



LBT INNOVATIONS

LBT Innovations Ltd

ACN 107 670 673

ASX CODE: LBT

ASX Preliminary Final Report
30 June 2014

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

Preliminary Final Report

Year ended 30 June 2014

(Previous corresponding period: Year ended 30 June 2013)

Results for Announcement to the Market

	June 2014 \$000	June 2013 \$000	Change \$000	Change %
Revenue from ordinary activities	3,920	4,416	-496	-11.2%
Profit / (Loss) after tax attributable to members	331	531	-200	-37.7%

Brief explanation of the figures above

Revenue

Revenue for the year ended 30 June 2014 decreased by 11.2% to \$3.92 million comprised of:

- \$3.00 million in APAS® milestone payments
- bioMérieux royalty revenue of \$648,000
- Interest revenue of \$43,000

Profit after tax

The profit of the company after tax was \$331,000, which includes the milestone receipts described above. The \$3.90 million of expenditure on APAS development is treated as capitalised development expenditure, recognising the progress made toward commercialisation. Other research costs not capitalised during 2014 totalled \$2.03 million.

Income tax expense includes a credit of \$3.01 million in respect of the 2014 R&D tax offset.

Dividends

It is not proposed to pay a dividend.

Net Tangible Assets per security

The net tangible assets per LBT Innovations Ltd share were 2.6 cents as at 30 June 2014, compared with 4.0 cents per share as at 30 June 2013.

Control Gained or lost over entities

Not applicable

Dividend or distribution reinvestment scheme

Not applicable

Details of associates and joint venture entities

LBT Innovations established a wholly owned subsidiary incorporated in the United Kingdom (LBT Innovations (UK) Limited) on 18 July 2013.

LBT Innovations has a 50% interest in a joint venture with Hettich AG Switzerland. The JV company is CCS Switzerland AG incorporated in Switzerland. The interest in the joint venture is held through the above wholly owned subsidiary LBT Innovations (UK) Limited. The purpose of the joint venture is to finalise commercial product development of LBT's APAS technology and ultimately commercialise the technology most likely through global distribution partners.

The accounts for the year ended 30 June 2014 are in the process of being audited.

EXPLANATION OF RESULTS

Financial Highlights

Revenue for the year to 30 June 2014 was \$3.92 million (down from \$4.42 million for the year ended 30 June 2013).

Revenue consisted of:

- \$3.00 million in APAS Milestone receipts through the JV company from Hettich AG Switzerland in line with the terms of the JV agreement;
- Interest revenue of \$43,000 (down from \$77,000 for the year ended 30 June 2013);
- Royalty income of \$648,000 (up from \$598,000 for the year ended 30 June 2013) from bioMérieux under the MicroStreak® license agreement;
- The recognition of deferred commercial ready grant income of \$141,000 (consistent with the year ended 30 June 2013); and
- An Export Market Development Grant of \$128,000 (up from \$42,000 for the year ended 30 June 2013).

The cash position as at 30 June 2014 was \$1.79 million (2013 \$876,000) including \$399,000 raised from the Tranche 1 Placement in June 2014.

LBT Innovations Ltd received an R&D tax concession refund (\$827,000) following completion of the 2013 tax return. The Company has lodged a claim for the 2014 year with an estimated refund of \$3.01 million.

Business Highlights Full Year 2013/14

This was the first full year of operation for LBT's joint venture company Clever Culture Systems AG Switzerland (CCS). The CCS joint venture, a 50:50 partnership with Hettich AG Switzerland (Hettich), was announced on 25 June 2013 and in July 2013 LBT received the \$2 million signing fee from Hettich.

Subsequently, LBT received three payments from CCS, each of \$1 million, in line with milestones for the development of the APAS technology. A fourth milestone payment is expected before the end of CY2014 linked to the completion of APAS clinical trials in Australia.

The focus of the company's work during the past year has been the completion of development of the core APAS technology, ready for testing in clinical trials to support a 510(k) *de novo* submission to the US Food and Drug Administration (FDA) for pre-market clearance to sell APAS integrated with laboratory instruments in the US. The company has been in formal discussions with the US FDA to ensure the clinical trials are structured to meet FDA requirements.

In late 2013, LBT completed two clinical studies and presented the results at two international conferences in 2014: the 24th European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Barcelona, Spain; and the Australian Association of Microbiologists (ASM) in Melbourne. The results showed that the automated system agreed with the microbiologists' findings, without missing a single potential pathogen.

APAS will be integrated into automated laboratory instruments that are being developed in Europe by Hettich, as agreed under the joint venture arrangements. As such, instrument development is progressing in line with LBT's commercial targets.

To date, five new patent applications have been filed in support of APAS.

With APAS on the path to commercialisation, the company turned its attention to leverage its investment in the intelligent image interpretation platform (upon which APAS is based). A business plan was prepared for a proposed new application for the platform, for use in the management of chronic wounds. Planning commenced for a new development project, to be called Woundvue™.

The company initiated a capital raising in June 2014, raising just over \$2 million in additional funds (before fees) via a combined placement and SPP. \$399,000 was received in June 2014 with the balance received in August following closing of the SPP in July 2014 and the EGM on August 1st 2014.

Sales of automated plate streaker PREVI® Isola instruments increased on the previous year, with as many PREVI Isola instruments being sold in the first six months of CY 2014 as in the previous 12 months, hence PREVI Isola applicator sales are now approaching minimum royalty levels.

In August 2014 the company entered into a new lease for larger premises on Level 1, 300 Flinders Street, Adelaide.

Michael Summerford joined LBT as Chief Microbiologist and Julie Winson was appointed as LBT Quality Manager. At the end of June, Ian Reilly completed his assignment with LBT to facilitate APAS mechanical development. In the new financial year, the company engaged a part-time Chief Financial Officer and intends to employ a software engineer who will be dedicated to the production and maintenance of commercial APAS software modules for end-users in the field.

Outlook for 2014 / 2015

Future priorities:

- LBT's JV company CCS to finalise distribution agreement(s) for APAS instruments
- Complete APAS clinical trials at sites in Australia and the US
- Lodge 510(k) *de novo* submission with US FDA and achieve clearance for use of APAS in USA
- Achieve CE Mark for APAS
- Initiate proof-of-concept project for Woundvue
- Further develop APAS line extension products currently under research
- Review royalty payment agreement with bioMérieux for sales of PREVI Isola applicators

LBT Innovations Ltd

Preliminary Final Report
30 June 2014

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$000	2013 \$000
Revenue	2	3,920	4,416
Consulting fees		(334)	(245)
Employee benefits expense	3 (c)	(1,138)	(1,090)
Depreciation and amortisation expense		(716)	(704)
General administration expenses		(156)	(184)
Legal		(47)	(130)
Marketing		(32)	(8)
Other expenses	3 (a)	(2,468)	(1,685)
		<hr/>	<hr/>
Profit / (Loss) before income tax		(971)	370
Income tax benefit / (expense)		<hr/> 1,263	<hr/> 161
Profit / (Loss) for the year		<hr/> <hr/> 292	<hr/> <hr/> 531
Other comprehensive income:		<hr/> 39	<hr/> 0
Other comprehensive income for the year net of tax		<hr/> 39	<hr/> 0
Total comprehensive income / (loss) for the year		<hr/> <hr/> 331	<hr/> <hr/> 531
Basic earnings per share (cents per share)		<hr/> <hr/> 0.33	<hr/> <hr/> 0.53
Diluted earnings per share (cents per share)		<hr/> <hr/> 0.33	<hr/> <hr/> 0.53

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	2014 \$000	2013 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,791	876
Trade and other receivables	5	491	2,281
Current tax asset		<u>3,014</u>	<u>827</u>
TOTAL CURRENT ASSETS		<u>5,296</u>	<u>3,984</u>
NON-CURRENT ASSETS			
Plant and equipment	6	65	13
Investments accounted for using the equity method	7	1,507	1,539
Deferred tax assets		1,735	2,582
Intangible assets	8	<u>13,845</u>	<u>10,639</u>
TOTAL NON-CURRENT ASSETS		<u>17,152</u>	<u>14,773</u>
TOTAL ASSETS		<u>22,448</u>	<u>18,757</u>
CURRENT LIABILITIES			
Trade and other payables	9	2,672	468
Financial liabilities	10	<u>141</u>	<u>141</u>
TOTAL CURRENT LIABILITIES		<u>2,813</u>	<u>609</u>
NON-CURRENT LIABILITIES			
Financial liabilities	10	1,902	2,043
Deferred tax liabilities		4,085	3,195
Provisions	9	<u>84</u>	<u>60</u>
TOTAL NON-CURRENT LIABILITIES		<u>6,071</u>	<u>5,298</u>
TOTAL LIABILITIES		<u>8,884</u>	<u>5,907</u>
NET ASSETS		<u>13,564</u>	<u>12,850</u>
EQUITY			
Issued capital	11	11,665	11,297
Reserve	12	845	791
Retained earnings		<u>1,054</u>	<u>762</u>
TOTAL EQUITY		<u>13,564</u>	<u>12,850</u>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
APAS license signing fees		2,000	0
APAS Milestone payments received		3,000	0
AusIndustry EMDG received		128	42
Interest received		43	104
Royalties received		650	731
Research and development tax concession		827	256
Payments to suppliers and employees		<u>(6,077)</u>	<u>(3,202)</u>
Net cash provided by (used in) operating activities	13	<u>571</u>	<u>(2,069)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(72)	(5)
Sale of equipment		35	0
Equity investment		<u>0</u>	<u>(29)</u>
Net cash used in investing activities		<u>(37)</u>	<u>(34)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from exercise of options		17	0
Cash proceeds from Share placement (Tranche 1)		399	0
Capital raising expenses		<u>(26)</u>	<u>0</u>
Net Cash from financing activities		<u>390</u>	<u>0</u>
Net increase / (decrease) in cash and cash equivalents		924	(2,103)
Cash and cash equivalents 1 July 2013		876	2,932
Exchange rate adjustments		<u>(9)</u>	<u>47</u>
Cash and cash equivalents 30 June 2014	4	<u><u>1,791</u></u>	<u><u>876</u></u>

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


**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Option Reserve \$000	Foreign Currency Translatio n Reserve \$000	Share Capital \$000	Accumulated (Losses) / Retained Earnings \$000	Total \$000
Balance at 1 July 2012		782	0	11,299	231	12,312
Options granted as remuneration		9	0	0	0	9
Tax effect attributable to items in equity		0	0	(2)	0	(2)
Loss attributable to members		0	0	0	531	531
Balance at 30 June 2013	11,12	791	0	11,297	762	12,850
Share Placement		0	0	399	0	399
Options exercised		0	0	17	0	17
Capital raising costs		0	0	(61)	0	(61)
Options granted as remuneration		15	0	0	0	15
Tax effect attributable to items in equity		0	0	13	0	13
Comprehensive Income		0	39	0	0	39
Profit attributable to members		0	0	0	292	292
Balance at 30 June 2014	11,12	806	39	11,665	1,054	13,564

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The preliminary final report is based on the Company's consolidated 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 consolidated financial report covers LBT Innovations Ltd a public company incorporated and domiciled in Australia and LBT Innovations (UK) Ltd a private company wholly owned by LBT Innovations Ltd.

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 consolidated 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.

Basis of Consolidation

The group's financial statements consolidate the financial statements of LBT Innovations Ltd and LBT Innovations (UK) Ltd. LBT Innovations (UK) Ltd financial statements were prepared for the same reporting period as the parent company using consistent accounting policies. Intercompany balances and transactions, including unrealised profits arising from intercompany transactions have been eliminated. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

a. Income Tax (Cont.)

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.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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, CCS Switzerland AG (JV) with Hettich AG Switzerland. 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 AG Switzerland also holds a 50% interest in the JV into which it has contributed CHF25,000 share capital and has committed to a an additional working capital injection of €1.07 million. The investment of LBT in the JV with Hettich AG Switzerland 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.

The interest in the joint venture is held through a wholly owned subsidiary incorporated in the United Kingdom, LBT Innovations (UK) Limited.

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

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 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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.

Change in Accounting Estimates

Capitalised development costs for MicroStreak have been amortised on a systematic basis matched to the projected future economic benefits over the useful life of the licence agreement with the licence partner. In accordance with Australian Accounting Standards capitalised costs have been amortised on a straight line basis over the remaining licence term of 15.5 years. 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. This will commence once commercial income from product is generated. APAS commercialisation will be managed through the 50:50 JV company established through a JV agreement signed in 2013 with Hettich AG Switzerland. A total of \$5 million in sign on fees and milestone payments have already been received by LBT.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014****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 subsidiary and 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 consolidated financial statements, the assets and liabilities of LBT's non-AUD dollar functional currency subsidiary and 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$000	2013 \$000
NOTE 2: REVENUE		
Operating activities	3,877	4,339
Interest	<u>43</u>	<u>77</u>
Total Revenue	<u><u>3,920</u></u>	<u><u>4,416</u></u>

NOTE 3: PROFIT FOR THE YEAR

a. Other Expenses

Auditors' remuneration	35	27
Rent	49	64
Travel and accommodation	164	184
Research and development	2,032	1,250
Others	<u>188</u>	<u>160</u>
	<u><u>2,468</u></u>	<u><u>1,685</u></u>

b. Significant Revenue and Expenses

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

Joint venture signing fee	0	2,000
Milestone payments for APAS	3,000	0
Recognition of investment in joint venture	0	1,510
Royalty income	648	598
Share of operating loss of JV	<u>(71)</u>	<u>0</u>
	<u><u>3,577</u></u>	<u><u>4,108</u></u>

c. Employee Benefits Expense

The employee benefits expense includes directors' fees and salaries and wages, including executive bonuses.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$000	2013 \$000
NOTE 4: CASH AND CASH EQUIVALENTS		
Cash at bank	<u>1,791</u>	<u>876</u>

NOTE 5: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade debtors	201	2,162
Other receivables	23	43
GST refundable	<u>267</u>	<u>76</u>
Total Receivables	<u>491</u>	<u>2,281</u>

NOTE 6: PLANT AND EQUIPMENT

Plant and equipment at cost	131	63
Less: accumulated depreciation	<u>(66)</u>	<u>(50)</u>
Total Plant and equipment	<u>65</u>	<u>13</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	13	18
Additions	74	5
Disposals	(1)	0
Depreciation expense	<u>(21)</u>	<u>(10)</u>
	<u>65</u>	<u>13</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	39	0
Share of Profit / (Loss) in joint venture	<u>(71)</u>	<u>0</u>
	<u>1,507</u>	<u>1,539</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$000	2013 \$000
NOTE 8: INTANGIBLE ASSETS		
MicroStreak option fee at cost	51	51
Less: accumulated amortisation (Note 1 (d))	<u>(34)</u>	<u>(30)</u>
	<u>17</u>	<u>21</u>
MicroStreak licence fee at cost	120	120
Less: accumulated amortisation (Note 1 (d))	<u>(76)</u>	<u>(68)</u>
	<u>44</u>	<u>52</u>
Patent fees	247	247
Less: accumulated amortisation (Note 1 (d))	<u>(92)</u>	<u>(79)</u>
	<u>155</u>	<u>168</u>
MicroStreak development costs (Note 1 (d))	11,959	11,959
Less: accumulated amortisation	<u>(2,232)</u>	<u>(1,561)</u>
	<u>9,727</u>	<u>10,398</u>
APAS development costs (Note 1 (d))	<u>3,902</u>	<u>0</u>
Total Intangible assets	<u><u>13,845</u></u>	<u><u>10,639</u></u>

Movements in Carrying Amount

Movements in carrying amounts of intangibles between the beginning and the 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 2012	24	60	180	11,069	0	11,333
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation Charge	(3)	(8)	(12)	(671)	0	(694)
Balance 30 June 2013	<u>21</u>	<u>52</u>	<u>168</u>	<u>10,398</u>	<u>0</u>	<u>10,639</u>
Additions					3,937	3,937
Disposals					(35)	(35)
Amortisation Charge	(4)	(8)	(13)	(671)	0	(696)
Balance 30 June 2014	<u>17</u>	<u>44</u>	<u>155</u>	<u>9,727</u>	<u>3,902</u>	<u>13,845</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$000	2013 \$000
NOTE 9: TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors	<u>2,672</u>	<u>468</u>
Total Current Trade and other payables	<u>2,672</u>	<u>468</u>
NON-CURRENT		
Provisions	<u>84</u>	<u>60</u>
Total Non-Current Provisions	<u>84</u>	<u>60</u>
NOTE 10: FINANCIAL LIABILITIES		
CURRENT		
Deferred revenue	<u>141</u>	<u>141</u>
Total Current financial liabilities	<u>141</u>	<u>141</u>
NON-CURRENT		
Deferred revenue	<u>1,902</u>	<u>2,043</u>
Total Non-current financial liabilities	<u>1,902</u>	<u>2,043</u>
NOTE 11: ISSUED CAPITAL		
Issued and paid up capital		
102,727,455 (2013: 99,374,861) ordinary shares fully paid	13,369	12,953
Less: costs associated with capital raising		
opening balance	(1,656)	(1,654)
Capital raising costs	(61)	0
Tax effect attributable to items in equity	<u>13</u>	<u>(2)</u>
	<u>11,665</u>	<u>11,297</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11: ISSUED CAPITAL (CONT.)

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

	Number of shares
Opening balance 30 June 2012	99,374,861
Share issue – ESOP option exercise	400,000
Share issue – Tranche 1 Placement June 2014	<u>2,952,594</u>
Closing balance 30 June 2014	102,727,455

Subsequent to year end:

1. A further 8,162,968 ordinary shares in the company were issued at a price of \$0.135. The shares were issued under the Tranche 2 Placement approved by shareholders on 1 August 2014.
2. A further 3,832,944 ordinary shares in the company were issued at a price of \$0.135 pursuant to the share purchase plan announced 18 June 2014.

	2014 \$000	2013 \$000
NOTE 12: RESERVE		
Option reserve		
Option reserve of valuation of share options	<u>806</u>	<u>791</u>
The option reserve records items recognised on valuation of share-based payments.		
Foreign Currency Translation Reserve	<u>39</u>	<u>0</u>
	<u>845</u>	<u>791</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

2014 **2013**
\$000 **\$000**

NOTE 13: CASH FLOW INFORMATION

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

Profit / (Loss) after income tax	331	531
Non-cash flows in profit / loss		
Amortisation	696	695
Depreciation	21	9
Cash flows excluded from profit attributable to operating activities		
Capitalised development costs	(1,865)	0
Changes in assets and liabilities		
Decrease / (Increase) in receivables	1,790	(1,920)
(Decrease) / Increase in deferred revenue	(141)	(141)
Decrease / (Increase) in deferred tax asset	847	899
Decrease / (Increase) in investment accounted for using the equity method	32	(1,539)
Increase / (Decrease) in trade creditors	97	179
(Increase) / Decrease in current tax asset	(2,187)	(571)
Increase / (Decrease) in provisions	24	31
Increase / (Decrease) in deferred tax liability	890	(232)
Decrease / (Increase) in net unrealised loss / (gain) on foreign currency held	<u>36</u>	<u>(10)</u>
Cash flow from / (used in) operations	<u><u>571</u></u>	<u><u>(2,069)</u></u>

NOTE 14: COMPANY DETAILS

The registered office and principal place of
business is:
Level 1, 300 Flinders Street
ADELAIDE SA 5000