



LBT INNOVATIONS

LBT Innovations Ltd

ACN 107 670 673

ASX CODE: LBT

ASX Preliminary Final Report
30 June 2015

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

Preliminary Final Report

Year ended 30 June 2015
(Previous corresponding period: Year ended 30 June 2014)

Results for Announcement to the Market

	June 2015 \$000	June 2014 \$000	Change \$000	Change %
Revenue from ordinary activities	2,367	3,991	(1,624)	-40.7%
Profit / (Loss) after tax attributable to members	321	292	29	9.9%
Total comprehensive income / (loss)	549	331	218	65.9%

Summary explanation of the figures above;

Revenue

Revenue for the year ended 30 June 2015 decreased by 40.7% to \$2.37 million includes:

- \$1.00 million APAS® final milestone
- bioMérieux royalty of \$846,000
- Grants income of \$310,000
- Revenue from APAS of \$76,000 relating to a module prototype
- Interest received of \$43,000

Profit after tax

The profit of the company after tax of \$0.32 million includes an income tax benefit of \$1.83 million attributable to an expected 2015 R&D tax offset.

There was \$3.75 million of capitalised expenditure on APAS, recognising the progress made toward commercialisation. Other research costs not capitalised during 2015 totalled \$0.29 million.

<i>Net Tangible Assets per security</i>	2.2 cents per share as at 30 June 2015 (2.6 cents per share as at 30 June 2014)
<i>Control Gained or lost over entities</i>	Not applicable
<i>Dividends</i>	It is not proposed to pay a dividend
<i>Dividend or distribution reinvestment scheme</i>	Not applicable

*Details of associates and joint venture entities*

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

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

The accounts for the year ended 30 June 2015 are in the process of being audited.

EXPLANATION OF RESULTS**Financial Highlights**

Revenue for the year to 30 June 2015 was \$2.37 million (down from \$3.99 million for the year ended 30 June 2014).

Revenue consisted of:

- \$1.00 million APAS Milestone recognised through the JV company from Hettich AG Switzerland in line with the terms of the JV agreement;
- Interest revenue of \$43,000 (consistent with the year ended 30 June 2014);
- Royalty income of \$846,000 (up from \$648,000 for the year ended 30 June 2014) 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 2014);
- Income recognised of \$135,000 from a BioSA grant (total grant approved of \$250,000);
- An Export Market Development Grant of \$34,000 (down from \$128,000 for the year ended 30 June 2014);
- APAS module income of \$76,000 relating to recognition of the sale of a prototype to CCS for clinical trials;
- Consulting income of \$68,000 relating to recoveries from the JV entity, CCS in Switzerland.

The cash position as at 30 June 2015 was \$1.82 million (2014 \$1.79 million) including \$1.62 million raised from the SPP and Tranche 2 Placement in July and August 2014 and \$1,00 million loan received from LBT's directors and officers, re-payable on receipt of LBT's 2015 R & D tax offset.

LBT Innovations Ltd received an R&D tax concession refund of \$3.01 million following completion of the 2014 tax return. The Company has lodged a claim for the 2015 year with an estimated refund of \$1.83 million.

Business Highlights Full Year 2014/15

This was a busy and productive year for LBT Innovations, with significant developments in all three branches of an increasingly robust technology pipeline. In particular, the year saw major progress towards the commercialisation of our first image interpretation product, the groundbreaking culture-plate analysis technology, APAS (Automated Plate Assessment System).

In late November 2014, LBT wrapped up two successful clinical trials of APAS at the laboratories of Healthscope Pathology in Melbourne and Adelaide. This paved the way for our pivotal US trial, which began on 9 June 2015 at TriCore Reference Laboratories in Albuquerque, New Mexico. In total, the three trials have tested APAS on urine samples – the most commonly tested microbiology specimen – from 10,000 patients.

LBT is on target to make its final 510(k) *de novo* submission to the U.S. Food and Drug Administration (FDA) in late 2015. This submission not only holds the key to approval for APAS to be ‘built in’ to laboratory instruments sold in the United States, but to LBT’s ongoing negotiations with a number of diagnostic companies interested in marketing the technology worldwide.

2014/15 also saw significant progress in the design of the first APAS instrument, a standalone plate-reader called the APAS Independence™, by our joint venture partner, Hettich AG Switzerland. Demonstrations of the APAS software and a scale model of the instrument attracted widespread interest at the 2015 conferences of the American Society for Microbiology (ASM) and the European Congress of Clinical Microbiology and Infectious Diseases (ECCMID), and the APAS Independence™ remains on track for production in 2016.

During the financial year, the APAS program benefited from a capital raising which concluded in August 2014, raising A\$2.018 million, and a major R&D tax rebate from the Australian Government in September of A\$3.014 million.

These funds also helped to accelerate research into a second potential application of our image interpretation software, in the fast-growing field of chronic wound care. Fuelled by the growing incidence of obesity and type 2 diabetes, the treatment of chronic wounds accounts for a market estimated to be worth US\$60 billion annually, and LBT has been quick to identify an opportunity for a conceptual hand-held wound assessment device called WoundVue™.

The year saw important progress for WoundVue, boosted by a \$250,000 grant in October, which funded detailed market and technology research, including a survey of more than 200 wound care practitioners in the US. The second half of the year saw promising progress in testing our primary image analysis system on images of actual wounds at the Australian Centre for Visual Technologies (ACVT), assisted by a dedicated vascular nurse employed to support the project.

In August 2014, LBT announced two key appointments: our new Chief Financial Officer, Daniel Hill, and a US-based coordinator for the APAS trials, Dr Patti Doherty. Towards the end of the year, Julie Brookes joined us as Quality Assurance Officer and Nicole Rotman joined us as a Project Officer to support the WoundVue project.

LBT’s MicroStreak automated culture plate streaker has been in-market for seven years, as PREVI® Isola, under an exclusive licence with bioMérieux. In January, bioMérieux advised their intention to terminate the current agreement. On 27 August, the Company announced a new agreement with bioMérieux. The new agreement terminates the initial exclusive license signed in 2007 and converts it to a non-exclusive license. Both companies will be free to pursue their development in laboratory automation independently.

Under the new license bioMérieux will retain the sole rights to service and support the installed base of PREVI Isola systems, including supply of the patented disposable applicators used in the streaking process, and will discontinue sales of new systems by July 30, 2016. bioMérieux will focus its resources on the strategic alliance the company entered on January 9, 2015 with the Italian company Copan.

Under the new arrangements, LBT Innovations will receive a one-time, full and final upfront payment of US\$5.5 million (approx. AUD\$7.7 million at the exchange rate current at the time) payable within 14 days of LBT's invoice, and will receive non-exclusive technology rights to improvements developed by bioMérieux as solely related to the MicroStreak technology. LBT will recover global rights to pursue its own development, manufacturing and commercialisation of a MicroStreak product.

LBT Innovations Ltd

Preliminary Final Report
30 June 2015

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$000	2014 \$000
Revenue	3	2,367	3,991
Share of profit / (loss) of associates & joint ventures accounted for using the equity method		(92)	(71)
Consulting fees		(77)	(334)
Employee benefits expense	4 (c)	(761)	(1,138)
Depreciation and amortisation expense		(764)	(716)
General administration expenses		(205)	(156)
Legal		(64)	(47)
Marketing		(78)	(32)
Finance costs		(32)	0
Other expenses	4 (a)	(630)	(2,468)
		<hr/>	<hr/>
Profit / (Loss) before income tax		(336)	(971)
Income tax benefit / (expense)		<hr/> 657	<hr/> 1,263
Profit / (Loss) for the year		<hr/> 321	<hr/> 292
Other comprehensive income		<hr/> 228	<hr/> 39
Other comprehensive income for the year net of tax		<hr/> 228	<hr/> 39
Total comprehensive income / (loss) for the year		<hr/> <hr/> 549	<hr/> <hr/> 331
Basic earnings per share (cents per share)		<hr/> <hr/> 0.28	<hr/> <hr/> 0.29
Diluted earnings per share (cents per share)		<hr/> <hr/> 0.28	<hr/> <hr/> 0.29

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



**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	2015 \$000	2014 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,818	1,791
Trade and other receivables	6	838	491
Current tax asset		<u>1,825</u>	<u>3,014</u>
TOTAL CURRENT ASSETS		<u>4,481</u>	<u>5,296</u>
NON-CURRENT ASSETS			
Plant and equipment	7	62	65
Investments accounted for using the equity method	8	1,675	1,507
Deferred tax assets		1,488	1,735
Intangible assets	9	<u>16,868</u>	<u>13,845</u>
TOTAL NON-CURRENT ASSETS		<u>20,093</u>	<u>17,152</u>
TOTAL ASSETS		<u>24,574</u>	<u>22,448</u>
CURRENT LIABILITIES			
Trade and other payables	10	866	2,672
Financial liabilities	11	<u>1,195</u>	<u>141</u>
TOTAL CURRENT LIABILITIES		<u>2,061</u>	<u>2,813</u>
NON-CURRENT LIABILITIES			
Financial liabilities	11	1,761	1,902
Deferred tax liabilities		4,964	4,085
Provisions	10	<u>104</u>	<u>84</u>
TOTAL NON-CURRENT LIABILITIES		<u>6,829</u>	<u>6,071</u>
TOTAL LIABILITIES		<u>8,890</u>	<u>8,884</u>
NET ASSETS		<u>15,684</u>	<u>13,564</u>
EQUITY			
Issued capital	12	13,187	11,665
Reserve	13	1,040	845
Retained earnings		<u>1,457</u>	<u>1,054</u>
TOTAL EQUITY		<u>15,684</u>	<u>13,564</u>

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$000	2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
APAS license signing fees		0	2,000
APAS milestone payments received		482	3,000
APAS module income		118	0
Grants received		243	128
Interest received		43	43
Royalties received		810	650
Research and development tax concession		3,014	827
Payments to suppliers and employees		<u>(1,662)</u>	<u>(4,212)</u>
Net cash provided by (used in) operating activities	14	<u>3,048</u>	<u>2,436</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Research and development (intangible asset)		(5,424)	(1,865)
Payment for plant and equipment		(35)	(72)
Sale of equipment		<u>0</u>	<u>35</u>
Net cash used in investing activities		<u>(5,459)</u>	<u>(1,902)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received		1,000	0
Loan commitment fees paid		(30)	0
Cash proceeds from exercise of options		0	17
Cash proceeds from share placement (Tranche 2 and SPP)		1,619	399
Capital raising expenses		<u>(175)</u>	<u>(26)</u>
Net Cash from financing activities		<u>2,414</u>	<u>390</u>
Net increase / (decrease) in cash and cash equivalents		3	924
Cash and cash equivalents at beginning of year		1,791	876
Exchange rate adjustments		<u>24</u>	<u>(9)</u>
Cash and cash equivalents at end of year	5	<u><u>1,818</u></u>	<u><u>1,791</u></u>

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



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Option Reserve \$000	Foreign Currency Translation Reserve \$000	Share Capital \$000	Accumulated (Losses) / Retained Earnings \$000	Total \$000
Balance at 1 July 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	12,13	806	39	11,665	1,054	13,564
Elimination on deconsolidation		0	(39)	0	82	43
Share placement		0	0	1,619	0	1,619
Options exercised		0	0	0	0	0
Capital raising costs		0	0	(139)	0	(139)
Options granted as remuneration		6	0	0	0	6
Tax effect attributable to items in equity		0	0	42	0	42
Comprehensive income		0	228	0	0	228
Profit attributable to members		0	0	0	321	321
Balance at 30 June 2015	12,13	812	228	13,187	1,457	15,684

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of Preparation

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

Reporting Basis and Conventions

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

Accounting Policies

a. Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

a. **Income Tax (Cont.)**

except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

b. **Plant and Equipment**

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

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

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

Depreciation

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

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

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

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

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****c. Investment Accounted for Using The Equity Method****Investment in Joint Venture**

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

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

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

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

Research Expenditure

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****d. Intangibles (Cont.)****MicroStreak and APAS Development Costs**

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

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

Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs for MicroStreak have been amortised on a systematic basis matched to the projected future economic benefits over the useful life of the licence agreement with the licence partner. In accordance with Australian Accounting Standards capitalised costs have been amortised on a straight line basis over the remaining licence term of 14.5 years. Amortisation expense relating to capitalised MicroStreak development costs is approximately \$671,000 per annum. Consistent with this approach and in accordance with AASB 120 Accounting for Government grants and Disclosure of Government Assistance, revenue from the company's commercial revenue grant must be recognised over the periods in which the entity recognises as expense the related costs for which the grants are intended to compensate. As the grant received by the company in prior years related to the capitalised costs referred to above, it has also been recognised as revenue on a straight line basis over the remaining term of the licence. Revenue of approximately \$141,000 per annum relating to the grant will be recognised going forward.

At present there is no amortisation of capitalised APAS development costs with the exception of IT licences purchased on an annual basis. This will commence once commercial income from product is generated. APAS commercialisation will be managed through the 50:50 JV company established through a JV agreement signed in 2013 with Hettich AG Switzerland. A total of \$6 million in sign on fees and milestone payments have already been recognised by LBT, to which \$5.5m has been received in cash and \$0.5m receivable.

e. Leases

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

f. Financial Instruments

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

Impairment

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

Financial Liabilities

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

g. Impairment of Assets

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

Key Estimates – Impairment

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

h. Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

i. Revenue

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

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

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

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

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

j. Share-Based Payments

Equity Settled Transactions

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****k. Goods and Services Tax (GST)**

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

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

l. Foreign Currency Transactions and Balances

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

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

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

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

m. Comparative Figures

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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

n. Government Grants

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

o. Critical Accounting Estimates and Judgments

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 2: PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE

(a) Share of profit / loss of associates and joint ventures accounted for using the equity method was included within the revenue line in the annual report for the financial year ended 30 June 2014. This is shown as a separate line item in this financial report. Below is the restated accounts as at 30 June 2014 which incorporates the effect of the change in accounting policy.

RESTATED STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2014

	Original Value 2014 \$000	Adjustment \$000	Restated Value 2014 \$000
Revenue	3,920	71	3,991
Share of profit / (loss) of associates and Joint ventures accounted for using the equity method	0	(71)	(71)
	<hr/>	<hr/>	<hr/>
Profit / (Loss) before income tax	(971)	0	(971)
Income tax (expense)/benefit	1,263	0	1,263
	<hr/>	<hr/>	<hr/>
Other comprehensive income:	292	0	292
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year net of tax	39	0	39
	<hr/>	<hr/>	<hr/>
Total comprehensive income / (loss) for the year	331	0	331
Basic earnings per share (cents per share)	0.29	0	0.29

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2: PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE (CONT.)

(b) Capitalised APAS development costs were presented within payments to suppliers and employees in the cash flows from operating activities section within the statement of cash flows in the annual report for the financial year ended 30 June 2014. LBT is now reporting this expenditure in the cash flows from investing activities. Below is the restated accounts as at 30 June 2014 which incorporates the effect of the change in accounting policy.

RESTATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

CASH FLOWS FROM OPERATING ACTIVITIES

	Original Value 2014 \$000	Adjustment \$000	Restated Value 2014 \$000
Payments to suppliers and employees	<u>(6,077)</u>	<u>(1,865)</u>	<u>(4,212)</u>
Net cash provided by (used in) operating activities	<u>571</u>	<u>1,865</u>	<u>2,436</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Research and development (intangible asset)	0	(1,865)	(1,865)
Net cash used in investing activities	<u>(37)</u>	<u>(1,865)</u>	<u>(1,902)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash from financing activities	<u>390</u>	<u>0</u>	<u>390</u>
Net increase / (decrease) in cash and cash equivalents	924	0	924
Cash and cash equivalents 1 July 2013	876	0	876
Exchange rate adjustments	(9)	0	(9)
Cash and cash equivalents 30 June 2014	<u>1,791</u>	<u>0</u>	<u>1,791</u>

2015
\$000

2014
\$000

NOTE 3: REVENUE

Operating activities	2,324	3,948
Interest	<u>43</u>	<u>43</u>
Total Revenue	<u>2,367</u>	<u>3,991</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 4: PROFIT FOR THE YEAR

	2015 \$000	2014 \$000
a. Other Expenses		
Auditors' remuneration	28	35
Rent	39	49
Travel and accommodation	127	164
Research and development	288	2,032
Others	148	188
	<u>630</u>	<u>2,468</u>

b. Significant Revenue and Expense Items

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

Milestone payments for APAS	1,000	3,000
Royalty income	846	648
Grant Income	310	267
APAS module income	76	42
Consulting income	68	0
Interest received	43	43
Foreign exchange gain (loss)	24	(9)
	<u>2,367</u>	<u>3,991</u>

c. Employee Benefits Expense

The employee benefits expense includes directors' fees and salaries and wages, including executive bonuses, however, it excludes salaries and wages totalling \$939,643 (2014 \$307,708) capitalised within APAS development costs.

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	<u>1,818</u>	<u>1,791</u>
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

**2015
\$000**

**2014
\$000**

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT

Trade debtors	743	201
Other receivables	32	23
GST refundable	<u>63</u>	<u>267</u>
Total Receivables	<u>838</u>	<u>491</u>

NOTE 7: PLANT AND EQUIPMENT

Plant and equipment at cost	166	131
Less: accumulated depreciation	<u>(104)</u>	<u>(66)</u>
Total Plant and equipment	<u>62</u>	<u>65</u>

Movements in Carrying Amount

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

Opening balance	65	13
Additions	35	74
Disposals	0	(1)
Depreciation expense	<u>(38)</u>	<u>(21)</u>
	<u>62</u>	<u>65</u>

NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in joint venture at cost (Note 1(c))	1,539	1,539
Foreign Currency Translation Reserve	228	39
Share of Profit / (Loss) in joint venture	<u>(92)</u>	<u>(71)</u>
	<u>1,675</u>	<u>1,507</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 \$000	2014 \$000
NOTE 9: INTANGIBLE ASSETS		
MicroStreak option fee at cost	51	51
Less: accumulated amortisation (Note 1 (d))	<u>(37)</u>	<u>(34)</u>
	<u>14</u>	<u>17</u>
MicroStreak licence fee at cost	120	120
Less: accumulated amortisation (Note 1 (d))	<u>(84)</u>	<u>(76)</u>
	<u>36</u>	<u>44</u>
Patent fees	247	247
Less: accumulated amortisation (Note 1 (d))	<u>(104)</u>	<u>(92)</u>
	<u>143</u>	<u>155</u>
MicroStreak development costs (Note 1 (d))	11,959	11,959
Less: accumulated amortisation	<u>(2,903)</u>	<u>(2,232)</u>
	<u>9,056</u>	<u>9,727</u>
APAS development costs (Note 1 (d))	7,652	3,902
Less: accumulated amortisation	<u>(33)</u>	<u>0</u>
	<u>7,619</u>	<u>3,902</u>
Total Intangible assets	<u><u>16,868</u></u>	<u><u>13,845</u></u>

Movements in Carrying Amount

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

	MicroStreak Option Fee at Cost	MicroStreak Licence Fee at Cost	Patent Fees	MicroStreak Development Costs	APAS Development Costs	Total Intangible Assets
	\$	\$	\$	\$	\$	\$
Balance 1 July 2013	21	52	168	10,398	0	10,639
Additions	0	0	0	0	3,937	3,937
Disposals	0	0	0	0	(35)	(35)
Amortisation	(4)	(8)	(13)	(671)	0	(696)
Balance 30 June 2014	17	44	155	9,727	3,902	13,845
Additions	0	0	0	0	3,750	3,750
Disposals	0	0	0	0	0	0
Amortisation	(3)	(8)	(12)	(671)	(33)	(727)
Balance 30 June 2015	14	36	143	9,056	7,619	16,868

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 \$000	2014 \$000
NOTE 10: TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors	<u>866</u>	<u>2,672</u>
Total Current Trade and other payables	<u><u>866</u></u>	<u><u>2,672</u></u>
NON-CURRENT		
Provisions	<u>104</u>	<u>84</u>
Total Non-Current Provisions	<u><u>104</u></u>	<u><u>84</u></u>

NOTE 11: FINANCIAL LIABILITIES

CURRENT		
Deferred revenue	141	141
Loan	1,000	0
Unexpended grants	<u>54</u>	<u>0</u>
Total Current Financial liabilities	<u><u>1,195</u></u>	<u><u>141</u></u>
NON-CURRENT		
Deferred revenue	<u>1,761</u>	<u>1,902</u>
Total Non-current Financial liabilities	<u><u>1,761</u></u>	<u><u>1,902</u></u>

NOTE 12: ISSUED CAPITAL

Issued and paid up capital		
114,723,367 (2014: 102,727,455) ordinary shares fully paid	14,988	13,369
Less: costs associated with capital raising		
opening balance	(1,704)	(1,656)
Capital raising costs	(139)	(61)
Tax effect attributable to items in equity	<u>42</u>	<u>13</u>
	<u><u>13,187</u></u>	<u><u>11,665</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 12: ISSUED CAPITAL (CONT.)

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

	Number of shares
Opening balance 30 June 2013	99,374,861
Share issue – ESOP option exercise	400,000
Share issue – Tranche 1 Placement June 2014	2,952,594
Share issue – SPP July 2014	3,832,944
Share issue – Tranche 2 Placement August 2014	8,162,968
Closing balance 30 June 2015	<u>114,723,367</u>

	2015 \$000	2014 \$000
NOTE 13: RESERVE		
Option reserve		
Option reserve of valuation of share options	<u>812</u>	<u>806</u>
The option reserve records items recognised on valuation of share-based payments.		
Foreign currency translation reserve	<u>228</u>	<u>39</u>
	<u>1,040</u>	<u>845</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015	2014
	\$000	\$000

NOTE 14: CASH FLOW INFORMATION
**Reconciliation of Cash Flow from Operations
with Profit / (Loss) after Income Tax**

Profit / (Loss) after income tax	549	331
Non-cash flows in profit / loss		
Amortisation	727	696
Depreciation	37	21
Options expense	6	14
Other comprehensive income	(228)	(39)
Cash flows attributed to investing activities	30	0
Changes in assets and liabilities		
Decrease / (Increase) in receivables	462	1,790
(Decrease) / Increase in deferred revenue	(86)	(141)
(Increase) / Decrease in deferred tax asset	(867)	847
Decrease / (Increase) in investment accounted for using the equity method	92	71
Increase / (Decrease) in trade creditors	316	97
Decrease / (Increase) in current tax asset	243	(2,187)
Increase / (Decrease) in provisions	0	24
Increase / (Decrease) in deferred tax liability	1,749	890
Increase / (Decrease) in deferred tax in equity	42	13
(Increase) / Decrease in net unrealised (gain) / loss on foreign currency held	<u>(24)</u>	<u>9</u>
Cash flow from / (used in) operations	<u><u>3,048</u></u>	<u><u>2,436</u></u>

NOTE 15: COMPANY DETAILS

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