

Living Cell Technologies Limited

ABN: 104 028 042

Appendix 4E full year ended 30 June 2023

(Previous corresponding period: Year
ended 30 June 2022)

Results for Announcement to Market

	2023	2022
	\$	\$
Services revenue	-	-
Total other income	42,016	3,405
Total revenue and other income	42,016	3,405
Loss before income tax expense	(2,107,658)	(2,372,029)
Income tax credit	-	414,729
Reported net loss after tax attributable to members of the parent entity	(2,107,658)	(1,957,300)

Reported

- Total revenue and other income increased 1,134% to \$42,016.
- Net loss from ordinary activities attributable to members of the parent entity has decreased to \$2,107,658.
- Net loss after tax for the year attributable to members of the parent entity has increased to \$2,107,658.

Dividends

	Amount per security	Franked amount per security
Final dividend	NIL	-
Previous corresponding period	NIL	-
Record date for determining entitlements to the dividend:	n/a	
Date the dividend is payable	<u>n/a</u>	

Explanation of results

For further explanation of the results please refer to the ASX release.

Other information required by Listing Rule 4.3A

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached Consolidated Financial Report and media release.

Additional Information

NTA Backing

	30 June 2023	30 June 2022
Net tangible asset backing per ordinary share	0.2 cents per share	0.3 cents per share

Changes in controlled entities

No companies were acquired during the year.

One company was disposed of during the year.

Audit Report

The audit report is contained in the attached Financial Report.



M Bhalla
Company Secretary
30 August 2023



Living Cell Technologies Limited

Consolidated financial statements

For the Year Ended 30 June 2023

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For the year ended 30 June 2023

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Directors' report

30 June 2023

The directors present their report, together with the financial statements of the consolidated entity, being Living Cell Technologies Limited (LCT, the company, or group) and its controlled entities, for the financial year ended 30 June 2023.

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

1. General information

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

David Hainsworth	Director from 30 October 2022, Executive Chairman (Age: 49)
Qualifications	B.Sc
Experience	David Hainsworth is a finance professional with more than 20 years' experience in capital markets. Currently serving as Associate Director of Australian boutique corporate advisory firm Alignment Capital Pty Ltd, Mr. Hainsworth's responsibilities are principally centred on the origination and execution of capital market transactions within high-growth sectors. Prior to this role, he was an investment advisor at Euroz Hartleys Ltd, a highly regarded and publicly listed wealth management company. His significant expertise extends to corporate financing and capital raising, with a specialisation in early-stage projects in the biotechnology industry.
Special responsibilities	Mr. Hainsworth was appointed to the board on 31 October 2022.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.
Bradley Dilkes	Non-executive director from 30 October 2022 (Age: 38)
Qualifications	B.Com
Experience	Brad Dilkes has more than 15 years' experience working in the investment and corporate advisory sectors within the context of emerging companies. He has been an Associate Director of boutique corporate advisory firm Alignment Capital for 8 years, providing corporate services to high-growth companies listed, or seeking to list, on the ASX. Prior to this role, he was an investment advisor at a micro-cap focused investment bank. Brad has specific experience in project conception and deal origination in the biotechnology sector, founding a range of research and development projects and companies in emergent fields of study.
Special responsibilities	Mr. Dilkes was appointed to the board on 31 October 2022.
Other Directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.

Directors' report

30 June 2023

Bradley Latham	Non-executive director from 3 July 2023 (Age: 61)
Qualification	Master of Management (UNSW)
Experience	Mr Bradley Latham is an accomplished and energetic businessperson with strong commercial acumen and extensive business experience. The majority of Mr Latham's working career has been with Sydney Markets where he has worked his way through the ranks until appointed CEO of the group in 2006. Mr Latham has a proven track record of business leadership and has a strong understanding of good corporate governance and risk management. He possesses an ability to identify and assess strategic growth opportunities.
Special responsibilities	Mr Latham was appointed to the board on 3 July 2023.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.
Carolyn Sue	Independent director (Age: 60)
Qualifications	PhD, MB, BS, FRACP
Experience	Professor Sue has a background in neurological science and medicine in relation to chronic illnesses. She is the Head of Neuroscience Research at the Kolling Institute at Sydney's Royal North Shore Hospital, and Director of Neurogenetics, Director of the National Centre for Adult Stem Cell Research and a Senior Staff Specialist in the Department of Neurology at Royal North Shore Hospital. Professor Sue is also the current Chair of the Education committee for the International Movement Disorder Society.
Special responsibilities	Professor Sue resigned as director effective 1 July 2023. Professor Sue was appointed to the LCT board on 16 May 2019. Professor Sue was a member of the Audit, Risk and Compliance Committee.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.
Bernard Tuch	Executive Director from 16 July 2021 to 31 October 2022, Chairman and Interim CEO until the end of December 2022 (Age: 72)
Qualifications	BSc, MBBS (Hons), FRACP, PhD, GAICD
Experience	Dr Tuch is an Honorary Professor at Monash University. Dr Tuch is also supervising a bioengineering diabetes cell therapy project at the University of Technology Sydney. Previously, he was a senior scientist with CSIRO Australia. He is a director of Sydney Cell Therapy Foundation Pty Limited, the not-for-profit Australian Foundation for Diabetes Research, and is a Specialist Practitioner, Endocrinology, at the Prince of Wales Private Hospital & St Vincent's Private Hospital, Sydney.
Special responsibilities	His experience includes capital raising to support his research team and a large international scientific publication list. He has had previous scientific collaborations with LCT and knows the company's direction intimately. Dr Tuch resigned as director on 31 October 2022. Dr Tuch was appointed to the LCT board on 19 July 2011 and was a member of the Remuneration and Nomination Committee.
Other directorships in listed entities held in the previous three years	No other directorships in listed entities held in the previous three years.

Directors' report

30 June 2023

Andrew Kelly

Independent Non-executive director (Age: 67)

Qualifications

BVSc (Hons), MSc, PhD

Experience

Dr Kelly has an extensive background in research, commercialisation, and investment. In 2005 he co-founded BioPacificVentures, the first specialist venture fund in New Zealand and Australia to focus across the life sciences. In 2014 he broadened the business model to create BioPacific Partners, partnering with some of the largest global companies to invest and engage with local innovation. He has held a dozen board roles over the last 22 years all in businesses involved in life science innovation. Dr Kelly has strong networks across New Zealand, Australia and globally.

Special responsibilities

Dr Kelly resigned as a director on 31 October 2022. Dr Kelly was appointed to the LCT board on 7 November 2019 and was Chairman of the Remuneration and Nomination Committee and a member of the Audit, Risk and Compliance Committee.

Other Directorships in listed entities held in the previous three years

Chairman of ASX listed Fiji Kava Limited since 20 December 2018.

Robert Willcocks

Independent Non-executive director (Age: 74)

Qualifications

BA, LLM

Experience

Mr Willcocks is a corporate adviser with more than thirty years' experience as a professional listed public company director and Chairman.

Through this experience and as a lawyer he has extensive knowledge in the areas of corporate governance, corporate structuring, start-ups and fundraising. He has also undertaken assignments in a range of industry sectors for international clients.

A former partner of the law firm Mallesons Stephen Jaques (now King & Wood Mallesons), he holds Bachelor of Arts and Bachelor of Laws degrees from the Australian National University and a Master of Laws degree from the University of Sydney.

He is currently independent non-executive Chairman of Trilogy Funds Management Limited, a Responsible Entity under Australian law.

Special responsibilities

Mr Willcocks resigned as director on 31 October 2022. Mr Willcocks was appointed to the LCT board on 29 March 2011 and was Chairman of the Audit, Risk and Compliance Committee and a member of the Remuneration and Nomination Committee.

Directors' report

30 June 2023

Principal activities and significant changes in nature of activities

Living Cell Technologies Limited is a biotechnology company focused on developing solutions for significant unmet medical needs, including Parkinson's Disease. There were no significant changes to the nature of the principal activities during the financial year.

2. Operating and financial review

Operations

In October 2022, LCT announced the resignations of Professor Bernie Tuch, Mr Robert Willcocks and Dr Andrew Kelly as directors of the Company and the appointment of Mr David Hainsworth and Mr Bradley Dilkes to the Board. The three outgoing directors decided to resign in advance of resolutions for their removal being put to the Company's Annual General meeting on 10 November 2022, when it appeared that such resolutions would pass. The new directors outlined an intention to increase overall research and development activity to include expenditure on additional new projects to diversify the Company's product development pipeline.

After the board restructuring initiated by shareholders, LCT promptly delivered numerous forward cost savings for the Company. These efficiency measures included the cessation of the OptiCellAI Pty Ltd agreement in November 2022, the cancellation of various consultancy agreements and other administrative efficiencies, such as lesser aggregate board fees. More than \$600,000 in expenses were removed from LCT's 12-month forward cost estimate without materially affecting the Company's activities.

In December 2022, the Company appointed Mr Madhukar "Madhu" Bhalla as company secretary. Madhu is an experienced company secretary, having worked with multiple ASX-listed companies over many years and is proficient in corporate governance, company administration, financial management and corporate law. Madhu is the current company secretary of dual listed biotechnology company, Incannex Healthcare Limited (ASX: IHL) (NASDAQ: IXHL). Former company secretary, Mark Licciardo of Acclime Australia ('Acclime'), ceased providing secretarial services to LCT on 26 February 2023.

Professor Burnie Tuch formally ceased his role as interim CEO in January 2023 and Mr David Hainsworth was appointed as Executive Chairman of the Company.

The research agreement with the University of Technology Sydney (UTS) and the Australian Foundation for Diabetes Research (AFDR), lapsed in January 2023 and the Company has not sought to renew this agreement.

In March 2023, LCT executed a mandate with Alignment Capital Pty Ltd ("Alignment") to raise up to approximately \$2,500,000, including an entitlement offer to existing shareholders. An entitlement offer shortfall of \$693,973 was announced in April 2023 and subsequently placed to sophisticated clients of Alignment pursuant to the capital raising agreement between the two parties. After 30 June 2023, Alignment completed the Greenshoe placement raising an additional \$562,500 before costs, completing all fundraising activities under the agreement.

The Company announced the appointment of Dr James A McKenna as Chief Scientific Officer ('CSO') of the Company in June 2023. Dr McKenna is an experienced research scientist who holds a PhD in biochemistry and molecular biology from the University of Melbourne.

Dr McKenna has been a full-time research scientist for 23 years, with experience in academic science, commercial drug development and intellectual property generation. Most recently, he held a leadership position at an ASX listed biotechnology company where he managed and was involved in teams to advance pre-clinical and clinical research and development (R&D) programs for the purpose of achieving US Food and Drug Administration (FDA) registration. Dr McKenna's appointment was consistent with LCT's corporate strategy to expand and diversify the Company's development pipeline.

In June 2023, the Company commenced a scientific review of the NTCELL clinical trial protocol and development plan with a primary focus on assessing potential enhancements to the therapeutic value of NTCELL. A multi-disciplinary panel of scientific experts was appointed to advise upon aspects of a revised NTCELL project. Consultants on the advisory board share their opinions on matters concerning the NTCELL program following their review of prior clinical trial data achieved from the first and second NTCELL clinical trials. Their opinions will shape the scientific review being undertaken by LCT.

LCT also advised that during the time of the scientific review, the Company enacted a temporary pause to the maintenance of the porcine herd to minimise unnecessary ongoing costs during the time in which the choroid plexus tissue is not required.

Directors' report

30 June 2023

2. Operating and financial review (continued)

The herd will be built up again in 2024 following the scientific review, which will encompass adjustments to the clinical trial protocol and plans to engage clinical trial partners. Manufacture of NTCELL for the third clinical trial will recommence following the scientific review.

After the end of the financial year

In early July Alignment completed the Greenshoe placement raising an additional A\$562,500 before costs, completing all fundraising activities under the agreement.

On 3 July 2023, LCT appointed Mr Bradley Latham as a non-executive director of the Company. Mr Latham is an accomplished and energetic businessperson with strong commercial acumen and extensive business experience. Mr Latham has been CEO of Sydney Markets since 2006 and is experienced in all matters of business, including strategic planning, financial management, business development, operational management, and marketing of various successful brands. Mr Latham has a proven track record of business leadership and has a strong understanding of good corporate governance and risk management. Mr Latham holds a Master of Management from the University of New South Wales.

On 11 July 2023, LCT announced its intention to seek shareholder approval to rename the Company to Algorae Pharmaceuticals Limited ('Algorae'). The Company has reserved the ticker code 1AI with the Australian Stock Exchange (ASX). Algorae is a unique word that derives from the term algorithm, which underpins artificial intelligence. The business model of the Company incorporates the use of artificial intelligence to assist all drug discovery and development programs. The new name better reflects and represents the overall business of the Company as it works to expand into new R&D programs in addition to the NTCELL research project. LCT will seek approval at a special resolution of shareholders to change the name of the Company to Algorae in an extraordinary meeting (EGM) of shareholders that is planned for September 2023.

On 26 July 2023, LCT announced that it had filed a new provisional patent application over a combination drug candidate, which includes cannabidiol (CBD) and another off-patent pharmaceutical ingredient, and its use in the treatment of dementia. The precursory development of the combination drug candidate, referred to as AI-116, has been overseen by the Company's scientific team and follows an extensive program of patent analysis, and strength of patent analysis, over numerous drug candidate leads being commercially assessed by the Company.

LCT is also in advanced discussions with a major Australian university to conduct pre-clinical studies to assess AI-116, including comparing the efficacy of AI-116 to an existing class of drugs used to treat dementia. The filing of a provisional patent application establishes a priority date, which is the effective date for determining the state of the art for any subsequent patent applications that are filed and claim priority from the provisional application. LCT intends to rely on the provisional application when filing a complete, International Patent Application under the Patent Cooperation Treaty (PCT) on or before 25 July 2024. The Company will only proceed with a PCT application if the results from the pre-clinical studies are successful.

Dementia is a term used to describe a decline in cognitive function that affects a person's ability to perform daily activities. Alzheimer's disease is the most common cause of dementia and is characterised by the formation of amyloid plaques and tau tangles in the brain, leading to the progressive degeneration of brain cells and memory loss. The primary focus of dementia treatment in recent decades has remained on managing symptoms and slowing the progression of the diseases underlying dementia. There has been no development of a cure for the diseases that cause dementia. The global dementia drugs market size was valued at more than US\$8.7B in 2021 and is projected to reach US\$19.7B by 2031.

The total comprehensive loss after income tax from continuing operations has increased from a loss of \$1,957,652 in the year ended 30 June 2022 to a loss of \$2,079,213.

Revenue and other income increased from \$3,405 to \$42,016 and research and development expenses have decreased from \$1,463,134 to \$1,309,600.

The research and development (R&D) loss tax credit is a refund of R&D business losses for the Company's wholly owned New Zealand based subsidiary company. The credit can only be for eligible R&D expenditure and up to 28% of tax losses from R&D activity. R&D loss tax credit of \$nil (2022: \$379,910) was received in exchange for forgoing \$Nil (2022: \$1,323,520) of tax losses.

Following a formal review of the New Zealand R&D incentives environment, the subsidiary Company decided not to apply for further credits under the R&D loss tax credit scheme and has appointed external advisors to advise it in relation to R&D incentive schemes ongoingly. The total claimed to date is \$1,779,499. Going forward the company will seek funding from other avenues.

Directors' report

30 June 2023

2. Operating and financial review (continued)

The R&D loss tax credits received over the past 6 years will be repayable by the Company to Inland Revenue Department if certain events occur. These events include a greater than 90% change in the shareholding of the Company measured over a period commencing from the first day of the income year in which a credit arose, the company ceases to be a resident in New Zealand, the company has a liquidator appointed, and a sale of the relevant intellectual property by the Company. The maximum amount to be repaid to Inland Revenue will be the balance of the tax credit provided by Inland Revenue to the Company, reduced by subsequent income tax payments made by the Company. The tax losses which gave rise to the repaid tax credit will be reinstated. The likelihood of these loss recovery events occurring is currently considered remote and are all currently within LCT's control; therefore, these balances are not deemed a liability nor a contingent liability.

In addition, an R&D tax incentive tax credit of \$nil (2022: \$35,719) was received in respect of qualifying R&D expenditure incurred in the last quarter. The R&D tax incentive tax credit is separate from, and in addition to, the R&D loss tax credit. The R&D tax incentive tax credit does not have conditions under which it would need to be repaid.

Financial position

In March 2023, LCT completed a capital raising initiative lead by the Company's corporate advisor, Alignment Capital Pty Ltd raising in the order of A\$2,148,249 before expenses, including an entitlement offer to existing shareholders. After 30 June 2023, Alignment completed the Greenshoe placement raising an additional A\$562,500 before costs, completing all fundraising activities under the agreement.

Net assets of the consolidated entity have decreased from \$4,034,824 to \$3,762,103. Cash and cash equivalents decreased from \$4,238,857 to \$4,111,074 to fund activities undertaken during the year. The directors also acknowledge that the expenditure in relation to the operating activities are predominantly discretionary. Cash outflow in relation to operating activities is being managed by the directors to the extent of funding available.

These financial statements have been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of \$2,107,658 (2022: \$1,957,300) and incurred negative cash flows from operations of \$1,986,291 (2022: \$2,042,204).

Management continually prepares rolling cash flow projections that supports the ability of the consolidated entity to continue as a going concern subject to the events described above. However, many external and internal factors may impact future cash flows particularly within the current market.

The Directors have a history of raising capital as required to support their research projects and operating expenses.

Business strategies and prospects for future years

LCT's corporate strategy is to develop transformative therapeutic solutions for significant unmet medical needs in the community. The key tenants to this strategy include:

- Retain a dynamic and innovative corporate culture with a focus on emergent themes in pharmaceutical development.
- Increase the pipeline of existing R&D projects to diversify the Company's value-generating activities.
- Collaborate with industry partners, clinical research organisations and forward-thinking Universities.
- Implement a robust Intellectual Property (IP) strategy to protect the value of competitive position in assets generated by the Company.
- Progress the NTCELL project in a disciplined manner.
- Ensure the Company is adequately funded for its current and future pre-clinical and clinical studies.

The Company is focused on executing its corporate strategy and creating shareholder value over the long-term by deploying a disciplined approach to the assessment of new opportunities to diversify the Company's pipeline of existing projects. The objective is to create value through the generation of clinically validated Intellectual Property (IP).

In common with other biotech companies, there is a risk that these prospects for future years will not be achieved, depending on the outcomes of trials and research projects. These risks are mitigated by diversifying targets and reducing dependency on the outcome of any single research project.

Directors' report

30 June 2023

3. Other items

Significant changes in state of affairs

Except as outlined in the Operating and Financial review there have been no other significant changes in the state of affairs of the consolidated entity during the year.

Events after the reporting date

In early July Alignment completed the Greenshoe placement raising an additional A\$562,500 before costs, completing all fundraising activities under the agreement.

On the 3rd of July 2023 LCT appointed Mr Bradley Latham as a non-executive director of the Company. Mr Latham is an accomplished and energetic businessperson with strong commercial acumen and extensive business experience. Mr Latham has been CEO of Sydney Markets since 2006 and is experienced in all matters of business, including strategic planning, financial management, business development, operational management, and marketing of various successful brands. Mr Latham has a proven track record of business leadership and has a strong understanding of good corporate governance and risk management. Mr Latham holds a Master of Management from the University of New South Wales.

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On 26 July 2023, LCT announced that it had filed a new provisional patent application over a combination drug candidate, which includes cannabidiol (CBD) and another off-patent pharmaceutical ingredient, and its use in the treatment of dementia. The precursory development of the combination drug candidate, referred to as AI-116, has been overseen by the Company's scientific team and follows an extensive program of patent analysis, and strength of patent analysis, over numerous drug candidate leads being commercially assessed by the Company.

Environmental issues

The consolidated entity's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia and New Zealand.

Company secretary

Madhukar Bhalla appointed company secretary on 5 December 2022.

Mark Licciardo (B Bus (Acc), GradDip CSP, FGIA, GAICD) retired 26 February 2023.

Dividends

There was no dividend paid, recommended or declared during the current financial year.

Directors' report

30 June 2023

3. Other items (continued)

Meetings of directors

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
David Hainsworth	2	2	-	-	-	-
Bradley Dilkes	2	2	-	-	-	-
Bernard Tuch	4	4	-	-	-	-
Robert Willcocks	4	4	1	1	-	-
Carolyn Sue	4	4	1	1	-	-
Andrew Kelly	4	4	1	1	-	-

Indemnification and insurance of officers and auditors

During the year, LCT paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors. The liabilities insured are against legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Details of the amount of the premium paid in respect of the insurance policies is not disclosed as such disclosure is prohibited under the terms of the contract.

The company has not during or since the end of the financial year indemnified or agreed to indemnify the auditor of the company. Furthermore, the company has not paid any premiums in respect of insurance for the auditor.

Options

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

Grant date	Date of Expiry	Exercise Price	No. under Option
Unlisted Options			
06-Dec-19 – KMP Options	06-Dec-23	\$0.019	600,000
10 July 23 - Broker Options	31-Mar-26	\$0.012	100,000,000
01-Sep-22 - KMP Options	01-Sep-24	\$0.0132	1,000,000
			101,600,000
Listed Options			
29 November 2021 - Placement Options	19-Apr-24	\$0.015	78,223,262
29 November 2021 - Broker Options	19-Apr-24	\$0.015	24,500,000
29 November 2021 - Convertible Note Options	19-Apr-24	\$0.015	341,189,722
29 November 2021 - Right Issue Options	19-Apr-24	\$0.015	15,052,678
28 April 2022 - Placement Options	19-Apr-24	\$0.015	23,678,877
			482,644,539

Directors' report

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3. Other items (continued)

Unlisted Options

9 March 2023- Placement Options	31-Mar-26	\$0.012	50,000,000
21 April 2023 – Right Issue Option	31-Mar-26	\$0.012	44,017,310
3 May 2023 – Shortfall Options	31-Mar-26	\$0.012	43,373,305
20 June 2023 – Options converted to Shares	31-Mar-26	\$0.012	(781)
22 August 2023 – Options converted to Shares	31-Mar-26	\$0.012	(500,781)
			136,889,053

There were 501,562 ordinary shares of Living Cell Technologies Limited issued on the exercise of options during the year ended 30 June 2023 (2022: nil) and up to the date of this report.

Non-audit services

The board of directors, in accordance with advice from the Audit, Risk and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Risk and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2023: \$nil (2022: \$nil).

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2023 has been received and can be found on page 19 of the financial report.

Directors' report

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Remuneration report (audited)

Remuneration policy

The remuneration policy of Living Cell Technologies Limited has been designed to align key management personnel (KMP) 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 entity's financial results. The Board of LCT believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best KMP to run and manage the consolidated entity, as well as create goal congruence between directors, executives, and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated entity is as follows:

- The remuneration policy has been developed by the Remuneration and Nomination Committee and approved by the Board following professional advice from independent external consultants.
- All KMP receive a base salary (which is based on factors such as qualifications, length of service and experience), statutory contributions to KiwiSaver and options.
- Options are based on the extent to which predetermined objectives, which contribute to the company's strategies, are met.
- Incentives paid in the form of options are intended to align the interests of the KMP and Company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Remuneration and Nomination Committee review KMP packages annually by reference to consolidated entity's performance, executive performance, and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on achievement of predetermined agreed objectives which drive shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can recommend changes to the Remuneration and Nomination committee's recommendations. The policy is designed to attract a high calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

KMP receive company contributions to KiwiSaver in New Zealand and Superannuation Fund in Australia by the law, which is currently 3% and 10.5% respectively, and do not receive any other retirement benefits. One director has sacrificed part of his director's fees to his superannuation fund.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. KMP are paid an agreed number of weeks salary in the event of redundancy. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to KMP is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment, and responsibilities. The Remuneration and Nomination Committee determine payments to the non-executive directors and 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, the current maximum is \$450,000 which was approved at the 2007 AGM and have no predetermined performance-based remuneration.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align their interests with shareholders' interests.

Options granted under these arrangements do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

Directors' report

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Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, in consultation with KMP to ensure support. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs contribute to the strategies approved by the board. Performance in relation to the KPIs is assessed annually, with options being awarded depending on the extent to which the measures are achieved.

The earnings of the LCT Group for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
Revenue and other income (\$)	42,016	3,405	268,184	553,692	769,677
Loss after income tax (\$)	(2,107,658)	(1,957,300)	(1,460,591)	(968,469)	(3,181,363)

The factors that are considered to affect total shareholders return ("TSR") are summarised below:

Share price at financial year end (\$)	.015	0.008	0.012	0.012	0.024
Total dividend declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(0.16)	(0.22)	(0.26)	(0.17)	(0.56)

Employment details of members of key management personnel

The following table provides the employment details of persons who were, during the financial year, members of KMP of consolidated entity. The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

		Performance based remuneration		
		Bonus %	Shares %	Options %
KMP				
Bernie Tuch	Chief Executive Officer (Ceased his roles as interim CEO on 5th January	-	-	-
Belinda Di Bartolo (appointed 17 January 2022)	Chief Operation Officer	-	-	0.5%
Daya Uka	Chief Financial Officer	-	-	0.5%

Performance-based remuneration

Is linked to clearly specified performance targets. These targets are aligned to the entity's short and long-term performance objectives and are appropriate to its circumstances, goals, and risk appetite. The allotment of any performance-based performance is at the discretion of the board for any KMP.

Service agreements

On appointment to the board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director. The remuneration and other terms of employment for the chief executive and senior executives are set out in formal employment agreements as summarised below.

All employment agreements are for an unlimited duration. The agreements for executives may be terminated by giving 20 working days' notice (except in cases of termination for cause where termination is immediate). Redundancy entitlements are 2-4 weeks for the first year of service and one week's payment for each six-month's subsequent service. Employment agreements do not include the specific performance criteria which are linked to bonuses or incentives, so amounts paid in accordance with the above remuneration policy are effectively at the discretion of the board.

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

Directors' report

30 June 2023

Remuneration details for the year ended 30 June 2023

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the KMP of the consolidated entity.

	Short term			Post-employment	Long term benefits	Share based payments	Total benefits and payments
	Cash salary fees	Bonus	Total short-term benefits	Pension and superannuation		Options and rights	
2023	\$	\$	\$	\$	\$	\$	\$
Directors							
David Hainsworth ¹	40,000	-	40,000	-	-	-	40,000
Bradley Dilkes ²	33,333	-	33,333	-	-	-	33,333
Bernard Tuch ^{4,5}	65,169	-	65,169	21,894	-	-	87,063
Robert Willcocks ⁴	16,667	-	16,667	-	-	-	16,667
Carolyn Sue ⁶	45,249	-	45,249	4,751	-	-	50,000
Andrew Kelly ⁴	16,667	-	16,667	-	-	-	16,667
KMP							
Daya Uka	148,623	-	148,623	4,459	-	625	153,707
Madhukar Bhalla ³	40,000	-	40,000	-	-	-	40,000
Belinda Di Bartolo	165,000	-	165,000	17,328	-	625	182,953
	570,708	-	570,708	48,432	-	1,250	620,390
2022							
Directors							
Bernard Tuch	129,925	-	129,925	12,992	-	-	142,917
Robert Willcocks	50,000	-	50,000	-	-	-	50,000
Carolyn Sue	45,455	-	45,455	4,545	-	-	50,000
Andrew Kelly	50,000	-	50,000	-	-	-	50,000
KMP							
Ken Taylor (retired 16 July 2021)	83,029	-	83,029	-	-	-	83,029
Daya Uka	151,559	13,513	165,072	9,904	-	-	174,976
Belinda Di Bartolo	75,952	-	75,952	7,595	-	-	83,547
	585,920	13,513	599,433	35,036	-	-	634,469

¹ Payment is made to Union Square Capital Pty Ltd

² Payment is made to Cichli Pty Ltd

³ Payments are made to Stamp Foundation

⁴ Resigned as directors on 31 October 2022

⁵ Resigned as acting CEO on 31 October 2022 and worked notice until 5 January 2023

⁶ Resigned as director effective 1 July 2023

Directors' report

30 June 2023

Securities received that are not performance related

Options are issued to the directors and executives as part of their remuneration. Each share option converts to one ordinary share of LCT on exercise. The options that are not issued based on performance criteria, are issued to the directors and executives of LCT and its subsidiaries to align the interest of executives, directors, and shareholders.

Options granted, vested, and lapsed during the year

Details of KMP options granted as remuneration, vested, and lapsed during the year:

	Number of options	Exercise price per option \$	Value per option at grant date \$	Grant date	Vesting date	Expiry date	Vested during period %	Forfeited / lapsed during period %
Directors								
David Hainsworth	-	-	-	-	-	-	-	-
Bradley Dilkes	-	-	-	-	-	-	-	-
Bernie Tuch	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
Andrew Kelly	-	-	-	-	-	-	-	-
Robert Willcocks	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
Carolyn Sue	600,000	0.0188	0.0188	09-Dec-19	09-Dec-19	06-Dec-23	-	-
Laurie Hunter ¹	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
Robert Elliott ²	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
KMP								
Daya Uka	300,000	0.0220	0.0220	01-Sep-20	01-Sep-21	01-Sep-22	-	100
Daya Uka	500,000	0.0132	0.0132	01-Sep-22	01-Sep-23	01-Sep-24	-	-
Belinda Di Bartolo	500,000	0.0132	0.0132	01-Sep-22	01-Sep-23	01-Sep-24	-	-
Madhukar Bhalla	-	-	-	-	-	-	-	-
Former Staff	300,000	0.0220	0.0220	01-Sep-20	01-Sep-21	01-Sep-22	-	100

¹ Laurie Hunter retired on 7 November 2019.

² Robert Elliott passed away on 21 August 2020, the options will then be granted to the ultimate beneficiaries of his estate.

Options do not have any voting rights, dividend, or other distribution entitlements.

The weighted average fair value of options granted during the year was \$0.0147 (2022: \$0.022).

Directors' report

30 June 2023

Options granted, vested, and lapsed during the year (continued)

The fair value of each option at grant date was calculated by using the Black-Scholes model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price, and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the options life.

During the year ended 30 June 2023, 751 ordinary shares of LCT were issued on the exercise of options grants. No further shares have been issued since that date. No amounts are unpaid on any of these shares. There are no cash-settlement alternatives. All options were issued by LCT and entitle the holder to ordinary shares in LCT for each option exercised.

There have not been any alterations to the terms or conditions of any share-based payment arrangements since grant date.

Key management personnel options and rights holdings

	Balance at beginning of year	Granted as remuneration	Pro-rata allocation from rights issue	Exercised	Expired	Balance at the end of year	Vested during the year	Vested and exercisable	Total non-exercisa ble
2023									
David Hainsworth	-	-	312,500	-	-	312,500	-	312,500	-
Bradley Dilkes	-	-	-	-	-	-	-	-	-
Bernard Tuch	600,000	-	-	-	(600,000)	-	-	-	-
Robert Willcocks	600,000	-	-	-	(600,000)	-	-	-	-
Carolyn Sue	600,000	-	62,500	-	-	662,500	-	662,500	-
Andrew Kelly	-	-	-	-	-	-	-	-	-
KMP									
Daya Uka	300,000	500,000	-	-	(300,000)	500,000	-	-	500,000
Madhukar Bhalla	-	-	-	-	-	-	-	-	-
Belinda Di Bartolo	-	500,000	-	-	-	500,000	-	-	500,000
	2,100,000	1,000,000	375,000		(1,500,000)	1,975,000	-	975,000	1,000,000
2022									
Bernard Tuch	600,000	-	-	-	-	600,000	-	600,000	-
Robert Willcocks	600,000	-	-	-	-	600,000	-	600,000	-
Carolyn Sue	600,000	-	-	-	-	600,000	-	600,000	-
Andrew Kelly	-	-	-	-	-	-	-	-	-
KMP									
Ken Taylor (retired 16 July 2021)	600,000	-	-	-	(600,000)	-	-	-	-
Daya Uka	600,000	-	-	-	(300,000)	300,000	300,000	300,000	-
Belinda Di Bartolo	-	-	-	-	-	-	-	-	-
	3,000,000	-	-	-	(900,000)	2,100,000	300,000	2,100,000	-

Directors' report

30 June 2023

Shareholding

The number of ordinary shares in Living Cell Technologies Limited held by each key management person of the consolidated entity during the financial year is as follows:

	Balance at beginning of year	On exercise of options	Other changes during the year	Balance at the end of the year
2023				
David Hainsworth ¹	-	-	5,625,000	5,625,000
Bradley Dilkes ²	-	-	32,150,000	32,150,000
Bernard Tuch ³	61,335	-	(61,335)	-
Robert Willcocks	1,000,000	-	(1,000,000)	-
Carolyn Sue	1,000,000	-	125,000	1,125,000
Andrew Kelly	63,474	-	(63,474)	-
KMP				
Daya Uka	-	-	-	-
Madhukar Bhalla	-	-	-	-
Belinda Di Bartolo	-	-	-	-
	2,124,809	-	36,775,191	38,900,000
2022				
Bernard Tuch ¹	36,800	-	24,535	61,335
Robert Willcocks	-	-	1,000,000	1,000,000
Carolyn Sue	-	-	1,000,000	1,000,000
Andrew Kelly	52,763	-	10,711	63,474
KMP				
Ken Taylor (retired 16 July 2021)	-	-	-	-
Daya Uka	-	-	-	-
Belinda Di Bartolo	-	-	-	-
	89,563	-	2,035,246	2,124,809

1. The shares are held by a related entity: Union Square Capital Pty Ltd
2. The shares are held by a related entity: Cipater Pty Ltd and Cichli Pty Ltd.
3. The shares are held by a related entity: DTU Pty Limited < The Beryl Super Fund>

This concludes the remuneration report which has been audited.

Directors' report

30 June 2023

Corporate governance statement

The board is committed to achieving and demonstrating the highest standards of corporate governance. The board continues to refine and improve the governance framework and practices in place to ensure they serve the interests of shareholders. The company complies with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations.

LCT's corporate governance statement and board and board committee charters and key corporate governance policies are available in the Governance policies section of the website at www.lctglobal.com.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, appearing to read 'Hainsworth', with a long horizontal stroke extending to the right.

Director David Hainsworth

Dated: 30 August 2023

DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF LIVING CELL TECHNOLOGIES LIMITED

As lead auditor of Living Cell Technologies Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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



Martin Coyle
Director

BDO Audit Pty Ltd

Sydney, 30 August 2023

Consolidated statement of profit or loss and other comprehensive income

For the Year Ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue and other income	2	42,016	3,405
Expenses			
Research and development		(1,309,600)	(1,463,134)
Governance		(608,082)	(618,408)
Shareholder		(211,812)	(294,511)
Loss on disposal of equipment		-	(12,307)
Total expenses	3	(2,129,494)	(2,388,360)
Operating loss		(2,087,478)	(2,384,955)
Foreign exchange (loss)/gain		(20,180)	12,926
Sale of shares		-	-
Loss before income tax		(2,107,658)	(2,372,029)
R&D tax credits	4	-	414,729
Income tax expense	4	-	-
Loss after income tax attributable to members of the parent entity		(2,107,658)	(1,957,300)
Other comprehensive income, net of income tax			
Exchange difference on translation of foreign operations		28,445	(26,352)
Total other comprehensive income/(loss)		28,445	(26,352)
Total comprehensive loss attributable to members of the parent entity		(2,079,213)	(1,983,652)
Earnings per share			
Basic loss per share (cents)	5	(0.16)	(0.22)
Diluted loss per share (cents)	5	(0.16)	(0.22)

Consolidated statement of financial position

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	4,111,074	4,238,857
Trade and other receivables	7	95,917	29,724
Short term investments		-	-
Total current assets		4,206,991	4,268,581
Non-current assets			
Property, plant and equipment	8	4,968	5,499
Total non-current assets		4,968	5,499
TOTAL ASSETS		4,211,959	4,274,080
LIABILITIES			
Current Liabilities			
Trade and other payables	9	397,882	196,804
Short-term provisions	10	51,974	42,452
Total current liabilities		449,856	239,256
Non-current liabilities		-	-
Total non-current liabilities		-	-
TOTAL LIABILITIES		449,856	239,256
NET ASSETS		3,762,103	4,034,824
EQUITY			
Issued capital	11	80,239,229	78,949,518
Reserves	11	4,250,938	3,829,262
Accumulated losses		(80,728,064)	(78,743,956)
Total equity attributable to equity holders of the Company		3,762,103	4,034,824
TOTAL EQUITY		3,762,103	4,034,824

Consolidated statement of changes in equity**For the year ended 30 June 2023**

2023	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Option reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	78,949,518	(78,743,956)	3,585,570	243,692	4,034,824
Net loss after income tax for the year	-	(2,107,658)	-	-	(2,107,658)
Total comprehensive loss	-	(2,107,658)	28,445	-	(2,079,213)
<i>Transaction with equity holders in their capacity as owners</i>					
Shares issued during the year	2,149,309	-	-	-	2,149,309
Transaction costs	(859,598)	-	-	515,531	(344,067)
Share based remuneration	-	-	-	1,250	1,250
Option exercised	-	-	-	-	-
Expired options	-	123,550	-	(123,550)	-
Balance at 30 June 2023	80,239,229	(80,728,064)	3,614,015	636,923	3,762,103

2022	Ordinary shares	Accumulated losses	Foreign currency translation reserve	Option reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2021	74,371,070	(76,786,656)	3,611,922	180,780	1,377,116
Net loss after income tax for the year	-	(1,957,300)	-	-	(1,957,300)
Total comprehensive loss	-	(1,957,300)	(26,352)	-	(1,983,652)
<i>Transaction with equity holders in their capacity as owners</i>					
Shares issued during the year	5,146,265	-	-	-	5,146,265
Transaction costs	(567,817)	-	-	107,612	(460,205)
Share based remuneration	-	-	-	-	-
Option exercised	-	-	-	-	-
Expired options	-	-	-	(44,700)	(44,700)
Balance at 30 June 2022	78,949,518	(78,743,956)	3,585,570	243,692	4,034,824

Consolidated statement of cash flows

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and grants (GST inclusive)		-	414,729
Payments to suppliers and employees (GST inclusive)		(2,019,717)	(2,458,619)
Interest received		33,426	1,686
Net cash used in operating activities	19	(1,986,291)	(2,042,204)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		-	(3,803)
Receipt of bond security		-	43,302
Net cash provided by investing activities		-	39,499
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuing Shares		2,149,309	2,856,752
Proceeds from issuing Converting Notes		-	2,289,513
Transaction costs paid		(299,067)	(460,205)
Net cash provided by financing activities		1,850,242	4,686,060
Effect of exchange rates on cash holdings in foreign currencies		8,266	(13,426)
Net increase / (decrease) in cash and cash equivalents held		(127,783)	2,669,929
Cash and cash equivalents at beginning of year		4,238,857	1,568,928
Cash and cash equivalents at end of financial year		4,111,074	4,238,857

Notes to the consolidated financial statements

For the year ended 30 June 2023

1. About this report

(a) Basis of preparation

This general purpose financial report for the year ended 30 June 2023 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 as appropriate for profit oriented entities. Compliance with Australian Accounting Standards ensures that the consolidated entity financial report conforms to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report covers the consolidated entity of Living Cell Technologies Limited and its controlled entities. Living Cell Technologies Limited (also referred hereafter as LCT, Company, the consolidated entity and the Group) is a listed for-profit public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity 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 consolidated entity's presentation currency. The report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and the 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.

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.

The separate financial statements and notes of the parent entity, Living Cell Technologies Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity disclosures are included in note 17.

(c) Adoption of new and revised accounting standards

The consolidated entity has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. There was no material impact on the group's financial statements upon the adoption of these Standards and Interpretations.

(d) Going concern

These financial statements have been prepared on a Going Concern basis. The consolidated entity incurred a loss after tax attributable to members of \$2,107,658 (2022: \$1,957,300) and incurred negative cash flows from operations of \$1,986,291 (2022: \$2,042,204).

As at 30 June 2023 the consolidated group had \$4,111,074 cash in the bank, compared to \$4,238,857 at 30 June 2022 following the capital raisings undertaken during the period as disclosed in Note 12. The directors acknowledge that the expenditure in relation to operating activities is predominately discretionary. Operating cash outflow is being managed by the directors to the extent of funding available.

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

Notes to the consolidated financial statements

For the year ended 30 June 2023

2. Revenue and other income

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 goods and services tax (GST).

Interest revenue is recognised as the interest accrued using the effective interest method.

	2023	2022
Other Income	\$	\$
Interest income	42,016	3,405
	42,016	3,405

3. Expenses

Employee benefits

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

Share-based payments

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

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.

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.

Governance

Governance expenses include directors' fees, travel and meeting expenses, company secretary costs and legal expenses related to governance.

Notes to the consolidated financial statements

For the year ended 30 June 2023

3. Expenses (continued)

Shareholder

Shareholder expenses include listing fees, registry costs, audit, annual general meeting and annual report costs.

Expenses include the following:

	2023	2022
	\$	\$
Employee benefits		
Wages and salaries	362,146	495,252
Contributions to employees' savings plans	4,293	6,767
Share-based payments	1,250	-
Staff training	-	2,413
Total employee benefits	367,689	504,432
Depreciation		
Plant and equipment depreciation	-	37
Furniture, fixtures and fitting depreciation	557	706
Total depreciation	557	743
Lease payments	-	16,197

4. Income tax expense

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.

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.

Reconciliation of income tax to accounting loss:	2023	2022
	\$	\$
Loss before income tax	(2,107,658)	(2,372,029)
Effective tax rate	25%	25%
	(526,915)	(593,007)
Add tax effect of:		
- Non-deductible expenditure	-	-
- Difference in overseas tax rates	7,498	31,619
- Deferred tax assets not brought into account	519,417	561,388
Income tax expense	-	-

Tax losses	2023	2022
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	34,442,850	32,335,192
Potential tax benefit at 25% AU	8,610,713	8,083,798
Potential tax benefit at 28% NZ	2,981,354	2,717,693

Notes to the consolidated financial statements

For the year ended 30 June 2023

4. Income tax expense (continued)

The benefit will only be obtained if:

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

Effective from the 30 June 2016 year the Company can “cash out” tax losses relating to research and development if various requirements are met. Inland Revenue provides a tax credit at 28% (the current company tax rate) of tax losses cashed out.

A R&D loss tax credit of \$nil (2022: \$379,910) was received from NZ Inland Revenue Department in exchange for foregoing \$nil (2022: \$1,323,520) of tax losses.

Following a formal review of the New Zealand R&D incentives environment, the subsidiary Company decided not to apply for further credits under the R&D loss tax credit scheme and has appointed external advisors to advise it in relation to R&D incentive schemes ongoingly. The total claimed to date is \$1,779,499. Going forward the company will seek funding from other avenues.

The R&D loss tax credits received over the past 6 years will be repayable by the Company to Inland Revenue Department if certain events occur. These events include a greater than 90% change in the shareholding of the Company measured over a period commencing from the first day of the income year in which a credit arose, the company ceases to be a resident in New Zealand, the company has a liquidator appointed, and a sale of the relevant intellectual property by the Company. The maximum amount to be repaid to Inland Revenue will be the balance of the tax credit provided by Inland Revenue to the Company, reduced by subsequent income tax payments made by the Company. The tax losses which gave rise to the repaid tax credit will be reinstated. The likelihood of these loss recovery events occurring is currently considered remote and are all currently within LCT’s control; therefore, these balances are not deemed a liability nor a contingent liability.

In addition, and R & D tax incentive tax credit of \$nil (2022: \$35,719) was received in respect of the qualifying R & D expenditure incurred. The R&D tax incentive tax credit is separate from, and in addition to, the R&D loss tax credit. The R&D tax incentive will not have to be repaid. The current claim is with the New Zealand Inland Revenue Department and some uncertainty exists as to qualifying R & D expenditure. Due to this uncertainty, no amount has been recognised in the current year.

5. Loss per share

Basic EPS is calculated as net 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 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.

Notes to the consolidated financial statements

For the year ended 30 June 2023

5. Loss per share (continued)

Reconciliation of earnings to profit or loss from continuing operations:

	2023	2022
	\$	\$
Loss used in calculation of basic and diluted EPS	(2,107,658)	(1,957,300)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	1,346,990,359	875,675,135
Weighted average number of ordinary shares and convertible securities outstanding during the year used in calculating diluted EPS	1,346,990,359	875,675,135
Basic loss per share (cents)	(0.16)	(0.22)
Diluted loss per share (cents)	(0.16)	(0.22)

Share Options are considered to be potential ordinary shares. The options are not included in the calculation of diluted earnings per share because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

6. Cash and cash equivalents

	2022	2022
	\$	\$
Cash at bank	2,088,514	1,238,093
Cash on deposit	2,022,560	3,000,764
Cash and cash equivalents	4,111,074	4,238,857

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments.

7. Trade and other 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.

	2023	2022
	\$	\$
Trade receivables	-	-
Prepayments	-	-
Accrued interest	10,309	1,719
Other receivables	85,608	28,005
Total current trade and other receivables	95,917	29,724

Aged analysis

At 30 June 2023, there were no past due trade receivables, bad debts or doubtful debts (2022: Nil).

Allowance for impairment

Trade receivables are non-interest bearing and are generally on 30 to 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 (2022: \$Nil) for the consolidated entity.

Notes to the consolidated financial statements

For the year ended 30 June 2023

8. Property, plant equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Cost includes purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

The carrying amount 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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. 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.

Depreciation

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

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate DV
Plant and equipment	8-50%

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

	Plant and equipment \$	Leasehold improvements \$	Total \$
Cost			
Balance at 1 July 2022	10,800	-	10,800
Additions	-	-	-
Disposals	-	-	-
Foreign exchange movement	(79)	-	(79)
Balance June 2023	10,721	-	10,721
Accumulated Depreciation			
Balance at 1 July 2022	5,301	-	5,301
Depreciation expense	557	-	557
Disposals	-	-	-
Foreign exchange movement	(105)	-	(105)
Balance June 2023	5,753	-	5,753
Carrying Amount June 2023	4,968	-	4,968
Carrying Amount June 2022	5,499	-	5,499

9. Trade and other 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 billed to the consolidated entity.

	2023 \$	2022 \$
Unsecured liabilities		
Trade payables	184,184	46,847
Accrued expenses	213,698	149,957
Total trade payables and other payables	397,882	196,804

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Notes to the consolidated financial statements

For the year ended 30 June 2023

10. Provisions

	2023	2022
	\$	\$
Opening balance	42,452	95,520
Leave accrued	33,642	34,634
Leave taken	(24,120)	(87,702)
Balance at end of the year	51,974	42,452

Recognition and measurement

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

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

11. Issued Capital

	No. of shares	Issue price	\$
Balance as at 30 June 2021	571,441,081		74,371,070
Placement shares issued on 20 October 2021	142,410,245	0.0085	1,210,487
Shares issued on conversion of convertible notes on 29 November 2021	269,354,460	0.0085	2,289,513
Rights issue shares issued on 30 December 2021	45,158,037	0.0080	361,265
Placement shares issued on 31 May 2022	257,000,000	0.0050	1,285,000
Share issue transaction costs net of tax	-	-	(567,817)
Balance as at 30 June 2022	1,285,363,823		78,949,518
Placement shares issued on 09 March 2023	100,000,000	0.0075	750,000
Rights issue shares issued on 21 April 2023	88,034,555	0.0080	704,277
Shortfall issue shares issued on 3 May 2023	86,746,610	0.0080	693,973
Exercise of options	781	0.0120	9
Proceeds from options	-	-	1,050
Share issue transaction costs net of tax	-	-	(859,598)
Balance as at 30 June 2023	1,560,145,769		80,239,229

Fund raising

On the 1st of March 2023 LCT announced a A\$2.5 million capital raise. These new funds would be used to:

- Further the development of the NTCELL project and the third clinical trial for Parkinson's disease
- Fund assessments of corporate development opportunities regarding additional projects, and
- Provide for general working capital and cost associated with capital raising initiatives.

Notes to the consolidated financial statements

For the year ended 30 June 2023

11. Issued Capital (continued)

This capital raised occurred in three phases.

- A placement for A\$750,000
- A non-renounceable rights issue entitlement offer and a shortfall by way of prospectus to raise circa A\$1.2 million, and
- A post rights issue over allotment offer ("Greenshoe offer") to raise an additional A\$562,500.

On 9 March 2023, the company made a placement of 100,000,000 shares at A\$0.0075 to raise \$750,000, before costs. Participants in the placement received an attaching one for two unlisted options for nil consideration, being a total of 50,000,000 unlisted options.

On 21 April 2023, the company issued a further 88,034,555 ordinary shares at A\$0.0008 as part of the non-renounceable rights issue raising A\$704,276. Participants in the rights issue received an attaching one for two unlisted options for nil consideration, being a total of 44,017,310 unlisted options.

On 4 May 2023, the company issued the non-renounceable right issue shortfall, being a further 86,746, 610 shares at A\$0.008. This shortfall raised an additional A\$693,973 and participants received an attaching one for two unlisted options for nil consideration, being a total of 43,373,305 unlisted options.

As at 30 June 2023, the company had 621,634,373 options on issue, detailed as follows:

Listed Options	Expiry Date	Exercise price	Number
29 November 2021 - Placement Options	19-Apr-24	\$0.015	78,223,262
29 November 2021 - Broker Options	19-Apr-24	\$0.015	24,500,000
29 November 2021 - Convertible Note Options	19-Apr-24	\$0.015	341,189,722
29 November 2021 - Right Issue Options	19-Apr-24	\$0.015	15,052,678
28 April 2022 - Placement Options	19-Apr-24	\$0.015	23,678,877
			482,644,539
Unlisted Options			
06-Dec-19 – KMP Options	06-Dec-23	\$0.019	600,000
01-Sep-22 - KMP Options	01-Sep-24	\$0.0132	1,000,000
9 March 2023 - Placement Options	31-Mar-26	\$0.012	50,000,000
21 April 2023 - Right Issue Option	31-Mar-26	\$0.012	44,017,310
4 May 2023 - Right issues shortfall Options	31-Mar-26	\$0.012	43,373,305
Exercise of options	31-Mar-26	\$0.012	(781)
Options at 30 June 2023			621,634,373

Ordinary Shares

Ordinary shares are classified as equity. The shareholder options attached to the ordinary shares issued as part of the rights issue, convertible notes and share placement have not been separately valued but recognised together with the proceeds from issuing the shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

The company does not have par value in respect of its shares.

Notes to the consolidated financial statements

For the year ended 30 June 2023

11. Issued Capital (continued)

Capital management

Capital of the consolidated entity is managed to safeguard the ability to continue as a going concern so that it can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure. The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

The consolidated entity's capital comprises shares.

There are no externally imposed capital requirements.

The consolidated entity 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 and/or convertible securities.

Share Based Payments

Share options are issued to employees and KMP as part of remuneration in exchange for the rendering of services provided by the relevant employees and KMP. The fair value of these share options is measured at the grant date and recognised over the period during which the options vest to the KMP and employees.

The fair value of each option at grant date was calculated by using the Black-Scholes model that takes into account the expected volatility, risk free interest rate, expected life of the option, exercise price, and the share price at grant date. For each option granted historical volatility has been calculated based on the length of the options life.

During the year ended 30 June 2023, 1,000,000 share options were issued to employees or KMP of LCT and no ordinary shares were issued on the exercise of previous options granted.

Set out below is a summary of unexpired options previously granted to employees and KMP of LCT:

	Number of options	Exercise price per option	Value per option at grant date	Grant date	Vesting date	Expiry date	Vested during period	Forfeited / lapsed during period
		\$	\$				%	%
Directors								
David Hainsworth	-	-	-	-	-	-	-	-
Bradley Dilkes	-	-	-	-	-	-	-	-
Bernie Tuch	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
Andrew Kelly	-	-	-	-	-	-	-	-
Robert Willcocks	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
Carolyn Sue	600,000	0.0188	0.0188	09-Dec-19	09-Dec-19	06-Dec-23	-	-
Laurie Hunter ¹	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
Robert Elliott ²	600,000	0.0487	0.0487	13-Dec-18	13-Dec-18	13-Dec-22	-	100
KMP								
Daya Uka	300,000	0.0220	0.0220	01-Sep-20	01-Sep-21	01-Sep-22	-	100
Daya Uka	500,000	0.0132	0.0132	01-Sep-22	01-Sep-23	01-Sep-24	-	-
Madhukar Bhalla	-	-	-	-	-	-	-	-
B Di Bartolo	500,000	0.0132	0.0132	01-Sep-22	01-Sep-23	01-Sep-24	-	-
Former Staff	300,000	0.0220	0.0220	01-Sep-20	01-Sep-21	01-Sep-22	-	100

1 Laurie Hunter retired on 7 November 2019.

2 Robert Elliott passed away on 21 August 2020, the options will then be granted to the ultimate beneficiaries of his estate.

Options do not have any voting rights, dividend, or other distribution entitlements.

Notes to the consolidated financial statements

For the year ended 30 June 2023

11. Issued Capital (continued)

The weighted average exercise price of options granted during the year was \$0.0132 (2022: nil). The weighted average remaining contractual life of options outstanding at the end of the financial year was 2 years (2022: 0.8 years).

Grant date	Expiry date	Exercise Price \$	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01 Sept 2022	01 Sept 2025	0.0132	-	1,000,000	-	-	1,000,000

For the options granted to KMP in the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk free interest rate	Fair Value at grant date
01 Sept 2022	01 Sept 2025	0.012	0.0132	80%	-	2.35	5,000

During the year ended 30 June 2023, share options were issued to external services providers for brokerage services provided as part of the various capital raises.

2023

Set out below are summaries of the broker options granted under the above capital raise:

Grant date	Expiry date	Exercise Price \$	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24 February 2023	31 March 2026	0.012	-	126,482,493	-	-	126,482,493

The weighted average exercise price of options granted during the year was \$0.012. The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.7 years.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk free interest rate	Fair Value at grant date
24 February 2023	31-Mar-26	0.0095	0.0120	70%	-	3.52	515,531

During the year ended 30 June 2022, share options were issued to external providers for brokerage services provided as part of various capital raises.

2022

Set out below are summaries of the broker options granted under the above capital raise:

Grant date	Expiry date	Exercise Price \$	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29 November 2021	19 April 2024	0.015	-	24,500,000	-	-	24,500,000

The weighted average exercise price of options granted during the 30 June 2022 year was \$0.015. The weighted average remaining contractual life of options outstanding at the end of the 30 June 2022 financial year was 1.8 year.

Notes to the consolidated financial statements

For the year ended 30 June 2023

11. Issued Capital (continued)

For the options granted during the 30 June 2022 financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk free interest rate	Fair Value at grant date
19 October 2021	19-Apr-24	0.011	0.015	80%	-	1.19	107,612

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 profit or loss and other comprehensive income translated at average and closing rates. It also includes adjustments in relation to investments in foreign operations.

Option reserve

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

12. Currency translation rates

	NZD 2023	NZD 2022
Year-end rates used for the consolidated statement of financial position, to translate the following currencies into Australian dollars (AUD), are:	0.92	0.90
Weighted average rates for the year used for the consolidated statements of profit or loss and other comprehensive income and cash flows, to translate the following currencies into Australian dollars (AUD), are:	0.92	0.94

NZD = NZ dollar

13. Commitments for expenditure

In June 2023, the Company commenced a scientific review of the NTCELL clinical trial protocol and development plan with a primary focus on assessing potential enhancements to the therapeutic value of NTCELL. A multi-disciplinary panel of scientific experts was appointed to advise upon aspects of a revised NTCELL project. Consultants on the advisory board share their opinions on matters concerning the NTCELL program following their review of prior clinical trial data achieved from the first and second NTCELL clinical trials. Their opinions will shape the scientific review being undertaken by LCT. Each of the five advisory board member are paid \$400 per month until the cessation of the NTCELL program unless either party terminates earlier with one months' notice.

The agreement with NZeno to supply choroid plexus cells to LCT for the purpose of conducting the third trial in Parkinson's disease, has been paused while this review is undertaken which means any maintenance of the Pig herd costs are not being incurred.

LCT entered into an agreement on 6 March 2022 with a related party Australian Foundation of Diabetes Research (AFDR), and the University of Technology Sydney (UTS) which concluded at the end of March 2023 with no further commitment.

Notes to the consolidated financial statements

For the year ended 30 June 2023

14. Key management personnel disclosures

Key management personnel remuneration included within employee expenses for the year is shown below

	2023	2022
	\$	\$
Short term employee benefits	570,708	599,433
Post-employment benefits	48,432	35,036
Share-based payments	1,250	-
Total	620,390	634,469

Short-term employee benefits

These amounts include fees and benefits paid to the executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the group's, superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Note 11 contains details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2023.

15. Interests in subsidiaries / controlled entities

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 consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. All controlled entities have a 30 June financial year end. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries / controlled entities:

	Country of Incorporation	Percentage Owned (%) 2023	Percentage Owned (%) 2022
Parent entity and ultimate parent of the group:			
Living Cell Technologies Ltd	Australia		
Subsidiaries:			
Living Cell Products Pty Ltd	Australia	100	100
Living Cell Technologies New Zealand Ltd	New Zealand	100	100

- Percentage of voting power is in proportion to ownership.

Notes to the consolidated financial statements

For the year ended 30 June 2023

16. Related parties

Parent entity:

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

Loans

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

Key management personnel

Disclosures relating to key management personnel have been set out in note 14 and the Directors' Report.

Entities subject to significant influence by the consolidated entity

An entity over which the consolidated entity has the power to participate in the financial and operating policy decisions but does not have control over those policies. Significant influence may be gained by share ownership, statute or agreement.

Subsidiaries

The consolidated financial statements include the financial statements of Living Cell Technologies Limited and its subsidiaries. For details of subsidiaries, refer to the note 15.

Other Transactions with related parties

In the prior year, LCT entered into an agreement with a related party Australian Foundation of Diabetes Research (AFDR), to use their resources to undertake research and development activities for the cost of \$49,012 to be paid in two equal instalments on 1 April 2022 and 1 October 2022 to AFDR. AFDR was deemed a related party as the then acting CEO and chairman of LCT Dr Bernie Tuch was also the founding director of AFDR at the time of signing the agreement. Both these agreements expired at the end of February 2023.

Living Cell Technologies Ltd ("LCT" or the "Company") notes there are no agreements in place between Alignment Capital Pty Ltd ("Alignment") and any other shareholder(s) of the Company that would enable Alignment to appoint Directors to the Company's Board. Consequently, notwithstanding the shared key management personnel between the two parties, LCT is not considered to be a subsidiary or an associate of Alignment under AASB 10 or AASB 128, and therefore Alignment is not considered to be a related party of LCT.

17. Parent entity disclosures

	2023	2022
	\$	\$
Statement of financial position		
Current assets	4,107,999	4,041,193
Total assets	4,107,999	4,041,193
Current liabilities	(248,717)	(115,438)
Total liabilities	(248,717)	(115,438)
Net assets	3,859,282	3,925,755
Accumulated losses	(77,016,872)	(75,267,458)
Issued capital	80,239,231	78,949,520
Reserves	636,923	243,693
Total Equity	3,859,282	3,925,755
Statement of profit or loss and other comprehensive income		
Loss after income tax	(1,190,803)	(1,314,273)
Total comprehensive loss	(1,190,803)	(1,314,273)

LCT company has no guarantees, contingent liabilities or capital commitments as at 30 June 2023 or 30 June 2022.

Notes to the consolidated financial statements

For the year ended 30 June 2023

18. Cash flow information

	2023 \$	2022 \$
Cash at the end of the financial year as shown in the is reconciled to items in the consolidated statement of financial position as follows:		
Cash and cash equivalents	<u>4,111,074</u>	<u>4,238,857</u>
The company also has two business MasterCard facilities with Westpac New Zealand totalling \$183,486 These are both undrawn at year end.		
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments.		
Reconciliation of result for the year to cash flows used in operating activities.		
Loss for the year	<u>(2,107,658)</u>	<u>(1,957,300)</u>
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss for the year		
- Depreciation	532	743
- Net loss on disposal of asset	-	13,882
- net foreign currency (gains)/losses	20,180	(12,926)
- share options	(1,250)	(44,700)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(66,193)	(16,078)
- decrease/(increase) in other assets	-	-
- increase/(decrease) in trade and other payables	156,079	27,243
- (decrease)/increase in employee benefits	9,521	(53,068)
Cash flows used in operations	<u>(1,986,291)</u>	<u>(2,042,204)</u>

19. Segment reporting

General information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity only operates one business segment being the research and development into living cell technologies, predominantly in New Zealand.

20. Financial risk management

The consolidated entity'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 foreign 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 currency 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.

Notes to the consolidated financial statements

For the year ended 30 June 2023

20. Financial risk management (continued)

The group holds the following financial instruments.

	2023	2022
	\$	\$
Financial Assets		
Cash and cash equivalents	4,111,074	4,238,857
Trade and other receivables	95,917	29,724
Total financial assets	4,206,991	4,268,581
Financial Liabilities		
Trade and other payables	397,882	196,804
Total financial liabilities	397,882	196,804

Liquidity risk

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

The tables below analyse the consolidated entity's financial assets and liabilities. The amounts disclosed in the table are the contractual cash flows.

	Within 1 Year		1 to 5 Years		Over 5 Years	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Financial assets – cash flows realisable						
Trade and other receivables	95,917	29,724	-	-	-	-
Trade and other payables	(397,882)	(196,804)	-	-	-	-
Total anticipated outflows	(301,965)	(167,080)	-	-	-	-

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 from call to 12 months. This investment policy is adopted to manage risks and enhance returns.

Interest rate risk sensitivity analysis

At 30 June 2022, the effect on profit/ (loss) 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:

	2023	2022
	\$	\$
+ 1% (100 basis points)	55,865	32,792
- 0.5% (50 basis points)	(27,933)	(16,396)

The consolidated entity's activities expose it to the risk 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 way it manages and measures the risk from the previous period.

Notes to the consolidated financial statements

For the year ended 30 June 2023

20. Financial risk management (continued)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise 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 on-going basis with the result that the consolidated entity's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The consolidated entity's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities when revenues or expenses are denominated in a different currency from the consolidated entity's presentation currency and the net investment in foreign subsidiaries. The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity's operations denominated in currencies other than the presentation currency of operations.

	NZD Total
2023	
Consolidated	
Cash and cash equivalents	7,834
Trade and other receivables	5,886
Trade and other payables	(179,043)
2022	
Consolidated	
Cash and cash equivalents	217,542
Trade and other receivables	1,389
Trade and other payables	(104,191)

Foreign currency risk sensitivity analysis

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the end of the reporting period.

The consolidated entity is mainly exposed to New Zealand dollars (NZD). The table demonstrates the sensitivity of profit or loss before tax to a reasonably possible change in the AUD/NZD exchange rate.

A fluctuation of the New Zealand dollar would have impacted equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Increase by 5%	Decrease by 5%
2023	41,129	(45,458)
2022	3,449	(3,121)

Price risk

Consolidated Entity is not exposed to any material commodity price risk.

Notes to the consolidated financial statements

For the year ended 30 June 2023

21. Remuneration of auditors

	2023	2022
	\$	\$
Auditors of the Group – BDO and related network firms		
Audit and review of financial statements:		
– Group - Australian based subsidiaries	84,000	81,000
– Controlled entities - the New Zealand based subsidiaries	18,332	21,000
Total audit and review of the financial statements	102,332	102,000
– Other assurance services	-	-
Total services provided by BDO	102,332	102,000

22. Contingent assets and liabilities

There were no material contingent asset or liabilities at the reporting date.

23. Events occurring after the reporting date

In early July Alignment completed the Greenshoe placement raising an additional A\$562,500 before costs, completing all fundraising activities under the agreement.

On the 3rd of July 2023 LCT appointed Mr Bradley Latham as a non-executive director of the Company. Mr Latham is an accomplished and energetic businessperson with strong commercial acumen and extensive business experience. Mr Latham has been CEO of Sydney Markets since 2006 and is experienced in all matters of business, including strategic planning, financial management, business development, operational management, and marketing of various successful brands. Mr Latham has a proven track record of business leadership and has a strong understanding of good corporate governance and risk management. Mr Latham holds a Master of Management from the University of New South Wales.

On 11 July 2023, LCT announced its intention to seek shareholder approval to rename the Company to Algorae Pharmaceuticals Limited ('Algorae'). The Company has reserved the ticker code 1AI with the Australian Stock Exchange (ASX). Algorae is a unique word that derives from the term algorithm, which underpins artificial intelligence. The business model of the Company incorporates the use of artificial intelligence to assist all drug discovery and development programs. The new name better reflects and represents the overall business of the Company as it works to expand into new R&D programs in addition to the NTCELL research project. LCT will seek approval at a special resolution of shareholders to change the name of the Company to Algorae in an extraordinary meeting (EGM) of shareholders that is planned for September 2023.

On 26 July 2023, LCT announced that it had filed a new provisional patent application over a combination drug candidate, which includes cannabidiol (CBD) and another off-patent pharmaceutical ingredient, and its use in the treatment of dementia. The precursory development of the combination drug candidate, referred to as AI-116, has been overseen by the Company's scientific team and follows an extensive program of patent analysis, and strength of patent analysis, over numerous drug candidate leads being commercially assessed by the Company.

24. Summary of significant accounting policies

(a) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the consolidated entity'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 unless otherwise stated.

Notes to the consolidated financial statements

For the year ended 30 June 2023

24. Summary of significant accounting policies (continued)

Transaction and balances

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

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other 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 profit or loss and other comprehensive income. Foreign currency transactions are recorded at the spot rate on the date of the transaction.

Group companies

The financial results and position of foreign operations whose functional currency is different from the consolidated entity'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 each month during 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 entity's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed of.

(b) Comparative amounts

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

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

(c) 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 tax authorities. 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.

(d) Accounting standards and interpretations issued but not yet effective

There are no Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, that will likely have a material impact on the Group in future periods.

Notes to the consolidated financial statements
For the year ended 30 June 2023

25. Company Detail

The registered office of the company is:

Living Cell Technologies Limited

Level 23, Rialto South Tower

525 Collins Street

Melbourne Vic 3000

Director's declaration

The directors of Living Cell Technologies Limited declare that:

1. the financial statements and notes for the year ended 30 June 2023 are in accordance with the *Corporations Act 2001* and:
 - comply with the Corporations Regulations 2001 and the Accounting Standards, which, as stated in accounting policy notes as set on pages 24 to 42 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - give a true and fair view of the financial position and performance of the consolidated entity;
2. the Chief Financial Officer have given the declarations required by Section 295A that:
 - the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - the financial statements and notes for the financial year comply with the Accounting Standards; and
 - the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



Director: David Hainsworth

Dated: 30 August 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Living Cell Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Living Cell Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capital raising transactions

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
As disclosed in Note 11, the Group undertook numerous capital raising transactions during the financial year ended 30 June 2023. These comprised of a share placement, a non-renounceable rights issue entitlement, and a shortfall offer, raising a total of \$2.15 million before transaction costs. The capital raising initiatives consisted of a relatively high number of transactions, and the associated share issuance costs comprised both cash and broker options, with the options requiring a fair value assessment. Due to these factors, combined with the significance of these transactions to the Group's financial position at the end of the reporting period, we considered this area to be a key audit matter.	To determine whether the capital raising transactions had been appropriately accounted for and disclosed within the financial statements, we undertook, amongst others, the following audit procedures: • Reviewed all relevant contracts and agreements to ensure that the key terms and conditions were accounted for. • Agreed the issuance of equity instruments to the respective ASX announcements, cash receipts and other supporting documentation. • Reperformed a reconciliation between the opening and closing share capital account to ensure all capital-raising transactions were correctly recorded. • Engaged with relevant experts to ascertain the accuracy of management's valuation of associated broker options, including the appropriateness of all relevant inputs to the calculation. • Evaluated the accuracy of the disclosures of the capital raising transactions within the financial report, including assessing whether these disclosures were in accordance with the requirements of AASB 124 <i>Related Party Disclosures</i>.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report to the Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Living Cell Technologies Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Martin Coyle', is written over a faint, larger 'BDO' watermark.

Martin Coyle
Director

Sydney, 30 August 2023

Additional information for listed public companies

30 June 2023

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 29 August 2023.

Substantial shareholders

Name of shareholder	Share held	% of issued shares
MS CHUNYAN NIU	86,304,090	5.28

Voting rights

Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

Distribution of equity security holders at 29 August 2023

Holding	Holders	Shares
1 - 1,000	188	45,431
1,001 - 5,000	343	1,067,473
5,001 - 10,000	298	2,422,002
10,001 - 100,000	1,191	50,970,237
100,000 and over	806	1,581,141,307
	2,826	1,635,646,450

There were 1,414 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders at 29 August 2023

	Number Held	% of issued shares
MS CHUNYAN NIU	86,304,090	5.28
ALIGNMENT CAPITAL PTY LTD	50,000,000	3.06
ASP CAPITAL MANAGEMENT PTY LTD <ABG FAMILY A/C>	50,000,000	3.06
EZR SYSTEMS PTY LTD	48,366,666	2.96
AAL INVESTMENT HOLDINGS PTY LTD	47,930,832	2.93
BROWNNARROWS PTY LTD <EJM A/C>	42,000,000	2.57
HOBSON WEALTH CUSTODIANS LTD <RESIDENT CASH ACC>	41,402,037	2.53
EXP1 ASSET MANAGEMENT PTY LTD <EXP1 A/C>	41,141,666	2.52
MR BIN LIU	37,666,667	2.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,359,560	2.22
CITICORP NOMINEES PTY LIMITED	33,105,291	2.02
MR VASILIOS CHRISTOS EVANGEL	30,375,420	1.86
MASFEN SECURITIES LIMITED	28,482,728	1.74
CIPATER PTY LTD	27,150,000	1.66
OTSUKA PHARMACEUTICAL FACTORY INC	25,000,000	1.53
ROCKAWAY PTY LTD <ROCKAWAY S/F A/C>	24,000,000	1.47
MR BRIAN PETER BYASS	20,079,728	1.23
ELLAZ PTY LTD <THE RIPPER FAMILY A/C>	19,528,291	1.19
MALCORP (AUST) PTY LTD <MALYNIAC SUPER FUND A/C>	19,518,750	1.19
MS SASHA PARISSIS	16,850,000	1.03

Additional information for listed public companies
30 June 2023

Securities exchange

The company is listed on the Australian Securities Exchange.