sydenham, Partner
Sydney, 27 August 2010

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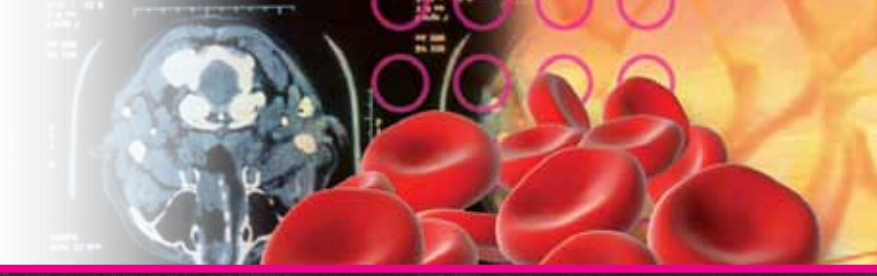


Additional ASX Information

The shareholders information set out below was applicable as of 24 September 2010.

1/ Distribution of shareholders

Analysis of number of shareholders by size of holding.

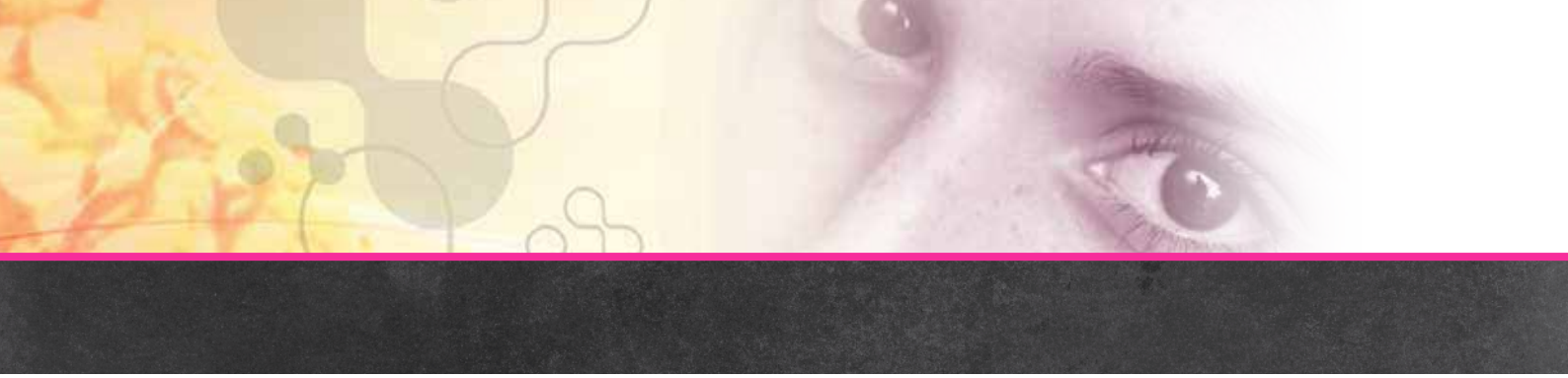
CATEGORY OF HOLDING	NUMBER	NUMBER OF SHARES
1 – 1,000	116	30,846
1,001 – 5,000	480	1,503,884
5,001 – 10,000	334	2,814,811
10,001 – 100,000	843	31,897,348
100,001 – shares and over	227	247,543,117
Total	2,000	283,790,006

2/ Unmarketable parcels

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $500.00 parcel at $0.185 per unit	2,703	325	432,345

3/ Twenty largest shareholders

SHAREHOLDER	NUMBER OF SHARES	% OF TOTAL SHARES
National Nominees Limited	46,815,935	16.50
HSBC Custody Nominees (Australia) Limited	37,112,505	13.08
Coalco International Limited	24,150,408	8.51
Navigroup Management Limited	20,213,249	7.12
K One W One Limited	11,061,006	3.90
Mr Graeme Collinson & Mr David Collinson	10,359,568	3.65
JP Morgan Nominees Limited	5,085,007	1.79
Foundation Services Limited	4,977,626	1.75
ERIS Pty Ltd	3,847,087	1.36
Mr Hugh Green, Ms Marianne Green & Mr Robert Narev	3,829,850	1.35
Citicorp Nominees Pty Limited	3,546,772	1.25
Suvale Nominees Pty Limited	2,725,000	0.96
Bell Potter Nominees Limited	2,645,661	0.93
I E Properties Pty Ltd	2,135,932	0.75
Mr Robert Bartlett Elliot	2,111,455	0.74
ANZ Nominees Limited	1,811,941	0.64
Merrill Lynch (Australia) Nominees Limited	1,715,648	0.60
Mr Michael Bushell	1,606,571	0.57
Forbar Custodians Limited	1,395,797	0.49
4 Eyes Limited	1,118,300	0.39
Total top 20 holders of ordinary shares	188,265,318	66.34



4/ Substantial shareholders

The names of substantial shareholders who have notified the company in accordance with section 671B of the *Corporations Act 2001* are:

SHAREHOLDER	NUMBER OF SHARES
Persistency Private Equity Limited	25,610,891
Coalco International Limited	24,150,408

5/ Voting rights

All ordinary shares carry one vote per share without restriction.

Living Cell Technologies Limited

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Sydney NSW 2001

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Manukau 2155
Auckland, New Zealand

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