

LBT Innovations Ltd

ACN 107 670 673

ASX CODE: LBT

ASX Preliminary Final Report
30 June 2017

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

Preliminary Final Report

Year ended 30 June 2017

(Previous corresponding period: Year ended 30 June 2016)

Results for Announcement to the Market

	June 2017 \$000	June 2016 \$000	Change \$000	Change %
Revenue from ordinary activities	5,923	7,726	(1,803)	(23.3%)
Profit / (Loss) after tax attributable to members	(610)	3,577	(4,187)	(117.1%)
Total comprehensive income / (loss)	(690)	3,541	(4,231)	(119.4%)

Summary explanation of the figures above;

Revenue

Revenue for the year ended 30 June 2017 decreased by 23% to \$5.92 million which included:

- \$4.96 million reimbursement of APAS® related expenses by the Company's 50% owned joint venture company, Clever Culture Systems AG (CCS).
- \$370,000 revenue recognition of the remaining proceeds from bioMérieux's termination of the original MicroStreak® licence agreement.
- \$141,000 of deferred grant income brought to account as revenue.
- \$330,000 Consulting Income related to services provided to CCS.
- \$116,000 Interest received
- \$11,000 Foreign exchange gain.

Profit after tax

LBT incurred a loss after tax of (\$0.61m).

During the year, \$3.87 million of expenditure was capitalised, relating to the development of the analysis modules for APAS. Further expenditure of \$6.4m was expensed during the year, relating to hardware development for APAS (largely reimbursed by CCS) and research on Woundvue®.

<i>Net Tangible Assets per security</i>	6.4 cents per share as at 30 June 2017 (3.8 cents per share as at 30 June 2016)
<i>Control Gained or lost over entities</i>	Not applicable
<i>Dividends</i>	No dividend is proposed
<i>Dividend or distribution reinvestment scheme</i>	Not applicable

Details of associates and joint venture entities

LBT Innovations Limited (LBT) has a 50% direct interest in a joint venture with Hettich Holding Beteiligungs und Verwaltungs GmbH. The joint venture company, CCS, is incorporated in Switzerland. The purpose of the joint venture is to finalise commercial product development of LBT's APAS technology.

The accounts for the year ended 30 June 2017 are in the process of being audited.

EXPLANATION OF RESULTS

Financial Highlights

Revenue for the year to 30 June 2017 was \$5.92 million (down from \$7.73 million for the year ended 30 June 2016).

Revenue consisted of:

- \$4.96 million reimbursement of APAS related expenses by the Company's 50% owned joint venture company, CCS.
- \$370,000 revenue recognition of the remaining proceeds from bioMérieux's termination of the original MicroStreak licence agreement.
- \$141,000 of deferred grant income brought to account as revenue.
- \$330,000 Consulting Income related to services provided to CCS.
- \$116,000 Interest received
- \$11,000 Foreign exchange gain.

The cash position as at 30 June 2017 was \$3.50 million (2016: \$4.68 million).

LBT received a R&D tax concession refund of \$1.16 million following completion of the 2016 tax return. The Company will lodge a claim for the 2017 year with an estimated cash refund of approximately \$4.01 million, followed by a further \$0.34 million for an overseas finding claim made in 2016 which has recently been approved by AusIndustry.

REVIEW OF OPERATIONS 2017

In the 2016/17 financial year LBT has achieved some significant milestones across engineering, organisational leadership and capital planning. The primary focus remained the continued development of the Automated Plate Assessment System (APAS) technology, specifically the APAS Independence instrument. The past 12 months have delivered tangible results, notably FDA Clearance in October 2016 and showcasing a working demonstration instrument at major tradeshow starting in April 2017. These achievements coupled with the accelerated engineering schedule announced in December 2016 have set up fiscal 2017/18 as a year for commercialisation and first sales.

Clever Culture Systems

CCS is a joint venture company that is owned 50/50 between LBT Innovations and Hettich Holding Beteiligungs- und Verwaltungs-GmbH. It was established as the legal entity responsible for bringing APAS Independence to market. Retiring LBT co-founder and CEO Luisa Guthrie was appointed as Chair of CCS for a two-year period, ensuring strategic continuity of the business.

Management and organisation development

In August 2016 Brent Barnes began his tenure as CEO and Managing Director of LBT. After establishing his career with global defence contractor Thales, Brent spent 11 years gaining broad senior executive experience in a variety of roles with Australian medical device manufacturer Cochlear Limited. Having led an important transformation project from within Cochlear's Global Quality & Regulatory Group, Brent relocated to the United States working for Cochlear Americas where he held senior operations and sales roles based in Colorado and Texas. After four years in the US, Brent returned to Cochlear's global headquarters in Sydney, running Asia Growth Markets and Operations for Asia Pacific at the Sydney and Singapore offices.

Two key strategic appointments were made during the year: Dr Steven Giglio was appointed Scientific Director in December 2016, and Rhys Hill as Research Director in February 2017. Both Steve and Rhys have extensive experience in the areas of science and artificial intelligence, which are foundational growth drivers for LBT. Rhys is the inventor of APAS and having this experience within LBT will ensure ongoing development of our platform technology, notwithstanding the continuation of important collaborative partners such as the Australian Centre of Visual Technology. Our investment in internal capabilities, along with our continued focus on staff, led to the successful accomplishments of key milestones during the year.

LBT board

LBT's long- serving Chairman Bob Finder announced his retirement following a decade of outstanding leadership of the company. The board acknowledges Bob's exceptional leadership of LBT since 2007. He left as the third largest shareholder in the company, participating in both the share placement in December 2016 and shareholder purchase plan in June 2017, demonstrating his ongoing support of the board and management.

Existing long standing board member Catherine (Kate) Costello became chairman of LBT immediately following Bob's retirement. Kate is a lawyer and expert in strategy and corporate governance with depth of experience as a director and chair of various companies.

In December 2016 the board completed a reflective board skills assessment to define the competencies the board requires to achieve its strategic goals. As a result of this, two new Non-executive Directors were appointed, both starting on 1 September 2017.

Mr Matt Michalewicz has more than 20 years' experience in starting and running high-growth tech companies, particularly in the areas of predictive analytics and optimisation software. He is the CEO of Complexica Pty Ltd, a provider of artificial intelligence (AI) software applications that help large organisations increase revenue, margin and customer engagement through automated analytics. Matt lives in Adelaide and started his career based in the United States. His background in AI technology complements LBT's platform technology.

Dr Glenn Haifer has 30 years' experience in medicine and the healthcare sector and has successfully launched four different businesses operating in primary medical services, histopathology and cosmetic medical services, which he has exited through sales to private equity firms and to an ASX 200 company. Glenn is a Sydney-based experienced company director holding multiple directorships with focus in capital management strategies.

APAS Independence developments

A major company milestone was reached in October 2016 with the announcement that CCS had received clearance of its 510(k) de novo submission to the US Food and Drug Administration (FDA) for APAS as a Class II medical device. FDA clearance followed rigorous interrogation and validation of the capabilities of APAS after the successful clinical trial program was completed and submitted to FDA in December 2015.

The submission used a manual version of APAS to test 10,000 patients in a series of clinical trials conducted in Australia and the US over a 12 month period. In each trial APAS achieved its target primary endpoints and the results matched or exceeded the findings of a panel of experienced microbiologists.

FDA clearance is a fitting tribute to the many years of painstaking work by LBT's staff and partners, and was the most pleasing and important milestone achieved for the year, adding considerable value to LBT shares.

Following FDA clearance, confirmation was received that APAS had been included on the Australian Register of Therapeutic Goods (ARTG) as an In-Vitro Diagnostic Device. Inclusion on the ARTG is a legal requirement for the supply of any medical device in Australia and is an important milestone to support the sale and distribution of APAS products within Australia.

The inclusion by the TGA of the APAS technology is part of the global distribution strategy where Australia will be the first launch country for APAS Independence. LBT was appointed the distributor for Australia and New Zealand. As the initial developer of APAS, LBT has existing software and engineering expertise in-house and an ability to provide experienced market support. This market focus coupled with existing microbiology, sales and marketing expertise, will set the foundations for building global expertise used to support distributors who will be appointed in other global markets.

The first functional APAS Independence demonstration instrument was showcased at an investor briefing in March 2017 in Melbourne, ahead of being shipped for display at the prestigious European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Vienna in April

2017. Following this successful display, the instrument was exhibited at the CCS booth during the American Society of Microbiology meeting in New Orleans in June 2017.

A constant stream of laboratory directors and microbiologists attended the booth during both conferences. They received demonstrations of the instrument along with explanations of the features and benefits of the APAS Independence. Stakeholders were enthusiastic and impressed with both the software technology and instrument footprint and design. Some of the highly regarded instrument features and feedback included:

- Recognition the technology did replicate the thought process of a microbiologist
- Triaging of negative samples out of the workflow did introduce efficiencies in the laboratory
- Two way interface with laboratory information systems and the ability to tailor reporting to specific laboratory protocols
- No other competitor product is able to image and interpret plates like APAS and it remains unique, filling an unmet need within the market
- The small footprint of the instrument lends itself to easy installation in many laboratories

In addition to the potential customers, a number of potential distributors have expressed interest in selling the instrument in their territories.

MicroStreak and WoundVue

LBT's founding product MicroStreak was licensed to French diagnostics company bioMérieux, which sold it internationally as PREVI@Isola. Following the renegotiated non-exclusive agreement in August 2015, LBT appointed Deloitte to support the process of selling or licensing the technology. It is expected that this process will be finalised in Q3 or Q4 2017 (calendar year).

WoundVue is a hand held portable device that takes 2D and 3D images of chronic wounds to objectively monitor wound healing. The technology behind WoundVue originates from the principles behind LBT's FDA cleared APAS platform, where the core machine learning algorithms have been adapted to interpret tissue types and automatically provide surface area, volume and depth measurements. A prototype device has been completed and is being used with Central Adelaide Local Health Network Vascular and Endovascular Services to support its clinical trial. The capability achieved by the prototype device is encouraging with further development required for further clinical validation.

Investor relations

An important focus of the newly appointed CEO was to build and raise awareness of LBT as a company that is entering into its commercialisation phase. In the subsequent month of starting as CEO, Brent delivered his first major presentation at the AusBiotech Broker Meets Biotech twilight event in Adelaide. Since then, there has been a large amount of video, podcast and print coverage of LBT as it achieved its milestones throughout the year.

The media and analyst coverage is available on the LBT website www.lbtinnovations.com.au.

Capital planning

In December 2016 LBT completed a \$7 million placement to support the accelerated engineering program of APAS Independence. The exclusive lead manager of the Offer was Bell Potter Securities, with Roth Capital Partners acting as the US Placement Agent. Directors of LBT elected to purchase shares, including newly appointed CEO Brent Barnes who invested in his first opportunity.

In May 2017 LBT announced a Share Purchase Plan (SPP) available to all existing eligible shareholders. \$500,000 was raised.

Closing Remarks

The 2016/17 financial year has been a year of major change for LBT, delivered in a very structured, thought out and considered way. A new CEO, transition of chair, coupled with new Non-executive Directors starting in September 2017, in addition to monumental progress in delivering a working APAS Independence instrument. This sets up LBT for continued success in fiscal year 2018.

LBT Innovations Ltd

Preliminary Final Report
30 June 2017

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$000	2016 \$000
Revenue	2	5,923	7,726
Share of profit / (loss) of associates & joint ventures accounted for using the equity method		(143)	(241)
Consulting fees		(246)	(69)
Employee benefits expense	3 (c)	(1,290)	(1,067)
Depreciation and amortisation expense		(759)	(775)
General administration expenses		(209)	(163)
Legal		(13)	(65)
Marketing		(87)	(105)
Finance costs		0	(27)
Other expenses	3 (a)	(6,689)	(1,094)
		<hr/>	<hr/>
Profit / (Loss) before income tax		(3,513)	4,120
Income tax benefit / (expense)		<hr/> 2,903	<hr/> (543)
Profit / (Loss) for the year		<hr/> (610)	<hr/> 3,577
Other comprehensive income		<hr/> (80)	<hr/> (36)
Other comprehensive income for the year net of tax		<hr/> (80)	<hr/> (36)
Total comprehensive income / (loss) for the year		<hr/> (690)	<hr/> 3,541
		<hr/>	<hr/>
Basic earnings per share (cents per share)		<hr/> (0.48)	<hr/> 3.08
Diluted earnings per share (cents per share)		<hr/> (0.48)	<hr/> 3.08

The accompanying notes should be read in conjunction with these financial statements



**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	2017 \$000	2016 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,498	4,682
Trade and other receivables	5	2,365	525
Current tax asset		<u>4,357</u>	<u>1,331</u>
TOTAL CURRENT ASSETS		<u>10,220</u>	<u>6,538</u>
NON-CURRENT ASSETS			
Plant and equipment	6	65	44
Investments accounted for using the equity method	7	1,176	1,399
Financial assets	8	2,920	80
Deferred tax assets		670	1,628
Intangible assets	9	<u>23,724</u>	<u>20,583</u>
TOTAL NON-CURRENT ASSETS		<u>28,555</u>	<u>23,734</u>
TOTAL ASSETS		<u>38,775</u>	<u>30,272</u>
CURRENT LIABILITIES			
Trade and other payables	10	4,194	1,965
Financial liabilities	11	<u>141</u>	<u>511</u>
TOTAL CURRENT LIABILITIES		<u>4,335</u>	<u>2,476</u>
NON-CURRENT LIABILITIES			
Financial liabilities	11	1,480	1,620
Deferred tax liabilities		7,005	6,850
Provisions	10	<u>39</u>	<u>136</u>
TOTAL NON-CURRENT LIABILITIES		<u>8,524</u>	<u>8,606</u>
TOTAL LIABILITIES		<u>12,859</u>	<u>11,082</u>
NET ASSETS		<u>25,916</u>	<u>19,190</u>
EQUITY			
Issued capital	12	20,881	13,152
Reserve	13	611	1,004
Retained earnings		<u>4,424</u>	<u>5,034</u>
TOTAL EQUITY		<u>25,916</u>	<u>19,190</u>

The accompanying notes should be read in conjunction with these financial statements



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contract termination payment		0	7,889
APAS milestone payments received		0	518
Reimbursement of expenses from JV Company		3,985	0
Interest received		100	92
Grants received		66	0
Research and development tax concession		1,160	1,618
Payments to suppliers and employees		<u>(5,968)</u>	<u>(2,243)</u>
Net cash provided by (used in) operating activities	14	<u>(657)</u>	<u>7,874</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Research and development (intangible asset)		(4,627)	(3,800)
Payment for plant and equipment		(43)	(22)
Loan provided		<u>(2,805)</u>	<u>(84)</u>
Net cash used in investing activities		<u>(7,475)</u>	<u>(3,906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan repaid		0	(1,000)
Cash proceeds from share placement		7,447	0
Capital raising expenses		<u>(498)</u>	<u>(2)</u>
Net Cash from financing activities		<u>6,949</u>	<u>(1,002)</u>
Net increase / (decrease) in cash and cash equivalents		(1,183)	2,966
Cash and cash equivalents at beginning of year		4,682	1,818
Exchange rate adjustments		<u>(1)</u>	<u>(102)</u>
Cash and cash equivalents at end of year	4	<u><u>3,498</u></u>	<u><u>4,682</u></u>

The accompanying notes should be read in conjunction with these financial statements



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Option Reserve \$000	Foreign Currency Translation Reserve \$000	Share Capital \$000	Accumulated (Losses) / Retained Earnings \$000	Total \$000
Balance at 1 July 2015		812	227	13,187	1,457	15,684
Share placement		0	0	45	0	45
Options exercised		0	0	0	0	0
Capital raising costs		0	0	(2)	0	(2)
Options granted as remuneration		0	0	0	0	0
Tax effect attributable to items in equity		0	0	(78)	0	(78)
Comprehensive income		0	(36)	0	0	(36)
Profit attributable to members		0	0	0	3,577	3,577
Balance at 30 June 2016	12,13	812	192	13,152	5,034	19,190
Share placement		0	0	7,001	0	7,001
Options exercised		(620)	0	1,066	0	446
Capital raising costs		0	0	(507)	0	(507)
Options granted as remuneration		307	0	0	0	307
Tax effect attributable to items in equity		0	0	169	0	169
Comprehensive income		0	(80)	0	0	(80)
Profit attributable to members		0	0	0	(610)	(610)
Balance at 30 June 2017	12,13	499	112	20,881	4,424	25,916

The accompanying notes should be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The preliminary final report is based on the Company's financial statements which are in the process of being audited and have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Company does not expect that there will be any audit qualifications to its financial statements.

The financial report covers LBT Innovations Ltd a public company incorporated and domiciled in Australia.

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

Basis of Preparation

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

Reporting Basis and Conventions

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

Accounting Policies

a. Income Tax

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. Plant and Equipment

Plant and equipment is measured on the cost basis less, where applicable, any accumulated depreciation and impairment losses.

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

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over its useful life to the company commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	5 – 33%

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

Any 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****c. Investment Accounted for Using The Equity Method****Investment in Joint Venture**

LBT established a joint venture company, Clever Culture Systems AG (JV) with Hettich Holding Beteiligungs und Verwaltungs GmbH (Hettich). LBT has a 50% interest in the JV into which it has contributed CHF25,000 share capital and granted a licence to use its APAS technology. Hettich also holds a 50% interest in the JV into which it has contributed CHF25,000 share capital and has committed to an additional working capital injection of €1.07 million. The investment of LBT in the JV with Hettich is accounted for using the equity method in accordance with AASB 128. Under the equity method, the investment in the JV is initially recognised in the balance sheet of LBT at cost, and adjusted for post-acquisition changes in LBT's share of net assets in the JV. The initial cost of the investment into the JV was assessed as the CHF25,000 share capital contribution together with the fair value of the licence granted to the JV to use its APAS technology, being \$1.51 million.

Financial statements of the equity-accounted for entity are prepared for the same reporting period.

d. Intangibles**Licence Fees and Option Fees**

Licence fees and option fees are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

Research Expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred.

Patents

Patents are recognised at cost of acquisition. Patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patent costs are amortised over their useful life ranging from 15 to 20 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Intangibles (Cont.)

MicroStreak and APAS Development Costs

Capitalised development costs include the concept development and preliminary design costs for MicroStreak, which include systems engineering, mechanical and electronic subsystems, and software costs (including prototypes and documentation).

Capitalised APAS development costs include software development, consulting and some internal salaries incurred from December 2013.

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.

In accordance with Australian Accounting Standards, capitalised development costs for MicroStreak have been amortised on a straight line basis over the remaining life of the patent.

Amortisation expense relating to capitalised MicroStreak development costs is approximately \$671,000 per annum. Consistent with this approach and in accordance with AASB 120 Accounting for Government grants and Disclosure of Government Assistance, revenue from the company's commercial revenue grant must be recognised over the periods in which the entity recognises as expense the related costs for which the grants are intended to compensate. As the grant received by the company in prior years related to the capitalised costs referred to above, it has also been recognised as revenue on a straight line basis over the remaining term of the licence. Revenue of approximately \$141,000 per annum relating to the grant will be recognised going forward.

At present there is no amortisation of capitalised APAS development costs with the exception of IT licences purchased on an annual basis. This will commence once commercial income from product is generated. APAS commercialisation will be managed through the 50:50 JV company, CCS, established through a JV agreement signed in 2013.

e. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****f. Financial Instruments**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised on the income statement.

Financial Liabilities

Financial liabilities are recognised at amortised cost less principal payments and amortisation.

Financial Assets

Financial assets are recognised at cost less principal repayments.

g. Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Key Estimates – Impairment

The directors assess impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions and is net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Revenue

Licence fees and milestone payments are brought to account as revenue in accordance with the substance of the relevant agreement. Where the condition under the agreement has been fulfilled and the payments are non-refundable, licence fees are brought to account as revenue only when it is probable that the fee will be received.

Revenues from royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

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

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

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

j. Share-Based Payments

Equity Settled Transactions

The company currently has a Directors and Executive Option Plan in place to provide benefits to directors and executives in the form of share-payments whereby they render services in exchange for shares or rights over shares (equity-settled transactions).

The company may also provide options to selected consultants in exchange for their services.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant party becomes fully entitled to the award (the vesting period).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Goods and Services Tax (GST)

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

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

l. Foreign Currency Transactions and Balances

Foreign currency transactions during the year were converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date were converted at the rates of exchange ruling at that date. The company has a hedging policy under which, in appropriate circumstances, it hedges its foreign currency exposure.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

LBT's joint venture's transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the statement of financial position's date. Any resulting exchange differences are included in the comprehensive income statement. Non-monetary assets and liabilities, other than those measured at fair value are not retranslated subsequent to initial recognition.

In the financial statements, the assets and liabilities of LBT's non-AUD dollar functional currency joint venture are translated into AUD dollars at the rate of exchange at the statement of financial position's date.

m. Comparative Figures

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

n. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expenses are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

o. Critical Accounting Estimates and Judgments

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$000	\$000

NOTE 2: REVENUE

Operating activities	5,807	7,611
Interest	116	115
Total Revenue	<u>5,923</u>	<u>7,726</u>

NOTE 3: PROFIT FOR THE YEAR

a. Other Expenses

Auditors' remuneration	28	36
Rent	37	38
Travel and accommodation	123	285
Research and development	6,383	391
Royalty expenses	0	246
Others	118	98
	<u>6,689</u>	<u>1,094</u>

b. Significant Revenue and Expense Items

The following significant revenue and expense items are relevant in explaining the financial performance:

bioMérieux termination fee	370	7,519
Reimbursement of expenses from JV Company	4,955	0
Royalty income	0	(195)
Grant Income	141	255
APAS module income	0	0
Consulting income	330	138
Interest received	116	115
Foreign exchange gain (loss)	11	(106)
	<u>5,923</u>	<u>7,726</u>

c. Employee Benefits Expense

The employee benefits expense includes directors' fees and salaries and wages, including executive bonuses and options expense of \$306,644 (2016: Nil). However, employee benefits expense excludes salaries and wages totalling \$1,351,754 (2016: \$1,101,010) capitalised within APAS development costs.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2017	2016
\$000	\$000

NOTE 4: CASH AND CASH EQUIVALENTS

Cash at bank	<u>3,498</u>	<u>4,682</u>
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NOTE 5: TRADE AND OTHER RECEIVABLES

CURRENT

Trade debtors	1,626	197
Other receivables	220	136
GST refundable	519	192
Total Receivables	<u>2,365</u>	<u>525</u>

NOTE 6: PLANT AND EQUIPMENT

Plant and equipment at cost	236	187
Less: accumulated depreciation	<u>(171)</u>	<u>(143)</u>
Total Plant and equipment	<u>65</u>	<u>44</u>

Movements in Carrying Amount

Movements in carrying amounts of plant and equipment between the beginning and the end of the financial year were as follows:

Opening balance	44	62
Additions	49	22
Disposals	0	0
Depreciation expense	<u>(28)</u>	<u>(40)</u>
	<u>65</u>	<u>44</u>

NOTE 7: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in joint venture at cost (Note 1(c))	1,539	1,539
Foreign currency translation reserve	112	192
Share of Profit / (Loss) in joint venture	<u>(475)</u>	<u>(332)</u>
	<u>1,176</u>	<u>1,399</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$000	2016 \$000
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NOTE 8: FINANCIAL ASSETS

Interest on loan to joint venture	22	0
Loan to joint venture	<u>2,898</u>	<u>80</u>
	<u>2,920</u>	<u>80</u>

LBT Innovations provides 50% of the required funding for its 50% owned joint venture company, Clever Culture Systems AG (CCS). CCS is the joint venture entity established to commercialise the APAS technology and manage the future production, marketing, sales and distribution of APAS related products. The funding is provided as an unsecured loan, with interest accruing at 2% per annum. The loan and accrued interest are to be repaid to LBT from the future after tax profits of CCS.

NOTE 9: INTANGIBLE ASSETS

MicroStreak option fee at cost	51	51
Less: accumulated amortisation (Note 1 (d))	<u>(44)</u>	<u>(41)</u>
	<u>7</u>	<u>10</u>
MicroStreak licence fee at cost	120	120
Less: accumulated amortisation (Note 1 (d))	<u>(100)</u>	<u>(92)</u>
	<u>20</u>	<u>28</u>
MicroStreak Patent fees	247	247
Less: accumulated amortisation (Note 1 (d))	<u>(129)</u>	<u>(117)</u>
	<u>118</u>	<u>130</u>
MicroStreak development costs (Note 1 (d))	11,959	11,959
Less: accumulated amortisation	<u>(4,244)</u>	<u>(3,574)</u>
	<u>7,715</u>	<u>8,385</u>
APAS development costs (Note 1 (d))	15,974	12,102
Less: accumulated amortisation	<u>(110)</u>	<u>(72)</u>
	<u>15,864</u>	<u>12,030</u>
Total Intangible assets	<u>23,724</u>	<u>20,583</u>

The MicroStreak licences became non-exclusive in August 2015 with the termination of the original MicroStreak licence with bioMérieux. There is a known demand from PREVI Isola users and other potential laboratory customers for MicroStreak. It is the Company's view that the re-commercialisation of MicroStreak is likely. However, until a definitive purchaser or licensee is finalised, the net amount of \$6,239,000, in the Statement of Financial Position, remains at significant risk. The net amount is comprised of \$7,860,000 in intangible assets above less the deferred grant income of \$1,621,000 related to Microstreak (Note 11).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**
Movements in Carrying Amount

Movements in carrying amounts of intangibles between the beginning and end of the financial year were as follows:

	MicroStreak Option Fee at Cost	MicroStreak Licence Fee at Cost	Patent Fees	MicroStreak Development Costs	APAS Development Costs	Total Intangible Assets
	\$	\$	\$	\$	\$	\$
Balance 1 July 2015	14	36	143	9,056	7,619	16,868
Additions	0	0	0	0	4,450	4,450
Disposals	0	0	0	0	0	0
Amortisation	(4)	(8)	(13)	(671)	(39)	(735)
Balance 30 June 2016	10	28	130	8,385	12,030	20,583
Additions	0	0	0	0	3,872	3,872
Disposals	0	0	0	0	0	0
Amortisation	(3)	(8)	(12)	(670)	(38)	(731)
Balance 30 June 2017	7	20	118	7,715	15,864	23,724

2017
\$000

2016
\$000

NOTE 10: TRADE AND OTHER PAYABLES
CURRENT

Trade creditors and other payables 4,194 1,965

Total Current Trade and other payables 4,194 1,965

NON-CURRENT

Provisions 39 136

Total Non-Current Provisions 39 136



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$000	2016 \$000
NOTE 11: FINANCIAL LIABILITIES		
CURRENT		
Deferred revenue	<u>141</u>	<u>511</u>
Total Current Financial liabilities	<u>141</u>	<u>511</u>
NON-CURRENT		
Deferred revenue	<u>1,480</u>	<u>1,620</u>
Total Financial liabilities	<u>1,621</u>	<u>2,131</u>

NOTE 12: ISSUED CAPITAL

Issued and paid up capital		
139,973,064 (2016: 114,988,073) ordinary shares fully paid	23,100	15,033
Less: costs associated with capital raising		
opening balance	(1,881)	(1,801)
Capital raising costs	(507)	(2)
Tax effect attributable to items in equity	<u>169</u>	<u>(78)</u>
	<u>20,881</u>	<u>13,152</u>

Movements in the number of ordinary shares of the Company during the past two years were as follows:

	2017 Number	2016 Number
opening balance	114,988,073	114,723,367
Share issue – Hydrix September 2015	-	264,706
Share issue – Options exercised	2,400,000	-
Share issue – Tranche 1 December 2016	11,399,990	-
Share issue – Tranche 2 January 2017	<u>11,185,001</u>	<u>-</u>
	<u>139,973,064</u>	<u>114,988,073</u>
	2017 \$000	2016 \$000

NOTE 13: RESERVE

Option reserve

Option reserve of valuation of share options	<u>499</u>	<u>812</u>
The option reserve records items recognised on valuation of share-based payments.		
Foreign currency translation reserve	<u>112</u>	<u>192</u>
	<u>611</u>	<u>1,004</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

2017 **2016**
\$000 **\$000**

NOTE 14: CASH FLOW INFORMATION

**Reconciliation of Cash Flow from Operations
with Profit / (Loss) after Income Tax**

Profit / (Loss) after income tax	(690)	3,541
Non-cash flows in profit / loss		
Amortisation	731	735
Depreciation	28	39
Other comprehensive income	80	36
Cash flows attributed to investing activities	755	(570)
Cash flows attributed to financing activities	2,804	1,045
Changes in assets and liabilities		
(Increase) / Decrease in receivables	(1,840)	313
(Decrease) / Increase in deferred revenue	(510)	(825)
Decrease / (Increase) in deferred tax asset	130	687
Decrease / (Increase) in investment accounted for using the equity method	143	241
(Increase) / Decrease in financial assets	(2,840)	(80)
Increase / (Decrease) in trade creditors	2,227	1,101
(Increase) / Decrease in current tax asset	(3,025)	493
(Decrease) / Increase in provisions	(97)	32
Increase / (Decrease) in deferred tax liability	983	1,059
Increase / (Decrease) in deferred tax in equity	169	(79)
Increase / (Decrease) in options reserve	306	0
(Increase) / Decrease in net unrealised loss / (gain) on foreign currency held	<u>(11)</u>	<u>106</u>
Cash flow from / (used in) operations	<u>(657)</u>	<u>7,874</u>

NOTE 15: COMPANY DETAILS

The registered office and principal place of
business is:
Level 8, 44 Waymouth Street
ADELAIDE SA 5000