

# ANNUAL REPORT

For the year ended 30 June 2014



**LBT INNOVATIONS**

**LBT Innovations**  
ABN 95 107 670 673

**Directors**  
**Robert Andrew Finder**  
Chairman

**Lusia Halina Guthrie**  
Chief Executive Officer

**Catherine Mary Costello**  
Non-executive Director

**Stephen Paul Mathwin**  
Non-executive Director

**Caroline Popper**  
Non-executive Director

**Company Secretary**  
Jamie Todd Dreckow

**Principal Place of Business  
& Registered Office**

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Phone: +61 8 8227 1555  
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Website: lbtinnovations.com

**Accountants**  
Edwards Marshall Pty Ltd  
  
Level 3, 153 Flinders Street  
Adelaide SA 5000

**Lawyers**  
Thomson Geer Lawyers  
  
19 Gouger Street  
Adelaide SA 5000

**Auditors**  
HLB Mann Judd  
  
167-169 Fullarton Rd  
Dulwich SA 5067

**Share Register**  
Computershare Investor  
Services Pty Limited  
  
GPO Box 1903  
Adelaide SA 5001

**Listed Securities**  
LBT: Ordinary Shares

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# Letter to Shareholders

Dear Shareholders,

Revenue for the full financial year to 30 June 2014 was \$3.92 million, reflecting an 11.2% decrease on the \$4.40 million revenue of the year ended 30 June 2013. The change was largely attributable to the \$2.00 million up front fee and capital gain of \$1.51 million upon the signing of our joint venture with Hettich AG Switzerland just before the end of the last financial year.

This year continued to deliver a steady flow of revenue through our joint venture company, Clever Culture Systems AG Switzerland, which channelled milestone payments totalling \$3.00 million to LBT as the company reached targets in the development of the Automated Plate Assessment System (APAS®). The prospects for APAS were further bolstered by a successful placement and share purchase plan, which together raised just over \$2.02 million for the APAS clinical trials as well as for the initiation of early-stage development of a second ‘intelligent imaging’ product, Woundvue™.

As many PREVI Isola® instruments were sold in the first six months of calendar year 2014 as in the whole of 2013 – confirming brighter prospects for our first commercial technology as new and emerging markets continue to join the global trend towards microbiology automation. The PREVI Isola royalty agreement is under negotiation to set the terms for another three years commencing in calendar year 2015.

The company’s focus during 2013/14 was on APAS – our ground-breaking culture-plate analysis and reporting system, which, with Hettich’s support, stands on the cusp of a global revolution in this core stage of the microbiology workflow.

LBT’s focus during 2013/14 was on APAS – our ground-breaking culture-plate analysis and reporting system, which...stands on the cusp of a global revolution...

During May, the capabilities of APAS went on show at the 24th European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Spain, where LBT’s Scientific Director John Glasson presented the results of the first comparative study pitting APAS against the ‘eyes’ of experienced microbiologists. The study showed APAS agreeing with the microbiologists’ findings in between 96% and 98% of cases. Most critically, the only time that the instrument diverged from the microbiologists’ findings was when it determined higher bacterial counts – meaning that it never missed a single potential pathogen.

Over the past year, the APAS technology has seen rapid progress across many fronts. LBT’s microbiology team has been busy verifying and validating the software with different agar types and specimens in several laboratories. A second study released in July confirmed the consistency of APAS’s findings, with two larger patient cohorts showing agreement between APAS and microbiologists in 97% of cases.



Following visits to the American Society for Microbiology in May and the American Association for Clinical Chemistry in July, LBT’s senior management is in discussions with a number of leading diagnostic companies that have expressed an interest in distributing the technology or integrating it with their own systems.

LBT’s current focus is on completing the clinical trials that are required in order to submit APAS to the US Food and Drug Administration (FDA) for pre-market clearance for the use of APAS in the US. The FDA requires that trials be held at three sites: the first two trials will be conducted in Australia, and the third in the US later in 2014. We look forward to updating you on progress with our clinical trials program over the coming weeks.

During 2013/14, LBT was fortunate to be joined by two individuals who have already played key roles in advancing the commercial prospects of the APAS technology. Last August, we welcomed our new Senior Microbiologist, Michael Summerford, who has quickly proved indispensable in his work fine-tuning the APAS software and prototype technology for the hard yards of laboratory life. In April LBT took on the services of Julie Winson, who as our Quality Assurance Manager has been busy developing the protocols for our clinical trials program.

In recent weeks, we have also welcomed a part-time CFO, Daniel Hill, to help us develop the financial and operational strategies that will be so vital to LBT’s long-term growth. We know that you will join us in welcoming our new staff members, and thanking them for their valuable contributions so far. The 2014/15 year is shaping up to be the most significant and eventful in our eight-year history as LBT conducts clinical trials and progresses the commercial development of APAS, initiates concept development for Woundvue, and negotiates the renewal of the PREVI Isola royalty agreement with bioMérieux.

Yours faithfully,

Bob Finder  
Chairman

Lusia Guthrie  
Chief Executive Officer

# Corporate Governance Statement

LBT Innovations has committed to adopting the ASX Corporate Governance Council’s Principles and Recommendations [second edition] [ASX Principles of Good Governance] where appropriate for our circumstances. We report on our governance practices under each of the eight principles.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council’s Principles and Recommendations [second edition] will have been applied for the entire financial year ended 30 June 2014. The ASX Corporate Governance Council’s Principles and Recommendations [third edition] will apply for the financial year commencing 1 July 2014 and LBT Innovations Ltd intends to adopt the revised principles and recommendations as appropriate.

Further information on LBT Innovations’ corporate governance policies and practices can be found on our website, [lbtinnovations.com](http://lbtinnovations.com), in the Investor Centre / Corporate Governance section.

## Principle 1: Lay solid foundations for management and oversight

LBT Innovations’ constitution provides broad parameters for management and for oversight by the Board and provides for the Board to approve specific policies. To ensure the Board is well equipped to discharge its responsibilities it has established governance policies and practices for its own operations.

The roles, responsibilities and tasks of the Board include:

- corporate governance;
- managing relationships with Company executives;
- guiding and monitoring business affairs;
- contributing to the development of, and approving, the corporate strategy including the review and approval of business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring organisational performance and the achievement of the Company’s strategic goals and objectives, including the progress of significant corporate projects, financial performance and reporting, and the appointment, evaluation and removal of senior management;
- reviewing and ratifying risk management systems, including the identification and monitoring of risks;
- guaranteeing compliance with the Company’s code of conduct and protecting shareholder interests;
- releasing announcements to the ASX.

The policies outline how the Board delegates its authority for management of the Company to the Chief Executive Officer, subject to monitoring by the Board. Individual directors do not have authority to participate in the day-to-day management of the Company, which is the Chief Executive Officer’s responsibility. The Chief Executive Officer is expected to review and discuss with the Board all strategic projects or developments and all material matters currently or prospectively affecting the Company and its performance.

Certain decisions involving the Company must be referred to the Board for approval [under the policy matters reserved for the Board]. Examples of some of these decisions are:

- acquiring or selling of shares, property, patent rights and other intellectual property;
- founding, acquiring or selling subsidiaries; participating in other companies or selling the Company’s participation in other companies;
- founding, closing or relocating of offices and facilities;
- commencing of new business activities and terminating existing business activities;
- approving and altering the annual business plan;
- taking or granting of loans and securities;
- foreign exchange hedging under the Company’s hedging policy.

## Principle 2: Structure the Board to add value

LBT Innovations has adopted a number of policies to ensure that the Board is comprised of directors with the requisite skills, independence and ability to competently deal with relevant business issues. The Company’s Constitution provides for the Board to comprise of between three directors and six directors unless otherwise determined by a general meeting.

### Board Composition:

LBT Innovations believes that its current Board composition of five directors is the optimal number to promote effective discussion and efficient decision-making.

# Corporate Governance Statement

## Principle 2: Structure the Board to add value

### cont.

### Board Composition

The Chairman of the Board is an independent, non-executive director elected by the full Board and is considered to be the lead independent director. The roles of the Chairman include:

- ensuring that Board meetings are run effectively;
- understanding the long and short term objectives of the Board;
- ensuring that Board decisions are implemented appropriately and the Company's code of conduct is followed;
- acting as the spokesperson for the Company at prescribed meetings such as the Annual General Meeting;
- overseeing the processes of the Nominations and Remuneration Committee;
- being the main conduit between the Chief Executive Officer and the Board.

The Company's Constitution specifies that one third of all directors (with the exception of the Chief Executive Officer) must retire from office at each Annual General Meeting. Where eligible, a director may stand for re-election subject to the limitation that, on attaining the age of 72 years, the director will retire at the following AGM and will not seek re-election.

The Board ensures that its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective and the ability to add value to the Board's deliberations on current and emerging issues. The re-appointment of directors is not automatic and to enable shareholders to make an informed decision on the election of candidates for director, information on candidates' backgrounds, competencies and qualifications, including other directorships, is provided. Candidates for election present their credentials to the AGM prior to the election vote.

In terms of Board education and training, issues of importance are addressed as needed on an ad hoc basis. The skills and competencies of the Board members can be found at [lbtinnovations.com/board.html](http://lbtinnovations.com/board.html). The commitments of non-executive directors are reviewed each year as part of the annual performance assessment.

### Directors' Independence

The composition of the Board is in accordance with the recommendation of Principle 2 that the majority of directors should be independent. The Board has adopted specific policies in relation to directors' independence. These state that to be deemed independent a director must, in the opinion of the Board, be a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, their independent exercise of judgment. Directors are also expected to inform the Board of any potential conflicts of interest.

The Board considers Robert [Bob] Finder, Catherine [Kate] Costello and Stephen Mathwin to be independent directors. Lusia Guthrie is not considered an independent director as she is employed by the Company as the Chief Executive Officer. Caroline Popper is not considered independent as her company, Popper and Co, undertakes consulting for the company at commercial rates and with full disclosure. The Board is comprised of directors from different backgrounds with complementary skills and experience.

### Board Meetings

The Board meets approximately monthly, at least 10 times per year, and holds additional meetings as needed e.g. strategy and Board education. The Board has also adopted a practice where non-executive directors meet during the year, in a scheduled session without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board. Additional Board meetings are held at short notice if required to consider urgent matters.

### Board Committees

The Board has established two committees to help in specific areas and to allow detailed consideration of complex issues. These committees are the Nominations and Remuneration Committee and the Audit and Risk Committee. Both committees are comprised entirely of non-executive directors. The committee structures and membership are reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements, and the manner in which the

## LBT Innovations embraces this principle and has a number of policies in place to ensure good ethical practice and responsible decision-making.

committee is to operate. These charters are reviewed on an annual basis. Unless specifically delegated to the committee for final decision, all matters determined by committees are submitted to the full Board as recommendations for Board decision.

### The Nominations and Remuneration Committee

This committee assists the Board by examining the director selection and appointment practices of the Company and its remuneration policies. The committee is comprised of three directors.

The members of this committee are:

- C M Costello
- C Popper
- R A Finder

A majority of the committee members are independent directors [CM Costello and R A Finder].

The committee is actively engaged in:

- planning orderly succession for the Chief Executive Officer and non-executive directors;
- reviewing the composition, skills and diversity of the Board to ensure that it remains appropriate for the tasks and work it undertakes;
- ensuring that remuneration policies are designed to motivate senior executives to pursue long-term growth and success and to encourage the retention of highly skilled people.

When the need for a new director is identified or an existing director is required to stand for re-election, the committee reviews the range of skills, experience and expertise on the Board, and identifies skill gaps to inform the appointment or election process. New directors are provided with a letter of appointment setting out their responsibilities, rights and the terms and conditions of their employment. All new directors participate in a comprehensive, formal induction program that covers financial, strategic, operations and risk management issues as well as expectations for director behaviour.

The committee also reviews the remuneration for directors including participation in the Company's Employee Share Option Plan.

### Audit Committee

Please see Principle 4 for information about this committee.

### Independent Professional Advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required.



# Corporate Governance Statement

### Principle 3: Promote ethical and responsible decision-making

LBT Innovations embraces this principle and has a number of policies in place to ensure good ethical practice and responsible decision-making. Ultimately, good corporate governance relies on people with integrity. The Company makes considerable effort to ensure that its directors, employees and suppliers are people with such integrity and that the highest ethical standards are observed and upheld.

A Code of Conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise care and diligence in fulfilling the functions of office;
- avoid and make full disclosure of any possible conflicts of interest;
- comply with the law;
- encourage the reporting and investigation of unlawful or unethical behaviour; and
- comply with the share trading policy.

The Chairman and Chief Executive Officer take responsibility for monitoring compliance by Company officers and employees with this Code of Conduct.

#### Trading Policy

A clear example of ethical misconduct would be the trading of Company securities while in possession of material information not yet in the public domain. This is commonly known as “insider trading”. In the course of their duties as Board members, employees or consultants to the Company, certain people may become aware of material information prior to its public release and thus become an insider.

Under the Company’s Trading Policy, the purchase and sale of Company shares by directors, employees and consultants is only permitted in defined trading windows following the release of the half-yearly and annual financial results to the market once adequate time has elapsed for this to be reflected in the security’s price. The policy also restricts directors, employees and consultants from acting on other material information until it has been released to the market.

A copy of the Company’s Trading Policy is available on the Company’s website under the Investor Centre / Corporate Governance section.

#### Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits from employee and Board diversity and the importance of benefiting from all available talent. Accordingly the Company has established a Diversity Policy, which is available on the Company’s website under the Investor Centre / Corporate Governance section.

The Diversity Policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving these objectives. The Board has developed and achieved the following specific objectives regarding gender diversity:

	Objective	Actual as at 30 June 2014	
		%	Number
Women on the Board	50%	3	60%
Women in senior management roles	50%	1	50%
Women employees in the company	50%	6	60%

#### Fraud Policy

The Company has in place a Fraud Policy that covers all forms of fraud, including corruption, bribery, misuse of resources, security trading and price manipulation, and deceptive behaviour in any respect. The Company has a zero tolerance policy to fraud of any kind and internal and external controls are in place to detect, investigate and deal with any instances of suspected fraudulent conduct. The Board is ultimately responsible for actions under this policy and certain aspects of the policy are delegated to ensure practical implementation. The Company promotes an environment in which all reports of suspected fraud are taken seriously and investigated thoroughly.

#### Familiarisation with Policies

The Code of Conduct and the Company’s Trading Policy are provided to each new employee as part of their induction training and all employees are required to comply with them. In addition, the Company’s policies regarding Continuous Disclosure, Communications and Auditing and practical applications of these are explained to all employees and, where necessary, to contractors.

### Principle 4: Safeguard integrity in financial reporting

The ASX Principles of Good Governance (second edition) provide that a Company should have an audit committee of at least three members that is composed of non-executive directors, the majority of whom are independent and do not include the Chairman of the Board. The members of the audit committee should have the necessary expertise (i.e. financial literacy) to undertake duties effectively and should operate in accordance with a charter.

#### Composition of the Audit Committee

ASX Corporate Governance Principle and Recommendation 4.2 (second edition) requires that the committee should have at least three members, the majority of whom are independent. The Company has not complied with this requirement. Due to the size of the Company and the existing Board, the directors consider that two directors are sufficient. The Chairman of the Audit Committee does not have specific qualifications in accounting or finance. Nonetheless, the Board is satisfied that the Audit Committee has appropriate financial expertise and that its members have a working knowledge of the finances of the Company.

#### Members of the Audit Committee

- S P Mathwin
- C M Costello

#### Audit Committee Responsibilities

The Audit Committee operates in accordance with a formal charter and assists the Board in carrying out its responsibilities in relation to:

- monitoring financial risk;
- supervising the internal and external audit processes: specifically, recommending the appointment, removal and remuneration of the external auditor, monitoring the auditor’s independence and reviewing and approving non-audit services provided by the external auditor to ensure they do not adversely impact on auditor independence;
- monitoring compliance with relevant laws and regulations;
- monitoring internal controls, financial and regulatory reporting requirements: specifically reviewing, assessing and approving the annual and half year financial reports and all other financial information published by the Company or released to the Australian Securities Exchange (ASX);
- ensuring that the Chief Executive Officer and the Chief Financial Officer state, in writing to the Board, that the Company’s financial reports present a true and fair view, in all material respects, of the Company’s financial condition and operational results and are in accordance with relevant accounting standards.

# Corporate Governance Statement

## Principle 4: Safeguard integrity in financial reporting

**Audit Committee Responsibilities** cont.  
In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditor, meets with the external auditor at least twice a year or more frequently if necessary, reviews any significant disagreements between the external auditor and management, meets separately with the external auditor at least once a year without the presence of management and provides the external auditor with a clear line of direct communication at any time to either the Chairman of the Committee or the Chairman of the Board.

**Investment Policy**  
The Company endeavours to invest its assets to derive the maximum return for its shareholders and has a clear Investment Policy that sets out parameters in determining its investing strategy. This policy outlines that the Company will invest surplus funds primarily in short term bank deposits and will not invest funds in derivatives or engage in speculative trading.

## Principle 5: Make timely and balanced disclosure

### Company Policies

LBT Innovations has a number of policies in place to ensure that each aspect of the principle and the associated laws and rules are adhered to. The Board’s duty is to review and approve all communications made to the market and shareholders. The Chief Executive Officer takes initial responsibility for continuous disclosure. The Company Secretary handles ASX communications. All Company employees are briefed on what constitutes material information and the processes to be followed if they become aware of such information.

**Materiality**  
An important term to understand in respect of this principle and associated guidelines is what “material” information means. In this context the terms “material” and “price sensitive” are interchangeable. A generally accepted definition is that information is material if a reasonable person would expect that information to have an effect (negative or positive) on the price of a Company’s shares.

Certain types of information that may be considered material by some investors are not required to be disclosed because they are classified as either confidential or a trade secret, or the information is not complete and may lead to a “false market”. An example of the latter would be a rumour or speculation that company X is in negotiations with the Company, which may lead to a share price rise. The Company has a policy not to respond to such rumours.

In the course of their duties as Board members, employees or consultants to the Company, certain people may become aware of material information prior to its public release and thus become an insider. Under the Company’s Trading Policy, the purchase and sale of Company shares by directors and employees is only permitted in defined trading windows following the release of the half-yearly and annual financial results to the market, and when adequate time has elapsed for this to be reflected in the security’s price. The policy also restricts directors, employees and consultants from acting on other material information until it has been released to the market.

**Continuous Disclosure**  
Continuous disclosure aims to ensure that all information considered material or price sensitive is given to all shareholders at the same time in order to prevent any individual gaining an advantage in trading a company’s shares. A person who has price sensitive information about a company prior to its general public release is considered an “insider”. Insider trading is illegal.

An example of the Communications Policy (including continuous disclosure requirements) involves analyst briefings. In order to avoid selective disclosure (meaning a shareholder receives material information before other shareholders receive the same information), all materials presented to an analyst are either specifically released to the ASX or are already public information. In the highly unlikely event that price sensitive or material information is inadvertently disclosed, the same information is immediately released to the ASX. All recent Company announcements, media releases, details of Company meetings, and financial reports are available on the Company’s website.

The website also provides a mechanism for shareholders to communicate with the Company through electronic means.

LBT Innovations is committed to following best practice in respect to Principle 5 and as such also adheres to the Code of Best Practice for Reporting by Life Science Companies developed by the ASX and Ausbiotech.

## Principle 6: Respect the rights of shareholders

**Communicating Clearly**  
LBT Innovations has a Communications Policy that governs the Company’s communications with the public, including the media, journalists, shareholders, potential investors, and other stakeholders. Together with the Company’s policies under Principle 5 and Principle 4, the Board believes that it maintains good practice in all respects regarding communication with shareholders.

The Company aims to make all of its communications as transparent and clear as possible, while protecting information about the Company’s technology that is essential to commercial success or is subject to other legal requirements. Please see Principle 5 for details on non-disclosed information. All communications about the Company’s intellectual property aim to educate and inform recipients without being overly technical, in order to foster a clear understanding of the business.

**Communication Paths**  
The Company regularly issues information to the public and holds discussions with individual investors, broking firms and other members of the public. All such information goes through the same approval processes as an ASX announcement and the relevant spokespeople are nominated. Such communications may include:

- media releases;
- notifications of events;
- shareholder newsletters;
- presentations and academic publications.

In order to facilitate open and efficient communication with its shareholders and other stakeholders or interested parties the Company’s website provides access to all ASX announcements, media releases, investor updates and newsletters, presentations, details of meetings and financial reports. The website also provides contact details for related parties such as the LBT Innovations’ share registry as well as a mechanism for shareholder communication with the Company via email.

# Corporate Governance Statement

## Principle 6: Respect the rights of shareholders cont.

### Communication Paths cont.

If open briefings to analysts or investors are given by LBT Innovations, the information covered is posted on the corporate website in advance. In the event of closed briefings to analysts and investors, as with open briefings, no material is discussed unless it has previously been disclosed to the market.

### Endorsements and Speculation

The Company has a policy of not commenting on or endorsing analysts' reports or forecasts unless the information contained therein has already been disclosed to the market. The Company's Communications Policy also prevents any personnel from making comment about market speculation unless required to do so by law or at the ASX's request, or in cases that a rumour contains errors of fact that might materially affect the Company.

### Shareholder Voting Rights

Shareholders are entitled to vote on significant matters impacting the business, which include the election and remuneration of directors, changes to the Company's Constitution, and the receipt of annual and interim financial statements. The Company endeavours to ensure that shareholders are sufficiently well informed about all items they are voting on at meetings, through the issue of meeting agendas and supporting materials prior to such meetings. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings and to lodge questions to be responded to by the Board, the Chief Executive Officer and the auditor. If shareholders cannot attend meetings in person they are encouraged to appoint proxies.

## Principle 7: Recognise and manage risk

### Our Approach to Risk and Risk Management

LBT Innovations' philosophy towards risk is not to be risk averse but to enable risks to be identified, discussed, mitigated and monitored in a balanced manner. The Company is committed to integrating its risk management systems and processes to support this philosophy without creating an unnecessary burden on the business. In relation to commercial strategy, an element of risk is inevitable and in some cases encouraged.

### Risk Policy

The Company's risk policies are based on the principles of the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000: 2009. These policies are also supported by the Company's Code of Conduct, Fraud and Continuous Disclosure policies.

The Company's risk management policies and procedures ensure that all risks are identified, assessed, addressed and monitored to enable achievement of the Company's business objectives. Such risks include:

- strategic risks;
- operational risks;
- legal risks;
- risks to the Company's reputation;
- financial risk and the ability to financially cope with inherent risks.

The Company places considerable importance on maintaining a strong control environment. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Board holds an annual corporate strategy workshop with key managers and the Company's consultants. This reviews the Company's strategic direction in detail and includes specific focus on the identification of the key business and financial risks that could prevent the Company from achieving its objectives.

The Company has a formal Risk Register that details risks in terms of impact, likelihood, consequence, and a risk rating according to preset definitions. Each identified risk is monitored and recommended actions are undertaken to manage and reduce the identified risk.

### Responsibilities

The Board is responsible for ensuring there are adequate policies in relation to overseeing and managing risk, internal control systems and compliance monitoring. The Board delegates this responsibility to the Audit Committee, which operates according to a formal Charter that includes these responsibilities (See Principle 4 for more detail on Committee responsibilities).

The Audit Committee is responsible for:

- reviewing and approving the Company's risk profile;
- reviewing and approving the systems for ongoing identification and control of risk, including the Company's financial capacity to absorb such risks.

The Chief Executive Officer is responsible for:

- implementing internal controls promoting risk identification and management;
- ensuring regular reporting to the Board on risk;
- providing a formal and comprehensive "Business Risk Assessment" for the Audit Committee annually.

The Chief Executive Officer also conducts ongoing assessments of the Company's business risk profile and reports any significant risks to the Board at regular intervals throughout the year. In addition, each year the board receives written assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system for risk management and internal controls, and that it is operating effectively in all material respects in relation to the financial reporting risks.



# Corporate Governance Statement

## Principle 8: Remunerate fairly and responsibly

### Aligning Director and Employee Interests with Shareholder Interests

Remuneration is a key area of focus for investors and LBT Innovations’ Remuneration Policy has been designed to align the interests of directors and executives with shareholder and business objectives by:

- providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting financial results;
- issuing share options to the majority of directors and executives to encourage interest alignment.

The Company’s key objective is to effectively attract and retain the highest calibre executives and directors while creating goals that align the interests of directors, executives and shareholders.

All executives receive a base salary, superannuation, fringe benefits and performance incentives. They are also entitled to participate in the employee share and option arrangements.

### Performance Related Incentives

All bonuses, options and incentives are linked to predetermined performance criteria. Performance evaluation of the Chief Executive Officer, together with other senior executives, takes place at least once a year. The performance of executives is measured against agreed yearly criteria based on the forecast growth of the Company’s profits and shareholder value.

Director and executive remuneration and other terms of employment are reviewed annually taking into account personal and corporate performance, contribution to long-term corporate growth, relevant comparative information and, where necessary, independent expert advice. A performance review was held during the year in accordance with Company policy.

### Remuneration of Non-Executive Directors

The Board policy is to remunerate non-executive directors at market rates. Non-executive directors do not receive retirement benefits and their fees are not linked to the Company’s performance. They are encouraged to participate in the Employee Share Option Plan and hold shares to align their interests with those of shareholders. The maximum fees which may be paid to non-executive directors have been approved by shareholders. Any increase to this will require further shareholder approval. Payments in the form of equity are also subject to shareholder approval.

### Responsibilities

The Company’s Nominations and Remuneration Committee takes responsibility for remuneration policies. Please see Principle 2 for more details on this committee.

The Committee’s duties include:

- reviewing remuneration for directors including participation in the Company’s Employee Share Option Plan;
- advising the Board on remuneration policies and practices generally, including items mandated by law such as the Fair Work Act 2009;
- making specific recommendations on remuneration packages and other terms of employment for the Chief Executive Officer and senior executives.



LBT’s Board L to R: Steve Mathwin, Lusia Guthrie, Jamie Dreckow, Bob Finder, Caroline Popper, Kate Costello

# Directors’ Report

Your directors present their report on the Company for the year ended 30 June 2014.

## Directors

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

**Robert Andrew Finder**  
Chairman

**Lusia Halina Guthrie**  
Chief Executive Officer

**Catherine Mary Costello**  
Non-executive Director

**Stephen Paul Mathwin**  
Non-executive Director

**Caroline Popper**  
Non-executive Director

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

## Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

**Jamie Todd Dreckow**

**Qualifications**  
Bachelor of Arts (Accountancy), Chartered Accountant

**Experience**  
Jamie is a partner of Edwards Marshall Chartered Accountants, where he has worked for over 25 years. He is a registered company auditor and is a member of the Audit Committee of the Southern Adelaide Local Health Network. He is also a past board member of the Nurses Board of South Australia and past director of the Repatriation General Hospital.

# Directors' Report

## Principal Activities

The principal activities of the Company during the financial year were those of researching and further developing innovative technologies for the healthcare and laboratory supply markets.

There were no significant changes in the nature of the Company's principal activities during the financial year.

## Operating Results

LBT recorded an after-tax profit for the year of \$292,000 (30 June 2013 \$531,000 profit).

## Dividends Paid or Recommended

No dividends were paid, nor recommended to be paid.

## Operations and Business 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 primarily of:

- \$3.00 million in APAS milestone receipts through Clever Culture Systems AG Switzerland from Hettich AG Switzerland, in line with the terms of our joint venture 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) due 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).

Significant components of overall expenses for the year included:

- Research and development costs of \$2.03 million (up from \$1.25 million for the year ended 30 June 2013);
- Employee benefits expenses of \$1.14 million (up from \$1.09 million for the year ended 30 June 2013);
- Depreciation and amortisation expenses of \$0.72 million (\$0.70 million for the year ended 30 June 2013).

External R&D expenditure increased in line with the accelerating pre-market development of our Automated Plate Assessment System (APAS), which is now progressing to clinical trials.

LBT received an R&D tax concession refund of \$827,000 following completion of the 2013 tax return. The company has lodged a claim for the 2014 year and recently received \$3.01 million.

The cash position as at 30 June 2014 was \$1.79 million (\$0.88 million at 30 June 2013).

The year closed on a positive note, with a private share placement generating additional capital for the company of \$1.50 million (before fees). The first \$0.40 million of this was received in June, with the remaining \$1.10 million received in early August. In conjunction with the placement, LBT offered a share purchase plan to existing shareholders, which raised a further \$517,450 before expenses. Together, the placement and SPP raised approximately \$2.02 million (before fees) to fund the clinical trials of APAS and to initiate early prototype development of our third technology, Woundvue™.

The 2013/14 financial year saw the 'coming of age' of APAS, a novel digital image analysis system that automates the reading and interpretation of bacterial growth on the most common types of agar plates used in modern microbiology laboratories around the world.

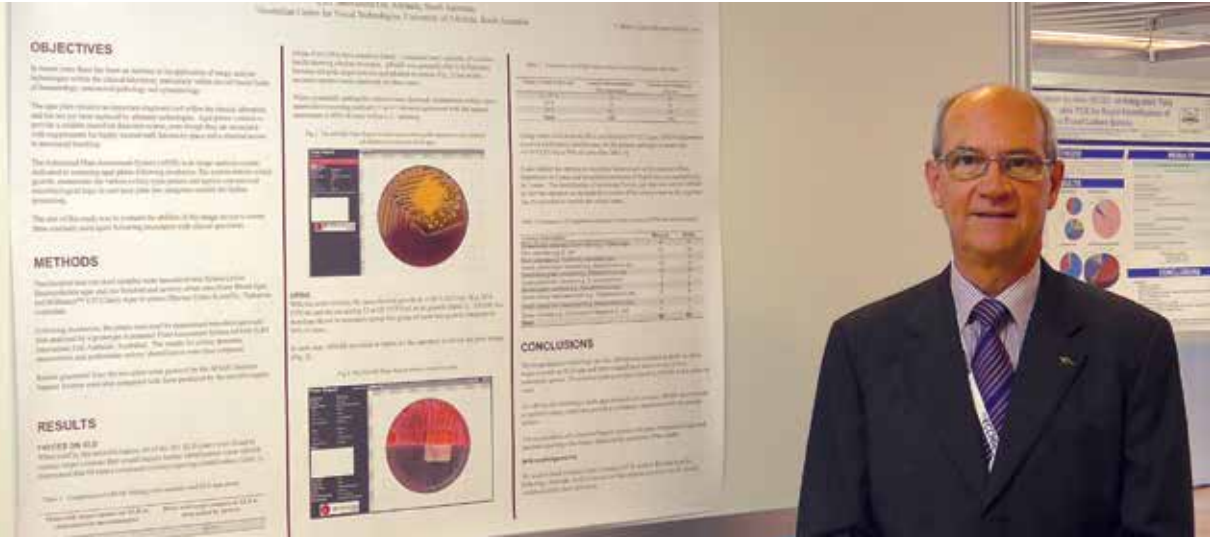
The first results of studies utilising the APAS technology were unveiled to the scientific community by our Scientific Director, John Glasson, at Europe's largest annual infectious diseases conference, the 24th European Congress of Clinical Microbiology and Infectious Diseases (ECCMID), in Barcelona in May.

The presentation reported the results of a study in which 271 stool and urine samples were incubated and analysed by a team of experienced microbiologists and by the APAS prototype for the presence of disease-causing bacteria, including *E. coli*, *Staphylococcus* and *Streptococcus*. A comparison of the results provided a compelling demonstration of the efficacy of APAS in detecting and enumerating these bacteria – with the technology agreeing with the microbiologists' findings in 98% of the stool samples and 96% of the urine samples in which pathogens were detected.

The findings were corroborated in July when LBT presented the results of a much larger study, involving 526 urine samples from patients at two separate laboratories. This study, presented to the Australian Society of Microbiology, showed similarly uniform agreement between APAS and its human counterparts.

Following these landmark presentations, LBT has been progressing negotiations with a number of diagnostic companies that are interested in pursuing a distribution deal with APAS, or incorporating the technology into their own automation systems. Lusie Guthrie and Peter Bradley have been particularly busy selling APAS and its integration possibilities at leading industry events in the United States, including the American Society for Microbiology (ASM) conference in Boston in May and the American Association for Clinical Chemistry (AACC) conference in Chicago in July.

The APAS core technology is now progressing to two clinical trials in Melbourne and Adelaide, with a third trial scheduled to begin in late 2014 at a major pathology testing centre in the US.



LBT's Scientific Director, John Glasson, with his APAS presentation at ECCMID in Barcelona.

## Operations and Business Highlights cont.

The successful completion of these trials will provide a central component of LBT's 510(k) de novo submission to the US Food and Drug Administration (FDA), which is required for regulatory clearance to distribute any device in the world's largest medical market. The company has been in formal discussions with the FDA to ensure that our clinical trials are structured to meet their specific requirements.

At the same time, our 50:50 joint venture partner, Hettich AG Switzerland, is pushing ahead with the development of laboratory instruments that will incorporate the APAS technology as part of a seamless plate-processing solution. Engineers at the manufacturing headquarters of the Hettich parent company in Tuttlingen, Germany, are working to integrate the technology with Hettich's renowned auto-incubators.

In preparation for market readiness, the JV company, Clever Culture Systems AG Switzerland (CCS), has recently filed five new patent applications that support various components of the APAS technology.

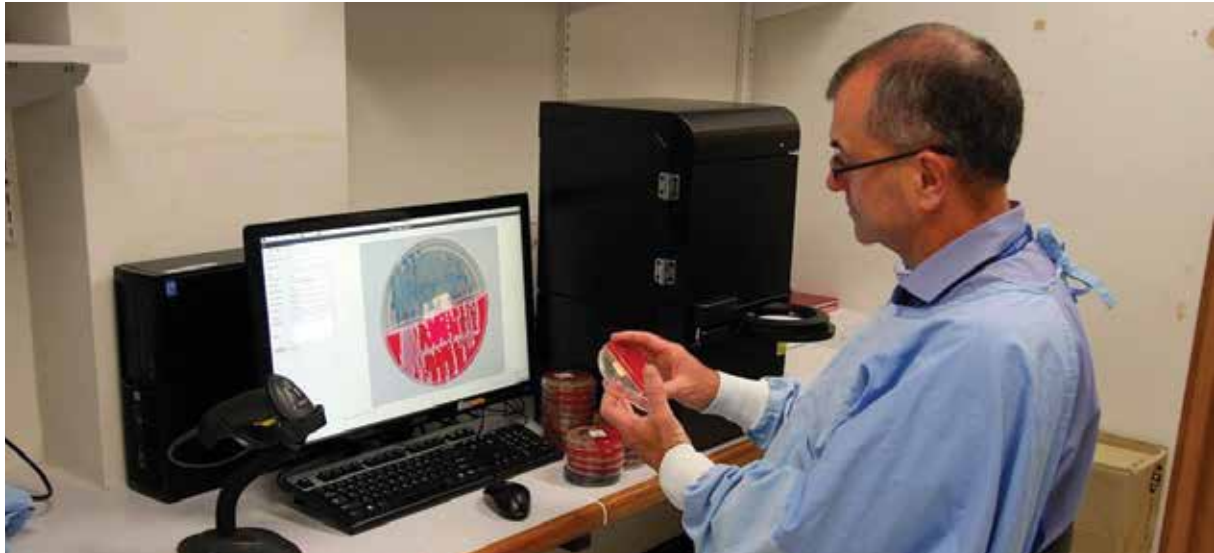
With APAS now firmly on the path to commercialisation, LBT has turned its attention to the next potential product based on its Intelligent Image Interpretation platform: a hand-held device incorporating software for analysing and tracking the management of chronic wounds. With upwards of 50 million people suffering from chronic wounds – wounds open for six weeks or more – their treatment has created an immense global market worth some US\$60 billion annually, which is growing even faster with the rise of hospital-acquired infections and diabetic and obesity-related ulcers.

Despite the scale of this market, no one has yet successfully applied digital imaging to the diagnosis and monitoring of chronic wounds – a significant niche that demands very similar image capture, analysis and interpretation capabilities to those offered by APAS.

Just like the analysis of culture plates, it is clear that chronic wound care could greatly benefit from the accuracy and consistency of a single, uniform imaging platform that could be fully integrated with institutional systems and health records. Woundvue™ would not only help doctors and nurses to accurately diagnose wounds based on the health status of individual patients, but to closely track the healing process and revise their treatment regimens accordingly. The implications would be overwhelmingly positive: from reduced burdens on health staff and medical resources, to shorter hospital stays, lower medical bills, and, ultimately, faster healing and reduced suffering among patients.

Following initial market research and needs analyses, LBT's senior management completed a comprehensive business plan for the development and commercialisation of Woundvue. The recent capital raising has generated the funds to initiate a proof-of-concept study and file patent applications.

Following a period of slow growth, the first half of calendar year 2014 saw stronger sales of bioMérieux's PREVI® Isola, the automated plate-streaking instrument based on LBT's MicroStreak technology. The French diagnostics company has installed the instrument at the front end of its Full Microbiology Laboratory Automation (FMLA®) solution and is promoting PREVI Isola as "the most installed system for automated inoculation" worldwide. Sales of PREVI Isola firmed significantly in the first half of 2014, with as many instruments sold in six months as in the whole of 2013.



Michael Summerford testing the APAS prototype in various laboratory settings.

### Operations and Business Highlights cont.

PREVI Isola has now been installed in hundreds of laboratories around the world, where it continues to free up microbiologists' time to address clinically significant cases and, critically, to deliver results more rapidly to physicians. Although it is impossible to measure the tangible impacts of this on patient care, there can be no doubt that the device is contributing to improved workflows and more systematic reporting in busy labs. The recent Ebola crisis in western Africa has been a timely reminder of just how urgently the world needs laboratories that can deliver accurate and rapid microbiology results.

To date, LBT has received \$10.10 million in licence fees from bioMérieux and \$2.60 million in royalty payments. In addition, LBT will continue to receive a double-digit percentage royalty on each disposable PREVI Isola applicator sold for the life of the agreement, which runs until 2028. We are confident that we are close to achieving the minimum royalty threshold agreed in our licensing agreement with bioMérieux, which should signal an enhanced revenue stream from this technology. The royalty agreement is set to be renewed for calendar year 2015 and LBT will keep shareholders fully informed of progress in this area.

In August 2013, LBT appointed a veteran microbiologist, Michael Summerford, to become our Senior Microbiologist and work alongside John Glasson in proving up diagnostic applications of the APAS software. Michael has 30 years of microbiology expertise behind him, and his rich experience in laboratory management and information systems has been extremely valuable to us in testing the APAS prototype in various laboratory settings.

The year also saw the appointment of Julie Winson, who in early April joined us in the newly created role of Quality Assurance Manager. Julie is a seasoned quality manager, and her three decades of experience across all aspects of quality systems development and regulatory approvals have helped to consolidate our compliance capabilities as we move into critical clinical trials of the APAS technology.

The new financial year has begun with the appointment of an experienced part-time Chief Financial Officer, Daniel Hill, and the company also intends to expand its software engineering capability in order to support the development of commercial APAS software modules for end-users in the field. In line with our expanding workforce, we have also leased larger premises on the first floor of our long-standing business address in the Adelaide CBD.

### Future Developments, Prospects and Business Strategies

After a period of consistent technological development and international collaboration, LBT is strongly positioned for growth as a proven multi-product company with a rapidly expanding profile. The 2014/15 financial year is due to see the arrival of a second commercial-ready technology that answers a real and growing market need – and brings with it the potential for multiple applications across several scientific disciplines.

Despite the enduring uncertainties of the Australian biotech market, LBT's share price has continued to hold up after a strong start to the 2013/14 year. The recent completion of a \$2.02 million capital raising has underscored confidence in the company's APAS technology and its current dual-country clinical trials program. As well as access to the world's largest medical device market in the United States, these trials promise to provide a vital early validation of LBT's Intelligent Imaging technology and its potential for applications in new fields.

### Future Developments, Prospects and Business Strategies cont.

With its successful capital raising, LBT is now investing in efforts to prove up the first of these applications: the use of our imaging software in tracking and recording the treatment of chronic wounds. As already mentioned, this is a multi-billion-dollar market, which has yet to adopt a widely used or accepted digital 'platform technology'. We look forward to keeping the market informed of the ongoing development of our exciting Woundvue™ technology.

### Financial Position

Net assets of the Company increased by \$714,000 from \$12.85 million at 30 June 2013 to \$13.56 million at 30 June 2014.

Cash on hand and at the bank increased to \$1.79 million at 30 June 2014. This increase resulted from the Company's inflows associated with the APAS JV agreement and from the tranche 1 placement proceeds of the capital raising announced on 18 June 2014 totaling \$399,000 (excluding fees).

### Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Company during the year.

### After Balance Date Events

- in August 2014, LBT raised a further \$1.62 million [before fees] from the capital raising announced on 18 June 2014;
- the company relocated to substantially larger premises at Level 1, 300 Flinders Street, Adelaide
- in August, Daniel Hill was appointed Chief Financial Officer [part-time]
- US-based Patti Doherty was appointed LBT Clinical Trials Co-ordinator in the US

The broad objectives for the 2014/15 financial year are for LBT to:

- finalise global distribution agreement[s] for APAS instruments through our JV company, Clever Culture Systems AG Switzerland [CCS];
- complete clinical trials for the APAS core technology in Australia and the United States;
- receive the final \$1 million milestone payment from Hettich AG Switzerland upon the completion of the Australian clinical trials;
- initiate a proof-of-concept project for LBT's Woundvue wound monitoring technology; and
- review the royalty agreement with bioMérieux for sales of PREVI Isola applicators.

### About LBT Innovations

LBT Innovations [LBT] is an Australian developer of clinical and diagnostic technology. Based in Adelaide, South Australia, the Company was formed in 2004 and listed on the Australian Securities Exchange on 31 July 2006 [ASX: LBT].

LBT has an agreement with French diagnostics company bioMérieux to manufacture and market LBT's MicroStreak technology for the automated streaking of culture plates in routine microbiology testing (now sold as PREVI® Isola). LBT receives ongoing royalty payments for PREVI Isola, which has been installed in clinical laboratories in the US, Australia, China, Japan, Korea, the Middle East, the UK and multiple European countries.

LBT has a second breakthrough technology, APAS [Automated Plate Assessment System], which is nearing market. Based on LBT's innovative intelligent image interpretative platform, APAS specifically addresses the automated imaging, analysis and interpretation of culture plates following incubation. LBT has entered into a joint venture with Hettich AG Switzerland to drive the commercial development and global distribution of APAS instrumentation and software products.

### Environmental Issues

The Company's operations are not subject to significant environmental regulation under the laws of the Commonwealth and State.



# Directors’ Report

## Information on Directors

### Robert Andrew Finder

**Qualifications**  
Bachelor of Science Chemical Engineering [University of Detroit]

**Experience**  
Bob has more than 35 years’ experience in the international pharmaceutical and chemical industries and has retired as Chief Executive Officer of Novozymes GroPep Limited, the Australian subsidiary of Novozymes, a global biotechnology company. Bob was Managing Director and Chief Executive Officer of GroPep from 2002-06 (before the Novozymes acquisition).

Prior to joining GroPep in 2002, Bob was President and Chief Operating Officer of Mayne Pharma – Americas and Asia Pacific. In this role, Bob was responsible for the commercial activities for the Americas and Asia Pacific region as well as for global research and development for Mayne Pharma. Mayne Pharma evolved from Mayne’s acquisition of F H Faulding, where Bob was President and Chief Operating Officer of Faulding Pharmaceuticals – Asia Pacific.

Prior to Faulding, Bob’s roles included Vice President Manufacturing for Ecogen Inc, in Pennsylvania, Director Manufacturing for Rhone-Poulenc [USA], and Managing Director of Monsanto Chemicals in Thailand.

He is a Member of the Australian Institute of Company Directors and the American Institute of Chemical Engineers.

Bob is currently on the board of directors of National Pharmacies and is past Chairman of Reproductive Health Science Pty Ltd.

Interest in Shares	Nil	
Interest in Options	750,000	Options expiring 5 December 2017
<b>Third Party Holdings</b>		
Sheryl Jean Finder	583,911	Ordinary shares
The Sherrob9 Fund	4,573,420	Ordinary shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at date directors’ report is signed being 17th September.

### Lusia Halina Guthrie

**Qualifications**  
Masters Degree Science and Technology Commercialisation [University of Adelaide] and Bachelor of Applied Science in Medical Technology [University of South Australia]

**Experience**  
Lusia has 35 years’ experience in the healthcare industry. She commenced her professional career as a medical laboratory scientist and laboratory manager, changing direction after 10 years to join pharmaceutical company F H Faulding & Co, where she spent the next 13 years. She has executive level operations and manufacturing management experience, with expertise in product development, production and supply chain management, project management, industrial relations, and quality systems and regulatory compliance. She has also worked in intellectual property management and commercialisation for a leading Adelaide research institute.

Lusia is a co-founder of LBT Innovations. She is a Member of the Australian Institute of Company Directors and has held several non-executive board appointments.

Lusia has previously served as a member of the Manufacturing Consultative Council [MCC] for the State Government of South Australia, a member of the Future Manufacturing Industry Innovation Council [FMIIIC] for the Commonwealth Department of Industry, Innovation, Science and Research, and on the Assessment Panel for the Medical Device Commercialisation Program [MDCP] at the SA Government’s Department of Trade and Economic Development.

She currently serves on AusMedtech, the Ausbiotech Medical Devices Advisory Committee, the ACVT Industry Advisory Panel, the School of Computer Science at the University of Adelaide, and is a Panel Member of the ARI Commercial Accelerator Scheme at the University of Adelaide. Lusia is also a member of the School Council of Loreto College, Adelaide.

Interest in Shares	148,149	
Interest in Options	Nil	
<b>Third Party Holdings</b>		
LH & HB Guthrie as trustees of the Podlaska Super Fund	5,975,606	Ordinary shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at date directors’ report is signed being 17th September.



### Catherine Mary Costello

**Qualifications**  
Law Degree [University of Melbourne]

**Experience**  
Kate was in management with a commercial law firm before establishing a management consultancy. She has over 20 years’ experience in corporate governance and strategy through her consulting work with the boards of client organisations, her directorships, and her previous involvement as a facilitator in the Company Directors’ Course offered by the Australian Institute of Company Directors.

Kate’s board experience includes directorships in the South Australian Totalisator Agency Board, Australian Central Credit Union Ltd, Festival City Broadcasters Ltd, and chairmanship of Saab Intelligent Transport Systems Ltd and Bassett Consulting Engineers

She is currently a director of Integrated Research Ltd, Costello Consulting Pty Ltd and a member of the Independent Selection Committee at the University of Adelaide.

Interest in Shares	760,716	Ordinary shares
Interest in Options	250,000	Class F Options
<b>Third Party Holdings</b>		
Costello Consulting Pty Ltd as director	1,036,512	Ordinary Shares
Directorships held in other listed entities	Integrated Research Ltd	
Interest in Contracts	Nil	

The information provided above is current as at date directors’ report is signed being 17th September.



### Stephen Paul Mathwin

**Qualifications**  
Law Degree [University of Adelaide]

**Experience**  
Stephen has more than 30 years’ experience as a legal practitioner including being a partner with the Adelaide law firm, Kelly & Co, from 1988 to 2001. During that time he headed the firm’s Employment, Industrial Law and Superannuation Section. He was also responsible for managing much of Kelly & Co’s internal risk management functions. Stephen remains a Consultant to the firm.

Stephen is Chairman of Australian Timbers Ltd, AEM Cores Pty Ltd and Poly Products Co Pty Ltd. He is a director of Paragon Private Equity and its associated companies, the McArthur Management Group of Companies, and Albox Australia Pty Ltd. Stephen is a former Deputy Chairman and Chairman of the Investment Committee of Non-Government Schools [NGS] Superannuation Fund, an industry fund with funds under management exceeding \$5 billion.

During his time at NGS, the fund grew from \$1.6 billion to more than \$5 billion. Stephen is also a former Chairman of the School Council of Westminster School Incorporated and is Chairman of the Investment Committee for the Westminster School Foundation.

Interest in Shares	Nil	
Interest in Options	500,000	Class E Options
<b>Third Party Holdings</b>		
Ruin Pty Ltd as trustee for the Steve Mathwin Superannuation Fund	2,312,963	Ordinary Shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at date directors’ report is signed being 17th September.



**Caroline Popper**

**Qualifications**

Bachelor of Medicine (University of the Witwatersrand, Johannesburg), Master of Public Health – Health Policy and Health Economics (Johns Hopkins University, Baltimore)

**Experience**

Caroline is a US-based pathologist and business consultant, with more than 20 years’ operational experience in the international diagnostics, medical devices and drug discovery fields.

A qualified health economist, Caroline has served in senior managerial and advisory positions at a number of global diagnostics and medical research companies, including bioMérieux and MDS Proteomics, where she was Chief Business Officer from 2000 to 2002.

After 10 years in senior management and marketing roles at the leading medical technology firm, Becton, Dickinson and Company, Caroline established her own consultancy, Popper and Company, in 2003 to provide strategic corporate and advisory services to businesses across the life sciences spectrum.

Popper and Company is a strategy and M&A advisory firm focused on diagnostics, medical devices, life science tools and wireless health applications. Caroline’s other directorships include BioAgilytix, nanoMR, Rarecyte, RPS Detectors and Pilgrim Software Inc.

As well as extensive experience in life science business strategy, Caroline enjoys a unique clinical perspective gained in the busy wards and laboratories of Baltimore’s Johns Hopkins Hospital. From 1987 to 2003, she served as an attending physician at the hospital’s Department of Emergency Medicine, where she completed residencies in internal medicine and pathology.

Interest in Shares	Nil	
Interest in Options	500,000	Options expiring 29 November 2022
Directorships held in other listed entities	Nil	
Interest in Contracts	US\$77,000	Clinical Trial Consulting

The information provided above is current as at date directors’ report is signed being 17th September.

**Remuneration Report**

This report details the nature and amount of remuneration of each key management person of LBT Innovations and for the executives receiving the highest remuneration.

**Remuneration Policy**

The Remuneration Policy of LBT Innovations has been designed to align key management personnel 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 Company’s financial results.

The key objectives of the Nominations and Remuneration Committee are to appropriately and effectively attract and retain the best executives and directors to run and manage the Company, as well as to create goals congruent between directors, executives and shareholders.

The Remuneration Policy, setting the terms and conditions for non-executive and executive directors and other senior executives, was developed by the Nominations and Remuneration Committee and approved by the Board.

The Remuneration Policy has been tailored to increase goal congruence between shareholders and directors and executives with:

- performance bonuses based on key performance indicators (KPIs), and
- issue of options to the directors and executives to encourage the alignment of personal and shareholder interests.

The fixed remuneration component is determined with regard to market conditions, so that the Company can recruit and retain the best available talent. The Board’s policy regarding incentives includes granting options with an exercise price at a premium to the underlying market value of shares at the time of grant, and vesting subject to the achievement of KPIs. This policy aligns the interests of option holders with those of shareholders and creates a direct relationship between individual remuneration outcomes and Company performance. Option holders will only benefit in circumstances where relevant KPI milestones are met and there is a material increase in the underlying share price from the time of grant of the options.

The relationship between the Board’s policy and the Company’s performance in terms of earnings and shareholder wealth is illustrated by the following table that shows the gross revenue, profits/(losses), earnings per share and closing share prices on 30 June for the past five years. During the financial year, the Company’s share price traded between a low of \$0.07 and a high of \$0.26.

	2014	2013	2012	2011	2010
Revenue	\$3.9m	\$4.4m	\$1.02m	\$0.74m	\$3.9m
Net Profit / [Loss]	\$0.3m	\$0.5m	\$(1.15)m	\$(1.16)m	\$1.49m
Basic Earnings per share [cents per share]	0.33	0.53	[1.16]	[1.17]	1.50
Diluted Earnings per share [cents per share]	0.33	0.53	[1.16]	[1.17]	1.50
Full year ordinary dividends per share [cents]	Nil	Nil	Nil	Nil	Nil
Year end share price [last traded price on 30 June]	\$0.14	\$0.09	\$0.04	\$0.04	\$0.06

The LBT Innovations Board policy for determining the nature and amount of remuneration for board members and senior Company executives follows.



# Directors’ Report

### Executive Terms & Conditions

All executives receive a base salary, based upon performance, professional qualifications and experience, and superannuation, fringe benefits, options and performance incentives.

The Nominations and Remuneration Committee reviews executive packages annually with reference to the Company’s performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

### Performance Measurement

The performance of executives is measured against criteria agreed annually with each executive and is based upon the achievement of the strategic objectives to secure the Company’s future profits and 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 decide changes to the Nominations and Remuneration Committee’s recommendations.

Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

As part of executives’ remuneration packages there is a performance-based component consisting of key performance indicators. The intention of this program is to facilitate goal congruence between executives of the business and shareholders.

### Key Performance Indicators (KPIs):

- are set annually by the Board on recommendation from the Nominations and Remuneration Committee. The measures are specifically tailored to the responsibility areas in which the executive is directly involved;
- target areas the Board believes hold greater potential for business expansion and profit;
- cover financial and non-financial as well as short and long-term goals;
- the level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to KPIs is assessed annually, with minor quarterly reviews and bonuses being awarded depending on the number and difficulty of the KPIs achieved.

Following this assessment, KPIs are reviewed by the Nominations and Remuneration Committee in light of their desired and actual outcomes. The efficacy of the KPIs is assessed in relation to the Company’s goals and shareholder wealth, before the KPIs are set for the following year. Where advisable, independent reports are obtained from external organisations. KPIs for the CEO are set in Key Result Areas of Finance, Corporate Strategy, Investor Relations and Human Resources, with an emphasis on achieving the Company’s financial goals. Any bonus payment is negotiated in line with achievement of KPIs and is weighted towards financial outcomes.

### Superannuation

Executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9.25% in the 2013/14 financial year, increasing in the 2014/15 financial year to 9.5%; they do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

### Non-executive Directors

The Board’s policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Nominations and Remuneration Committee determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Fees for non-executive directors are not linked to the performance of the Company. To align directors’ interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the Employee Share Option Plan.

### Shares & Options

Shares given to directors and executives are valued at their fair value on the date granted based on market prices. Options given to directors and executives are valued at their fair value using the Binomial option-pricing model.

### Key Management Personnel Remuneration

2014	Cash Salary, Fees & Commissions	Long Service Leave	Cash Bonus	Superannuation Contributions	Non-Cash Benefits	Shares	Options <sup>(1)</sup>	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mr R A Finder	77	0	0	7	0	0	0	84
Mrs L H Guthrie	255	8	61	35	0	0	0	359
Mrs C M Costello	52	0	0	5	0	0	0	57
Mr S P Mathwin	28	0	0	27	0	0	0	55
Dr C Popper	46	0	0	0	0	0	15	61
Mr P M Bradley	191	0	0	18	0	0	0	209
	649	8	61	92	0	0	15	825

[1] 500,000 options were granted to Dr Caroline Popper during the year ended 30 June 2013 and in accordance with AASB2 “Share Based Payments” the fair value of the options has been expensed over the vesting period.

2013	Cash Salary, Fees & Commissions	Long Service Leave	Cash Bonus	Superannuation Contributions	Non-Cash Benefits	Shares	Options <sup>(1)</sup>	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mr R A Finder	77	0	0	7	0	0	0	84
Mrs L H Guthrie	257	7	51	25	0	0	0	340
Mrs C M Costello	52	0	0	5	0	0	0	57
Mr S P Mathwin	41	0	0	14	0	0	0	55
Dr C Popper	82	0	0	0	0	0	9	91
Mr P M Bradley <sup>(2)</sup>	125	0	0	11	0	0	0	136
	634	7	51	62	0	0	9	763

[1] 500,000 options were granted to Dr Caroline Popper during the year ended 30 June 2013 and in accordance with AASB2 “Share Based Payments” the fair value of the options has been expensed over the vesting period.

[2] Mr Bradley was appointed on 15 October 2012. Remuneration received is for the period 15 October 2012 to 30 June 2013.

Mrs Lusia Guthrie is employed under a contract, terminable on 12 months notice.

### Options Granted as Remuneration

All options granted vest within two years of their issue date and expire within eight years of vesting.

All options were granted for nil consideration.

100,000 options were granted as remuneration to Mr Peter Bradley during 2014.

500,000 options were granted as remuneration to Dr Caroline Popper during 2013.

### Shares Issued on Exercise of Compensation Options

No options were exercised during the year that were granted as compensation in prior periods.

# Directors' Report

## Meetings of Directors

During the period to 30 June 2014, 12 meetings of directors were held. Attendances by each director during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr R A Finder	12	12
Mrs L H Guthrie	12	11
Mrs C M Costello	12	12
Mr S P Mathwin	12	11
Dr C Popper*	12	11

\*Dr Popper resides in the United States of America and due to time zone differences was unable to attend 1 meeting during 2013/14.

During the period to 30 June 2014, three meetings of the Audit Committee were held. Attendances by each member during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr S P Mathwin	3	3
Mrs C M Costello	3	3

During the period to 30 June 2014, one meeting of the Nominations and Remuneration Committee was held. Attendances by each member during the reporting period were:

	Number Eligible to Attend	Number Attended
Mrs C M Costello	1	1
Mr R A Finder	1	1
Dr C Popper	1	1

## Indemnifying Officers or Auditor

The Company has paid a premium to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct, while acting in the capacity of director of the Company, other than conduct involving a willful breach of duty in relation to the Company.

The amount of premium has not been disclosed as it is confidential under the terms of the insurance policy.

- Mr R A Finder
- Mrs L H Guthrie
- Mrs C M Costello
- Mr S P Mathwin
- Dr C Popper

## Option Details

At the date of this report, the unissued ordinary shares of LBT Innovations under option are as follows:

Class	Date of Expiry	Exercise Price	Number of Options	No of Shares due on Conversion
E	17/04/2017	\$0.200	500,000	500,000
F	24/05/2017	\$0.300	500,000	500,000
n/a	5/12/2017	\$0.200	750,000	750,000
n/a	6/01/2019	\$0.165	50,000	50,000
n/a	24/8/2020	\$0.065	200,000	200,000
n/a	29/11/2022	\$0.058	500,000	500,000
n/a	11/12/2023	\$0.045	100,000	100,000
			2,600,000	2,600,000

There have been 400,000 shares issued from the conversion of options during the year ended 30 June 2014.

No amounts are unpaid on any of the shares.

100,000 options were issued on 11 December 2013 in accordance with the Employee Share Option Plan.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

## Proceedings on behalf of the Company

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

The Company was not a party to any proceedings during the reporting period.

## Non-audit Services

The Board of directors are 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 Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement APES 110: Professional Independence.

The following fees for non-audit services were paid/ payable to the external auditors during the year ended 30 June 2014: NIL.

## Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 28.

## Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of directors.



**Bob Finder**  
Chairman



**Lusia Guthrie**  
Chief Executive Officer

Dated at Adelaide this 17th day of September 2014.

# Auditors' Independence Declaration



Chartered Accountants

LBT Innovations Limited  
ABN 95 107 670 673

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of LBT Innovations Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the LBT Innovations Limited and the entities it controlled during the period.

HLB Mann Judd  
HLB Mann Judd  
Chartered Accountants

C.M. J  
Corey McGowan  
Partner

Adelaide, South Australia  
17 September 2014

HLB Mann Judd (SA Partnership) ABN: 22 640 925 071  
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Postal: PO Box 377, Kent Town SA 5071

HLB Mann Judd (SA Partnership) is a member of international. A world-wide organisation of accounting firms and business advisers.  
Liability limited by a scheme approved under Professional Standards Legislation

# Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$000	2013 \$000
Revenue	3	3,920	4,416
Consulting fees	4 a	[334]	[245]
Employee benefits expense	4 b	[1,138]	[1,090]
Depreciation and amortisation expense		[716]	[704]
General administration expenses		[156]	[184]
Legal		[47]	[130]
Marketing		[32]	[8]
Other expenses	4 c	[2,468]	[1,685]
Profit / [Loss] before income tax		[971]	370
Income tax [expense] / benefit	5a	1,263	161
Net profit / [loss] for the year		292	531
Other comprehensive income		39	0
Other comprehensive income net of tax		39	0
Total comprehensive income		331	531
Basic earnings per share [cents per share]		0.29	0.53
Diluted earnings per share [cents per share]		0.29	0.53

The accompanying notes form part of the financial statements

# Statement of Financial Position

For the year ended 30 June 2014



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

The accompanying notes form part of the financial statements

# Statement of Changes in Equity

For the year ended 30 June 2014

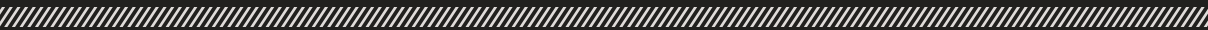


	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated [Losses] / Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2012	782	0	11,299	231	12,312
Options granted as remuneration	9	0	0	0	9
Tax effect attributable to items in equity	0	0	[2]	0	[2]
Profit attributable to members	0	0	0	531	531
Balance at 30 June 2013	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	806	39	11,665	1,054	13,564

The accompanying notes form part of the financial statements

# Statement of Cash Flows

For the year ended 30 June 2014



	Note	2014 \$0 00	2013 \$000
<b>Cash Flows From Operating Activities</b>			
APAS License signing fee		2,000	0
APAS Milestone payments received		3,000	0
Federal government grants received		128	42
Payments to suppliers and employees		[6,075]	[3,202]
Research and development tax concession		827	256
Royalties received		650	731
Interest received		43	104
<b>Net Cash Provided by / [Used in] Operating Activities</b>	15	571	[2,069]
<b>Cash Flows From Investing Activities</b>			
Payments for plant and equipment		[74]	[5]
Sale of equipment		35	0
Equity investment	1f	0	[29]
<b>Net Cash Used in Investing Activities</b>		[37]	[34]
<b>Cash Flows From Financing Activities</b>			
Cash proceeds from exercise of options		17	0
Cash proceeds from share placement [Tranche 1]		399	0
Capital raising costs		[26]	0
<b>Net Cash Provided by Financing Activities</b>		390	0
Net [decrease]/increase in cash and cash equivalents		924	[2,103]
Cash and cash equivalents 1 July 2013		876	2,932
Exchange rate adjustments		[9]	47
<b>Cash and Cash Equivalents 30 June 2014</b>	6	1,791	876

The accompanying notes form part of the financial statements

# Notes to the Financial Statements

For the year ended 30 June 2014



## 1. Statement of Significant Accounting Policies

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

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 financial report of LBT Innovations Ltd complies with all International Financial Reporting Standards [IFRS] in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the 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.

## 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 2014

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 the 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 statement of comprehensive income 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 statement of comprehensive income.

c. 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.

**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.

Capitalised development costs 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.

1. Statement Of Significant Accounting Policies cont.

c. Intangibles cont.

At present there is no amortisation of capitalised APAS development costs. This will commence once commercial income from the 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.

d. 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.

e. 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.

f. 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 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.

**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.

# Notes to the Financial Statements

For the year ended 30 June 2014



**1. Statement Of Significant Accounting Policies** cont.

**h. Cash and Cash Equivalents**

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

**i. Revenue**

Licence fees 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.

**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.

**1. Statement Of Significant Accounting Policies** cont.

**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-Australian dollar functional currency subsidiary and joint venture are translated into Australian 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.

**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 grants 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. Adoption of New and Revised Accounting Standards**

**New Accounting Standards for Application in Future Periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 1. Statement Of Significant Accounting Policies cont.

### o. Adoption of New and Revised Accounting Standards cont.

The key changes made to the Standard are not expected to impact the Company's financial statements.

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [applicable for annual reporting periods commencing on or after 1 January 2014].

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Company's financial statements.

- Interpretation 21: Levies [applicable for annual reporting periods commencing on or after 1 January 2014].

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Company's financial statements.

- AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets [applicable for annual reporting periods commencing on or after 1 January 2014].

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Company's financial statements.

- AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [applicable for annual reporting periods commencing on or after 1 January 2014].

AASB 2013-4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Company's financial statements.

- AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities [applicable for annual reporting periods commencing on or after 1 January 2014].

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Company's financial statements.

### p. 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.

## 2. Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

### Statement of Financial Position as at 30 June 2014

	2014 \$000	2013 \$000
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,791	876
Trade and other receivables	522	2,281
Current tax asset	3,014	827
<b>Total Current Assets</b>	<b>5,327</b>	<b>3,984</b>
<b>Non-Current Assets</b>		
Plant and equipment	65	13
Investments accounted for using the equity method	1,510	1,539
Deferred tax assets	1,735	2,582
Intangible assets	13,845	10,639
<b>Total Non-Current Assets</b>	<b>17,155</b>	<b>14,773</b>
<b>Total Assets</b>	<b>22,482</b>	<b>18,757</b>
<b>Current Liabilities</b>		
Trade and other payables	2,663	468
Financial liabilities	141	141
<b>Total Current Liabilities</b>	<b>2,804</b>	<b>609</b>
<b>Non-Current Liabilities</b>		
Financial liabilities	1,902	2,043
Deferred tax liabilities	4,085	3,195
Provisions	84	60
<b>Total Non-Current Liabilities</b>	<b>6,071</b>	<b>5,298</b>
<b>Total Liabilities</b>	<b>8,875</b>	<b>5,907</b>
<b>Net Assets</b>	<b>13,607</b>	<b>12,850</b>
<b>Equity</b>		
Issued capital	11,665	11,297
Reserve	806	791
Retained earnings	1,136	762
<b>Total Equity</b>	<b>13,607</b>	<b>12,850</b>

### Consolidated Statement of Income For the Year Ended 30 June 2014

Net profit / [loss] for the year	374	531
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>374</b>	<b>531</b>

# Notes to the Financial Statements

For the year ended 30 June 2014



## 3. Revenue

	2014 \$000	2013 \$000
Operating activities	3,877	4,339
Interest	43	77
Total Revenue	3,920	4,416

## 4. Profit for the Year

Profit before income tax from continuing operations includes the following specific expenses:

	2014 \$000	2013 \$000
<b>[a] Consulting fees</b>		
Consulting fees include fees paid to assist with international market research, scientific and professional consulting.	334	245
<b>[b] Employee benefits expense</b>		
The employee benefits expense includes directors' fees payable in accordance with the prospectus and salaries and wages, including executive bonuses.	1,138	1,090
<b>[c] Other Expenses</b>		
Auditors' remuneration <sup>[1]</sup>	35	27
Rent	49	64
Travel and accommodation	164	184
External research and development	2,032	1,250
Others	188	160
	2,468	1,685

NOTE [1] The auditor did not provide any non-audit services to the Company during the year.

## [d] 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
APAS Milestone payments	3,000	0
Recognition of investment in joint venture	0	1,510
Royalty income	648	598
Share of operating loss of JV	[71]	0
	3,577	4,108

## 5. Income Tax

	2014 \$000	2013 \$000
<b>[a] The components of tax expense comprise:</b>		
Current tax	[3,000]	876
Deferred tax	1,737	[1,037]
	[1,263]	[161]
<b>[b] The prima facie tax on profits from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax payable on profits from ordinary activities before income tax at 30%	[291]	111
Add:		
Tax effect of:		
Non-deductible amortisation	3	3
2014 R&D concession claim	[1,005]	0
2013 R&D concession claim	0	[276]
Capital raising costs	0	[1]
Other	30	2
Income tax attribute to the company	[1,263]	[161]
The applicable weighted average effective tax rates are as follows:	N/A	N/A

## 6. Cash and Cash Equivalents

	2014 \$000	2013 \$000
Cash at bank	1,791	876

# Notes to the Financial Statements

For the year ended 30 June 2014

## 7. Trade and Other Receivables

	2014 \$000	2013 \$000
<b>Current</b>		
Trade debtors	201	2,162
Other receivables	23	43
GST refundable	267	76
Total Receivables	491	2,281

### Credit Risk

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for. The main source of credit risk to the Company is considered to relate to the class of assets described as “trade and other receivables”.

The following table details the Company’s trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

	Gross Amount \$’000	Past Due and Impaired \$’000	Past Due but Not Impaired (Days Overdue)				Within Initial Trade Terms \$’000
			< 30 \$’000	31–60 \$’000	61–90 \$’000	> 90 \$’000	
<b>2014</b>							
Trade and term receivables	201	0	0	0	0	0	201
Other receivables	290	0	0	0	0	0	290
Total	491	0	0	0	0	0	491

### 2012

Trade and term receivables	2,162	0	2,000	0	0	0	162
Other receivables	119	0	0	0	0	0	119
Total	2,281	0	2,000	0	0	0	281

The Company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

## 8. Plant and Equipment

	2014 \$000	2013 \$000
Plant and equipment at cost	131	63
Less: accumulated depreciation	[66]	[50]
Total plant and equipment	65	13
<b>Movements in Carrying Amount</b>		
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	[21]	[10]
	65	13

## 9. Investments Accounted for Using the Equity Method

	2014 \$000	2013 \$000
<b>[a] Recognition of Carrying Amounts</b>		
Investment in joint venture at cost (Note 1 [f])	1,539	1,539
Foreign Currency Translation Reserve	39	0
Share of Profit/(Loss) in joint venture	[71]	0
	1,507	1,539

LBT Innovations Ltd has a 50% interest in a joint venture with Hettich AG Switzerland. The interest in the joint venture is held through a wholly owned subsidiary incorporated in the United Kingdom LBT Innovations (UK) Limited. The purpose of the joint venture is to finalise the development of LBT’s APAS technology.

The voting power held by LBT Innovations Ltd is 50% via LBT Innovations (UK) Ltd.

### [b] Summarised Financial Information for Joint Ventures

Set out below is the summarised financial information for CCS Switzerland AG (CCS). Unless otherwise stated, the disclosed information reflects the amounts presented in the Australian -Accounting Standards financial statements of CCS. The following summarised financial information, however, reflects the adjustments made by the group when applying the equity method, including adjustments for any differences in accounting policies between the group and the joint venture.

### Summarised Financial Position

	2014 \$000	2013 \$000
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	255	0
Trade and other receivables	1,018	1,568
<b>Total Current Assets</b>	<b>1,273</b>	<b>1,568</b>
<b>Non-Current Assets</b>		
Intangible assets	4,836	1,510
<b>Total Non-Current Assets</b>	<b>4,836</b>	<b>1,510</b>
<b>Total Assets</b>	<b>6,109</b>	<b>3,078</b>



# Notes to the Financial Statements

For the year ended 30 June 2014



## 9. Investments Accounted for Using the Equity Method cont.

<b>Current Liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	0	0
Trade and other receivables	95	0
<b>Total Current Liabilities</b>	<b>95</b>	<b>0</b>
<b>Non-Current Liabilities</b>		
Non-current financial liabilities	3,000	0
<b>Total Non-Current Liabilities</b>	<b>3,000</b>	<b>0</b>
<b>Net Assets</b>	<b>3,014</b>	<b>3,078</b>
Group's share (%)	50%	50%
Group's share of joint venture's net assets	1,507	1,539
<b>Summarised Financial Performance</b>		
Revenue	0	0
Depreciation and amortisation	0	0
Interest income	0	0
Interest expense	(25)	0
Other expenses	(121)	0
<b>Profit / [Loss] after tax from continuing operations</b>	<b>(146)</b>	<b>0</b>
Other comprehensive income	4	0
<b>Total comprehensive income / [loss]</b>	<b>(142)</b>	<b>0</b>
Dividends paid	0	0
Group's share of joint venture's total comprehensive income / [loss]	(71)	0

## 10. Intangible Assets

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

## 10. Intangible Assets cont.

### 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 \$'000	MicroStreak Licence Fee at Cost \$'000	Patent Fees \$'000	MicroStreak Development Costs \$'000	APAS Development Costs \$'000	Total Intangible Assets \$'000
<b>Balance 1 July 2012</b>	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)
<b>Balance 30 June 2013</b>	21	52	168	10,398	0	10,639
Additions	0	0	0	0	3,902	3,937
Disposals	0	0	0	0	0	(35)
Amortisation charge	(4)	(8)	(13)	(671)	0	(696)
<b>Balance 30 June 2014</b>	17	44	155	9,727	3,902	13,845

## 11. Trade and Other Payables

	2014 \$000	2013 \$000
Current		
Trade creditors	2,672	468
<b>Total trade and other payables</b>	<b>2,672</b>	<b>468</b>

## 12. Financial Liabilities

### (a) Current

Deferred revenue	141	141
<b>Total current financial liabilities</b>	<b>141</b>	<b>141</b>

### (b) Non-current

Deferred revenue	1,902	2,043
<b>Total non-current financial liabilities</b>	<b>1,902</b>	<b>2,043</b>

# Notes to the Financial Statements

For the year ended 30 June 2014

## 13. Issued Capital

	2014 \$000	2013 \$000
Issued and paid up capital	13,369	12,953
102,727,455 [2013: 99,374,861] ordinary shares fully paid		
Less: costs associated with capital raising	[1,656]	[1,654]
Opening balance	[61]	0
Capital raising costs	13	[2]
Amount incurred during year [net of tax]	11,665	11,297
	No.	No.
Ordinary shares		
At the beginning of the reporting period	99,374,861	99,374,861
Conversion of options 9 December 2013	400,000	0
Tranche 1 Placement allotted 25 June 2014	2,952,594	0
At reporting date	102,727,455	99,374,861

### 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 at the EGM held 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 on 18 June 2014.

### Voting Rights

The voting rights attached to each class of equity security are as follows:

#### Ordinary shares

Each ordinary share is entitled to 1 vote when a poll is called otherwise each member present at a meeting or by proxy has a vote on a show of hands.

#### Option holders

Each option entitles the holders to subscribe for 1 ordinary share in the capital of the Company. Options do not have voting rights attached however ordinary shares issued on conversion carry the same voting rights as described above.

### Capital Management

Management controls the capital of the Company in order to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

## 14. Reserve

	2014 \$000	2013 \$000
Option reserve		
Option reserve of valuation of share options <sup>(1)</sup>	806	791
Foreign currency translation reserve <sup>(2)</sup>	39	0
	845	791

(1) The option reserve records items recognised as expenses on valuation of issued share options

(2) Exchange rate fluctuations on transactions of foreign operations taken to equity

## 15. Cash Flow Information

	2014 \$000	2013 \$000
<b>Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax</b>		
Profit (loss) after income tax	331	531
Non-cash flows in loss		
Amortisation	696	695
Depreciation	21	9

### Cash Flows Excluded from Profit Attributable to Operating Activities

Capitalised development costs	[1,865]	0
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### Changes in Assets and Liabilities

(Increase)/Decrease in receivables	1,790	[1,920]
(Decrease)/Increase in deferred revenue	[141]	[141]
Decrease/(Increase) in deferred tax asset	847	899
(Increase)/Decrease in current tax asset	[2,187]	[571]
(Increase)/Decrease in Investment accounted for using the equity method	32	[1,539]
Increase/(Decrease) in trade creditors	97	179
Increase/(Decrease) in provisions	24	31
(Decrease)/Increase in deferred tax liability	890	[232]
(Increase)/Decrease in net unrealised loss (gain) on foreign currency held	36	[10]
Cash flow from/(used in) operations	571	[2,069]

# Notes to the Financial Statements

For the year ended 30 June 2014

## 16. Earnings Per Share

	2014 \$000	2013 \$000
<b>Reconciliation of Earnings to Net Profit/(Loss)</b>		
Net Profit/(Loss)	292	531
Earnings used in the calculation of basic earnings per share	292	531
Earnings used in the calculation of diluted earnings per share	292	531
Weighted average number of ordinary shares outstanding at 30 June 2014 used in the calculation of basic earnings per share	99,646,958	99,374,861
Weighted average number of options outstanding	2,778,904	29,640,019
Weighted average number of ordinary shares outstanding at 30 June 2014 used in the calculation of diluted earnings per share	99,646,958	99,374,861
Since the reporting date the Company has issued 11,995,912 shares being the tranche 2 placements shares approved at the EGM on August 1 2014 and the SPP (2013: Nil) and nil options (2013: Nil). These shares would have impacted on the number of ordinary shares if these transactions had occurred before the end of the reporting period.		

## 17. Tax

	2014 \$000	2013 \$000
<b>[a] Assets</b>		
Deferred tax assets comprise:		
Future income tax benefits attributable to tax losses	1,051	1,882
Accruals	5	4
Leave entitlements	53	36
Assessable deferred accounting income	613	655
Capital raising costs	13	0
Other	0	5
	1,735	2,582
<b>[b] Liabilities</b>		
Deferred tax liabilities comprise:		
Capitalised development expenditure	4,067	3,120
Other	18	75
	4,085	3,195
<b>[c] Reconciliations</b>		
<b>i Gross Movements</b>		
The overall movement in the deferred tax account is as follows:		
Opening balance	[612]	54
[Charge]/credit to income statement	[1,721]	[666]
Credit/[charge] to equity	[17]	0
Closing balance	[2,350]	[612]

## 17. Tax cont.

	2014 \$000	2013 \$000
<b>c) Reconciliations cont.</b>		
<b>ii Deferred Tax Assets</b>		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<b>Carried forward income losses</b>		
Opening balance	1,882	2,756
[Charge]/credit to the income statement	[831]	[874]
Closing balance	1,051	1,882
<b>Non-deductable accrued expenses</b>		
Opening balance	4	3
Credit/[charge] to the income statement	1	1
Closing balance	5	4
<b>Provision for leave</b>		
Opening balance	36	23
Credit to the income statement	17	13
Closing balance	53	36
<b>Deferred income</b>		
Opening balance	655	697
[Charge] to the income statement	[42]	[42]
Closing balance	613	655
<b>Capital raising costs</b>		
Opening balance	0	1
[Charge] to equity	14	[1]
Closing balance	14	0
<b>Trademarks</b>		
Opening balance	5	0
Credit to equity	[5]	5
Closing balance	0	5
<b>iii Deferred tax liabilities</b>		
<b>Capitalised development expenditure</b>		
Opening balance	3,120	3,321
[Credit] to income statement	947	[201]
Closing balance	4,067	3,120
<b>Other</b>		
Opening balance	75	105
[Credit]/charge to income statement	[56]	[30]
Closing balance	19	75

# Notes to the Financial Statements

For the year ended 30 June 2014

## 18. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

[a] Names and positions of key management personnel of LBT Innovations in office at any time during the financial year:

<b>Directors</b>	
Mr R A Finder	Independent Chairman – Non-Executive
Mrs L H Guthrie	Chief Executive Officer
Mrs C M Costello	Independent Director – Non-Executive
Mr S P Mathwin	Independent Director – Non-Executive
Dr C Popper	Independent Director – Non-Executive

**Key Management Personnel**  
Mr P Bradley      VP of Global Business Development

Key management personnel (KMP) remuneration has been included in the remuneration section of the Directors Report.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	2014 \$000	2013 \$000
Short term employee benefits	710	685
Post-employment benefits	92	62
Other long-term benefits	8	7
Share-based payments	15	9
Total KMP compensation	825	763

**Short-term employee benefits**  
These amounts include fees and benefits paid to the non-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 superannuation contributions made during the year.

**Other long-term benefits**  
These amounts represent long service leave benefits accrued 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 granted on the grant date.

Further information in relation to KMP remuneration can be found in the Directors’ Report.

## 18. Related Party Transactions cont.

<b>[b] Option Holdings</b>								
<b>2014</b>								
Directors	Balance 01/07/13	Granted as Remuneration	Options Exercised	Other Change <sup>(1)</sup>	Balance 30/06/14	Total Vested 30/06/14	Total Exercisable 30/06/14	Total Unexercisable 30/06/14
Mr R A Finder	750,000	0	0	0	750,000	750,000	750,000	0
Mrs L H Guthrie	0	0	0	0	0	0	0	0
Mrs C M Costello	250,000	0	0	0	250,000	250,000	250,000	0
Mr S P Mathwin	500,000	0	0	0	500,000	500,000	500,000	0
Dr C Popper	500,000	0	0	0	500,000	0	0	500,000
<b>Key Management Personnel</b>								
Mr P Bradley	0	100,000	0	0	100,000	0	0	100,000
	2,000,000	100,000	0	0	2,100,000	1,500,000	1,500,000	600,000
<b>2013</b>								
Directors	Balance 01/07/12	Granted as Remuneration	Options Exercised	Other Change <sup>(1)</sup>	Balance 30/06/13	Total Vested 30/06/13	Total Exercisable 30/06/13	Total Unexercisable 30/06/13
Mr R A Finder	750,000	0	0	0	750,000	750,000	750,000	0
Mrs L H Guthrie	0	0	0	0	0	0	0	0
Mrs C M Costello	1,000,000	0	0	(750,000)	250,000	250,000	250,000	0
Mr S P Mathwin	650,000	0	0	(150,000)	500,000	500,000	500,000	0
Dr C Popper	0	500,000	0	0	500,000	0	0	500,000
<b>Key Management Personnel</b>								
Mr P Bradley	0	0	0	0	0	0	0	0
	2,400,000	500,000	0	(900,000)	2,000,000	1,500,000	1,500,000	500,000

Note: [1] Class B and C Options expired without exercise 30 June 2013.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 18. Related Party Transactions cont.

### [c] Shareholdings

2014					
Directors	Balance 01/07/13	Received as Remuneration	Options Exercised	Net Change Other <sup>(1)</sup>	Balance 30/06/14
Mr R A Finder	4,194,367	0	0	962,964	5,157,331
Mrs L H Guthrie	5,402,957	0	0	720,798	6,123,755
Mrs C M Costello	760,716	0	0	1,036,512	1,797,228
Mr S P Mathwin	1,750,000	0	0	562,963	2,312,963
Dr C Popper	0	0	0	0	0
Key Management Personnel					
Mr P Bradley	0	0	0	0	0
Total	12,108,040	0	0	3,283,237	15,391,277

2013					
Directors	Balance 01/07/13	Received as Remuneration	Options Exercised	Net Change Other <sup>(1)</sup>	Balance 30/06/14
Mr R A Finder	2,814,348	0	0	1,380,019	4,194,367
Mrs L H Guthrie	5,288,334	0	0	114,623	5,402,957
Mrs C M Costello	760,716	0	0	0	760,716
Mr S P Mathwin	1,550,000	0	0	200,000	1,750,000
Dr C Popper	0	0	0	0	0
Key Management Personnel					
Mr P Bradley	0	0	0	0	0
Total	10,413,398	0	0	1,694,642	12,108,040

Note [1] Net Change Other includes securities purchased/sold during the year.

### [d] Directors’ Related Entity Transactions with the Company

Details of remuneration paid or payable to directors for the year ended 30 June 2014 has been included in the Directors Report.

### [e] Other Related Parties Transactions with the Company

SA Pathology [formally Medvet Science Pty Ltd]

SA Pathology is a shareholder in LBT Innovations, holding 4,703,401 ordinary shares (2013 – 4,703,401).

Acquisition and Invention of Technology – MicroStreak

On 1 December 2004, the Company entered into a Technology Licence Agreement with Medvet Science Pty Ltd under which it has an exclusive worldwide licence to make, use and sell products derived from technology now known as MicroStreak.

In consideration for the MicroStreak licence, LBT Innovations has paid to Medvet Science Pty Ltd a licence fee of \$220,000.

LBT Innovations must pay to SA Pathology [formally Medvet Science Pty Ltd] a royalty, calculated on LBT Innovations’ revenues related to sales of MicroStreak applicators, at the following rates:

## 18. Related Party Transactions cont.

### [e] Other Related Parties Transactions with the Company cont.

[a] Australia – 3% of LBT Innovations’ applicator revenues;

[b] In all other countries:

- 3% of applicator revenues for the first three years from the date of first commercial sale in each country; and
- 7% of applicator revenues thereafter for the remainder of the term

The royalty referred to above is payable in respect of each quarter, on or before the end of the month following the end of each quarter.

Medvet Science Pty Ltd received milestone payments from LBT Innovations within six months of reaching the following milestones:

- [i] First commercial sale in Australia – \$20,000
- [ii] First commercial sale in Europe – \$50,000
- [iii] First commercial sale in the United States of America – \$150,000

Note: Medvet Science Pty Ltd transfer of rights to SA Pathology.  
Medvet Science Pty Ltd no longer acts as an agent for SA Pathology, a business unit of Adelaide Health Service Inc. All Medvet Science Pty Ltd’s rights and obligations in respect of MicroStreak were transferred to SA Pathology, effective May 2011.

## 19. Financial Risk Management

### [a] Financial Risk Management Policies

The Company’s financial instruments consist mainly of deposits with banks, and accounts receivable and payable. The Company does not invest in any derivative instruments.

#### i) Treasury Risk Management

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board’s overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance.

The Board has established an investment policy that is reviewed on a regular basis.

#### ii) Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. Ongoing royalty payments and minimum royalties from the sale of applicators will be in USD. Milestone payments and other income from the joint venture with Hettich AG Switzerland are invoiced and received in AUD.

#### Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits. At 30 June 2014 approximately 1% of the Company’s cash deposits were fixed.

#### Foreign currency risk

The Company is exposed to fluctuations in foreign currencies arising from the receipt of milestone and royalty payments in currencies other than the Company measurement currency. At balance date, the Company had an exposure in respect of royalty payments due for the period 1 April 2014 to 30 June 2014 amounting to US\$150,000.

The Company will initially deposit royalty receipts in a USD account held with the National Australia Bank. At 30 June 2014 the balance of this account was US\$59,307.



# Notes to the Financial Statements

For the year ended 30 June 2014

## 19. Financial Risk Management cont.

### [a] Financial Risk Management Policies cont.

#### Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash deposits are maintained.

#### Credit risk

The maximum exposure to credit risk is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with a credit rating of 'A' long term (Standard and Poors rating) are used and
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

### [b] Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted Average Effective Interest Rate %		Floating Interest Rate \$ 000		Within 1 Year \$ 000		1 to 5 Years \$ 000		Over 5 Years \$ 000		Non-interest Bearing \$ 000		Total \$ 000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Financial Assets</b>														
Cash and cash equivalents	2.4%	3.6%	1,713	161	15	315	0	0	0	0	63	400	1,791	876
Receivables	0	0	0	0	0	0	0	0	0	0	491	2,281	491	2,281
Total Financial Assets			1,713	161	15	315	0	0	0	0	554	2,681	2,282	3,157
<b>Financial Liabilities</b>														
Deferred revenue	0	0	0	0	0	0	0	0	0	0	2,043	2,184	2,043	2,184
Trade and other payables	0	0	0	0	0	0	0	0	0	0	2,756	468	2,756	468
Total Financial Liabilities	0	0	0	0	0	0	0	0	0	0	4,799	2,672	4,799	2,672

All trade and sundry payables are expected to be paid within three months of balance date.

## 19. Financial Risk Management cont.

### [c] Net Fair Values

The net fair values of all assets and liabilities approximate their carrying value.

### [d] Sensitivity Analysis

The Company has performed a sensitivity analysis to its exposure to interest rate risk at balance date.

This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

At 30 June 2014, the effect on profit and equity after tax as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014 \$000	2013 \$000
<b>Change in profit</b>		
- increase in interest rate by 2%	27	29
- decrease in interest rate by 2%	[27]	[29]
<b>Changes in equity</b>		
- increase in interest rate by 2%	27	29
- decrease in interest rate by 2%	[27]	[29]

## 20. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2014:

At the general meeting of shareholders on 10 April 2007, it was agreed to issue Stephen Paul Mathwin 500,000 class E options that may be exercised from 17 April 2009 up until 17 April 2017 with an exercise price of \$0.20.

At the Annual General Meeting held 29 November 2006, it was resolved to issue 250,000 options to Mr D P LeMessurier and Mrs C M Costello. These class F options may be exercised from 25 September 2009 to 24 May 2017 and have an exercise price of \$0.30.

At the Annual General Meeting held 19 November 2007, it was resolved to issue 750,000 options to Mr R A Finder. These options have an exercise price of \$0.20 and may be exercised from 5 December 2009 to 5 December 2017. These options were granted on 24 May 2007.

During 2009, 250,000 share options were granted to employees in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.165 each. These options are exercisable during the period 6 January 2011 to 23 January 2019. 200,000 of these options were forfeited on departure of the relevant employee.

During 2011, 200,000 share options were granted to employees in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.065 each. These options are exercisable during the period 29 September 2012 to 24 August 2020.

During 2013, 500,000 share options were granted to Dr Caroline Popper in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.058 each. These options are exercisable during the period 29 November 2014 to 29 November 2022.

# Notes to the Financial Statements

For the year ended 30 June 2014

## 20. Share-Based Payments cont.

During 2014, 100,000 share options were granted to Peter Bradley in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.045 each. These options are exercisable during the period 11 December 2015 to 11 December 2023.

	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	2014	\$	2013	\$
Outstanding at the beginning of the year	2,900,000	0.16	5,671,482	0.18
Granted	100,000	0	500,000	0
Forfeited	0	0	0	0
Exercised	400,000	0	0	0
Expired	0	0	3,271,482	0
Outstanding at year end	2,600,000	0.175	2,900,000	0.16
Exercisable at year end	2,000,000	0.21	2,000,000	0.16

During 2014, 400,000 share options granted to employees in accordance with the Employee Share Options Plan were exercised.

The options outstanding at 30 June 2014 had a weighted average exercise price of \$ 0.175 and a weighted average remaining contractual life of 5.1 years. Exercise prices range from \$0.045 and \$0.30.

Options issued to directors and employees cannot be exercised until the second anniversary after the grant date. Any options held at the date a director ceases to be an officer automatically lapse within 90 days unless the Board approves an extension. Accordingly, it is considered that these options do not fully vest until such time as they can be exercised. In accordance with AASB 2 “Share-based Payment”, the fair value of the options has been expensed over the vesting period.

Historical volatility has been the basis for determining expected share price volatility.

## 21. Segment Reporting

[a] The company operates in one business segment, conducting research and development.

[b] Revenue by geographic region

	2014 \$000	2013 \$000
Australia	301	308
Switzerland	2,971	3,510
USA	648	598
Total revenue	3,920	4,416

[c] Assets by geographical region

The Company holds a 50% interest in the joint venture with Hettich AG Switzerland. At balance date, the carrying value of the Company’s interest in the joint venture was \$1,507,000. The joint venture is based in Switzerland.

[d] Major customers

LBT Innovations Ltd derives royalties from its MicroStreak technology that is licensed to the French diagnostic company bioMérieux. These royalties account for 17% of external revenue [2013 14%].

LBT Innovations received \$3,000,000 in Milestone payments and \$42,000 service fees during the financial year from its joint venture with Hettich AG Switzerland. On consolidation LBT Innovations Ltd took up 50% of the joint venture losses of \$142,000.

## 22. Credit Standby Arrangements

The Company has a credit standby facility of \$40,000. This facility was used to the extent of \$5,311 at balance date.

## 23. Capital, Royalty and Other Fees Commitments

[a] Acquisition of Invention and Technology - MicroStreak.

SA Pathology [formally Medvet Science Pty Ltd]	Nature
	Royalties payable under a Technology Licence agreement entered into on 1 December 2004.

## 24. Operating Leasing Commitments

	2014 \$000	2013 \$000
<b>Non-cancellable operating leases contracted for but not recognised in the financial statements</b>		
Payable - minimum lease payments		
- not later than 12 months	5	39
- between 12 months and five years	0	0

The property lease is a non-cancellable lease with a 3-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased per annum in line with the consumer price index [CPI]. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years. The lease allows for subletting of all lease areas.

Subsequent to balance date the above lease term was terminated and a new lease was acquired for new premises commencing 1 August 2014. The property lease is a non-cancellable lease with a 3-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments will be \$90,000 for the1st year, \$95,000 in the 2nd year, and \$100,000 for the 3rd year. An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years. The lease allows for subletting of all lease areas.

## 25. Events After the Balance Sheet Date

Subsequent to 30 June 2014, LBT Innovations has completed the capital raising announced on 18 June 2014. The 2nd tranche of the placement was approved at the EGM held on 1 August 2014 and an additional \$1.102 million [before fees] was received from participants in August. The SPP announced on 18 June 2014 closed on 17 July 2014 and raised an additional \$517,450 [before fees].

Other After Balance Date events:

- in August 2014 , LBT raised a further \$1.62 million [before fees] from the capital raising announced on 18 June 2014;
- the company relocated to substantially larger premises at Level 1, 300 Flinders Street, Adelaide
- in August, Daniel Hill was appointed Chief Financial Officer [part-time]
- US-based Patti Doherty was appointed LBT Clinical Trials Co-ordinator in the US

## 26. Company Details

The registered office and principal place of business of the company is:

Level 1, 300 Flinders Street  
Adelaide SA 5000

Phone: +61 8 8227 1555

Fax: +61 8 8223 1775

Website: lbtinnovations.com

## Directors' Declaration

The directors of the company declare that:

- [1] the financial statements and notes, as set out on pages 33 to 57, are in accordance with the Corporations Act 2001 and:
- comply with Accounting Standards, which as stated in accounting policy Note 1 to the financial statements constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the Corporations Regulations 2001; and
  - give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company;
- [2] the Chief Executive Officer and Chief Finance Officer have each declared 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.

The Board has received assurance from the CEO and the Company Secretary that the declaration is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

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



Lusia Halina Guthrie  
Director



Robert Andrew Finder  
Director

Dated at Adelaide this 17th day of September 2014.

## Independent Auditor's Report



Chartered Accountants

**LBT Innovations Limited**  
**ABN 95 107 670 673**

### INDEPENDENT AUDITOR'S REPORT

To the members of LBT Innovations Limited  
**Report on the Financial Report**

We have audited the accompanying financial report of LBT Innovations Limited ("the company"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the consolidated financial statements of the consolidated entity and the separate financial statements of the company comply with International Financial Reporting Standards.

#### **Auditor's Responsibility**

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

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

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

**HLB Mann Judd (SA Partnership) ABN: 22 640 925 071**

169 Fullarton Road, Dulwich SA | Telephone +61 (0)8 8133 5000 | Facsimile +61 (0)8 8431 3502

Postal: PO Box 377, Kent Town SA 5071

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Liability limited by a scheme approved under Professional Standards Legislation



# Independent Auditor's Report



Chartered Accountants

**LBT Innovations Limited**  
**ABN 95 107 670 673**

## INDEPENDENT AUDITOR'S REPORT (continued)

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, given to the directors of the company on 17 September 2014, would be in the same terms if provided to the directors as at the time of this auditor's report.

### Opinion

In our opinion:

- (a) the financial report of LBT Innovations Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 20 of the directors' report for the year ended 30 June 2014. 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.

### Opinion

In our opinion the Remuneration Report of LBT Innovations Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

**HLB Mann Judd (SA Partnership) ABN: 22 640 925 071**

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Chartered Accountants

**LBT Innovations Limited**  
**ABN 95 107 670 673**

## INDEPENDENT AUDITOR'S REPORT (continued)

### Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of LBT Innovations Limited for the financial year ended 30 June 2014 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and the remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

HLB Mann Judd  
Chartered Accountants

Corey McGowan  
Partner

**Adelaide, South Australia**  
**18 September 2014**

**HLB Mann Judd (SA Partnership) ABN: 22 640 925 071**

169 Fullarton Road, Dulwich SA | Telephone +61 (0)8 8133 5000 | Facsimile +61 (0)8 8431 3502

Postal: PO Box 377, Kent Town SA 5071

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# Shareholder Information

As at 11 September 2014



## Statement of Issued Securities

The total number of shareholders is 858 and there are 114,723,367 ordinary fully paid shares on issue.

The total number of Class E option holders is 1 and there are 500,000 Class E Options on issue.

The total number of Class F option holders is 2 and there are 500,000 Class F Options on issue.

Other Options Expiry date	Number of holders	Number on issue	Number of restricted securities	Release date [if applicable]
5 December 2017	1	750,000	0	N/A
6 January 2019	1	50,000	0	N/A
24 August 2020	1	200,000	0	N/A
29 November 2022	1	500,000	500,000	29/11/14
11 December 2023	1	100,000	100,000	11/12/15

## Distribution of Securities

Equity Distribution	No of Share- holders	No of Class E Option- holders	No of Class F Option- holders	No of Option- holders Exp 5/12/17	No of Option- holders Exp 6/1/19	No of Option- holders Exp 24/8/20	No of Option- holders Exp 29/11/22	No of Option- holders Exp 11/12/23
1 – 1,000	15	0	0	0	0	0	0	0
1,001 – 5,000	91	0	0	0	0	0	0	0
5,001 – 10,000	160	0	0	0	0	0	0	0
10,001 – 100,000	431	0	0	0	1	0	0	1
100,001 and over	159	1	2	1	0	1	1	0
	856	1	2	1	1	1	1	1

The number of shareholdings held in less than marketable parcels is 68.

## Substantial Shareholders

The names of the substantial shareholders listed in the company’s register as at 11 September 2014 are:

Name	Number of Shares held	% Held of Issued Capital
bioMérieux SA	9,772,727	8.52
Mr Brendan Moran + Morcap Pty Ltd	6,363,571	5.55
Mrs Lusia Halina Guthrie + Mr Hugh Berkerley Guthrie <The Podlaska Super Fund A/C>	6,123,755	5.34
	22,260,053	19.40%

## Voting Rights

Refer to Note 13.

## On Market Buy Back

There is no current on market buy back.

## Top 20 Shareholders

Rank	Name	Number of Shares	% of Shares
1	bioMérieux SA	9,772,727	8.52
2	Mrs Lusia Halina Guthrie + Mr Hugh Berkeley Guthrie <The Podlaska Super Fund A/C>	5,975,606	5.21
3	Mr Brendon Moran	5,923,075	5.16
4	Avanteos Investments Limited <1823205>	5,183,272	4.52
5	Mr Robert Andrew Finder & Mrs Sheryl Jean Finder <Sherrob9 S/F A/C]	4,573,420	3.99
6	Carina Management Pty Ltd <Brydon Family A/c>	3,703,704	3.23
7	Medvet Science Pty Ltd	3,333,334	2.91
8	Avanteos Investments Limited <1823201>	2,894,329	2.52
9	Ruin Pty Ltd <Steve Mathwin Super A/C>	2,312,963	2.02
10	Citicorp Nominees Pty Ltd	2,123,818	1.85
11	Mr Stephen Goodwin	2,050,000	1.79
12	Mr Bryce Whetton	1,121,111	0.98
13	Mr Ari Pullinen + Mrs Outi Pullinen <A&O Pullinen Super S/F A/c>	1,117,541	0.97
14	KMEC Superannuation Pty Ltd	1,048,113	0.91
15	Costello Consulting Pty Ltd	1,036,512	0.90
16	Mr Leng Kuan Ng + Ms Junisilver Taij + Mr Leng Ming Ng <TNG Superfund A/c>	1,002,883	0.87
17	Medvet Science Pty Ltd	1,000,000	0.87
18	Mr Jarkko Petteri Pullinen	1,000,000	0.87
19	Chag Pty Ltd	949,426	0.83
20	Katray Nominees Pty Ltd <RG Duthy S/F A/C>	911,111	0.79
		57,032,945	49.71%

# Shareholder Information

As at 11 September 2014



**Top 20 Class E Option-holders (not listed)**

Rank	Name	Number of Options	% of Options
1	Mr Stephen Mathwin	500,000	100.00%
		500,000	100.00%

**Top 20 Class F Option-holders (not listed)**

Rank	Name	Number of Options	% of Options
1	Ms Catherine Mary Costello	250,000	50.00%
2	Mr Douglas Peter LeMessurier	250,000	50.00%
		500,000	100.00%

**Top 20 Other Option-holders (not listed)**

Rank	Name	Number of Options	% of Options
1	Mr Robert Finder [option expire 5/12/17 – ex price \$0.20]	750,000	46.88%
2	Dr Caroline Popper [option expire 29/11/22 – ex price \$0.058]	500,000	31.25%
3	Mr John Glasson [200,000 options expire 24/8/20 – ex price \$0.065]	200,000	12.50%
4	Mr Peter Bradley [100,000 options expire 24/8/20 – ex price \$0.045]	100,000	6.25%
4	Ms Deborah Nutt [50,000 options expire 6/1/19 – ex price \$0.165]	50,000	3.13%
		1,600,000	100%

**Register of Securities**

The register of securities is located at:

Computershare Investor Services Pty Limited  
GPO Box 1903 Adelaide, South Australia 5001, Australia

Enquiries [within Australia] 1300 729 063  
Enquiries [outside Australia] +61 3 9415 4675  
Facsimile +61 8 8236 2305

web.queries@computershare.com.au

computershare.com.au

