

LBT Innovations Ltd

ACN 107 670 673

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ASX Preliminary Final Report
30 June 2016

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market

Preliminary Final Report

Year ended 30 June 2016
(Previous corresponding period: Year ended 30 June 2015)

Results for Announcement to the Market

	June 2016 \$000	June 2015 \$000	Change \$000	Change %
Revenue from ordinary activities	7,726	2,367	5,359	226%
Profit / (Loss) after tax attributable to members	3,577	321	3,256	1,014%
Total comprehensive income / (loss)	3,541	549	2,992	545%

Summary explanation of the figures above;

Revenue

Revenue for the year ended 30 June 2016 increased by 226% to \$7.73 million includes:

- \$7.52 million from the proceeds from bioMérieux's termination of the original MicroStreak® licence agreement and new non-exclusive licence
- Grant income of \$256,000
- Consulting Income from JV Partner of \$138,000
- Interest received of \$115,000
- Less royalty income adjustments and foreign exchange loss (\$301,000)

Profit after tax

The profit of the company after tax of \$3.58m.

There was \$4.45 million of capitalised expenditure on APAS®, recognising the progress made toward commercialisation. Other research costs not capitalised during 2016 totalled \$0.39 million.

<i>Net Tangible Assets per security</i>	3.8 cents per share as at 30 June 2016 (2.2 cents per share as at 30 June 2015)
<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 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 commercialise the technology most likely through global distribution partners.

The accounts for the year ended 30 June 2016 are in the process of being audited.

EXPLANATION OF RESULTS

Financial Highlights

Revenue for the year to 30 June 2016 was \$7.73 million (up from \$2.37 million for the year ended 30 June 2015).

Revenue consisted of:

- \$7.52 million from the proceeds from bioMérieux's termination of the original MicroStreak licence agreement and the granting to bioMérieux a new non-exclusive licence;
- Interest revenue of \$115,000 (up from \$43,000 for the year ended 30 June 2015);
- The recognition of deferred commercial ready grant income of \$141,000 (consistent with the year ended 30 June 2015);
- Income recognised of \$115,000 from a BioSA grant (total grant approved of \$250,000);
- Consulting income of \$138,000 relating to recoveries from the JV entity, CCS in Switzerland;
- Less royalty income adjustments and foreign exchange loss (\$301,000).

The cash position as at 30 June 2016 was \$4.68 million (2015 \$1.82 million).

LBT Innovations Ltd received an R&D tax concession refund of \$1.62 million following completion of the 2015 tax return. The Company will lodge a claim for the 2016 year with an estimated cash refund of approximately \$1.3 million.

REVIEW OF OPERATIONS 2015-16

Automated Plate Assessment System (APAS)

The 2015/16 financial year began with the US phase of the clinical trial program for LBT's culture-plate analysis technology, APAS (Automated Plate Assessment System). The trial aimed to prove the reliability of APAS in screening for disease-causing pathogens in urine samples from 10,000 patients.

LBT's US clinical trials partner, TriCore Reference Laboratories in Albuquerque, New Mexico – one of the largest such facilities in the southern US – conducted the trial, which was designed to support LBT's 510(k) *de novo* submission to the U.S. Food and Drug Administration (FDA), for clearance to sell APAS in the United States.

In September, 2015, CEO Lusia Guthrie, Vice-President of Global Business Development Peter Bradley, and several LBT contract engineers visited the premises in Europe where the APAS Independence™ is being built.

The results from the pivotal US clinical trial of LBT's APAS became available in October, 2015. The trial had tested the APAS technology against a panel of three microbiologists. Over 10 weeks between June and August 2015, 5,500 urine samples were analysed. Following incubation, the culture plates were processed by APAS, and simultaneously assessed by a panel of three independent microbiologists.

The results showed that APAS achieved over 98% sensitivity in its detection of disease-causing bacteria on two of the most widely-used culture media – blood agar and MacConkey agar. As well, the results showed greater than 98% sensitivity in the detection of microbial growth for the sample, successfully exceeding the target of 96%.

APAS achieved an overall sensitivity of more than 96% in its ability to combine the results from blood agar and MacConkey agar in assessing the presence of bacteria commonly associated with urinary tract infections. The results were a strong endorsement of the effectiveness of APAS.

In October, 2015 came the confirmation of a second US patent protecting the core software that underpins LBT's APAS technology. The patent covers the key APAS systems and software for analysing and assessing microbial growth, and will provide intellectual property protection until at least March 2032.

In November, 2015 there was further encouraging news, with successful results from a clinical trial of LBT's APAS technology at the SydPath pathology laboratory at St Vincent's Hospital in Sydney. The results largely mirrored those of the New Mexico study conducted earlier in the year. The SydPath study showed APAS achieving over 98% sensitivity in its detection of disease-causing bacteria on blood agar and MacConkey agar in urine samples from 2,122 patients.

The trials at SydPath and TriCore followed an initial trial of the APAS technology at Healthscope Pathology in Melbourne in late 2014. In total, the three trials tested the efficacy of APAS in detecting and reporting pathogenic bacteria in urine samples from more than 10,000 patients. The SydPath results marked the conclusion of this extensive international clinical trial program, which formed the basis of LBT's FDA submission.

A few days before Christmas 2015, the *de novo* submission was completed, seeking classification of APAS as a Class II medical device and 510(k) clearance for marketing for APAS in the US.

The FDA submission also represented the successful completion of the development milestones set out in the joint venture agreement between LBT Innovations and Hettich AG Switzerland.

In April, 2016 LBT was notified by the US Patent & Trademark Office that its application for a patent protecting the APAS image capture technology would be granted. This was the third successful US patent application covering aspects of APAS, and provides for 20 years of patent protection.

This good news came just a few days before the unveiling of the first APAS instrument, the APAS Independence, at the 26th European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Amsterdam, attended by LBT's Vice-President, Global Business Development, Peter Bradley and CEO Lusia Guthrie.

This was followed the next month by the granting of a 16-year patent from the Japan Patent Office covering the APAS image capture technology and lighting apparatus.

MicroStreak

In August, 2015 LBT signed a new limited licence agreement with its French diagnostics partner, bioMérieux, regarding LBT's culture plate-streaking technology, MicroStreak, which had been marketed as PREVI® Isola. The agreement terminated the initial exclusive licence signed in 2007, creating in its place a non-exclusive licence, which would allow both companies free rein to pursue their respective development of laboratory automation independently of each other.

Under the new arrangement, bioMérieux kept the rights to service and support existing MicroStreak systems, sold under the PREVI Isola brand, but would sell no new systems after July, 2016.

This deal delivered to LBT an amount of US\$5.5 million (approx. AUD\$7.9 million at the then-current exchange rate), as well as non-exclusive technology rights to the improvements to MicroStreak developed by bioMérieux. LBT also recovered the global rights to pursue its own development, manufacturing and commercialisation of MicroStreak products. LBT is in discussions for the licencing or sale of MicroStreak in global markets.

Woundvue®

An Alpha prototype was completed for Woundvue, the next product being contemplated from the company's intelligent imaging platform. Several thousand images were collected from the diabetic and vascular clinics at The Queen Elizabeth Hospital and Royal Adelaide Hospital. A research program is in progress in collaboration with the Australian Centre for Visual Technology (ACVT) at the University of Adelaide. This should be completed by April 2017 with the finalisation of a Concept Development Prototype (CDP). The Company is investigating potential partnering opportunities and the necessary funding strategy to achieve full product development.

Corporate

LBT continued to grow its staff throughout the year with a number of key strategic appointments. These included an experienced vascular nurse, Nicole Jones; Tom Cosic, a highly experienced software engineer and program manager; Vaughan Wesson, as Systems Engineer; Tomasz Grzegurzko, a seasoned computer scientist; and Christine Williams who has joined the microbiology team.

In October, 2016 LBT's CEO, Lusia Guthrie, advised the Board of her intention to retire, prompting an international search by the company's Board for an executive capable of taking her place. Lusia has served as CEO since she co-founded the company in 2004, capably steering LBT through its formative years, including its ASX listing, the development and negotiating the global licencing of its first technology, MicroStreak, and the development of its plate analysis technology, APAS. With the support of the Board, Lusia agreed to contribute her knowledge and skills to help with the transition of the new CEO into the company. Lusia will remain as a consultant to the company as needed.

In May, 2016 the LBT Board announced the successful conclusion to its search for the company's new CEO. Senior Cochlear Limited executive Brent Barnes was appointed to take the reins from Lusia Guthrie from August. After beginning his working life with defence contractor Thales, Brent spent 11 years in a variety of roles with Australian medical device manufacturer Cochlear, in the US and Sydney.

Future Prospects

In July, 2016 John Glasson retired and the company will search for a new Scientific Director to replace him. John will continue to consult and advise the company from time to time, as required.

Brent Barnes commenced as CEO on 8 August.

Lusia Guthrie has been appointed as Chairman of Clever Culture Systems AG (CCS), the joint venture company set up with Swiss company Hettich AG to develop and commercialise APAS. This is for a period of 2-years effective from August. Lusia replaces Klaus-Gunter Eberle, who chaired CCS from its formation in 2013 and who remains as a Director on the CCS Board.

The focus of attention is on completion of laboratory instruments to be integrated with APAS. A stand-alone culture plate reader – APAS Independence- and an automated incubator called the APAS Incubot™ – are being developed in Europe and will be ultimately be manufactured for CCS by Hettich. LBT Innovations intends to produce the APAS software plug-ins for both instruments.

CCS is currently in discussions with an international diagnostics company to form an alliance to provide a range APAS laboratory automation products. LBT is still waiting for advice from the FDA regarding the clearance of APAS for sale in the US.

The company is also in discussion with several companies on the licencing or sale of the MicroStreak technology.

Proposals have been received for product development projects for Woundvue. These were sourced from two internationally recognised design engineering companies who were invited to submit their project plans and costings, including interest in risk-sharing and partnering.

LBT Innovations Ltd

Preliminary Final Report
30 June 2016

Page	Contents
8	Statement of Comprehensive Income
9	Statement of Financial Position
10	Statement of Cash Flows
11	Statement of Changes in Equity
12	Notes to the Financial Statements

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$000	2015 \$000
Revenue	2	7,726	2,367
Share of profit / (loss) of associates & joint ventures accounted for using the equity method		(241)	(92)
Consulting fees		(69)	(77)
Employee benefits expense	3 (c)	(1,067)	(761)
Depreciation and amortisation expense		(775)	(764)
General administration expenses		(163)	(205)
Legal		(65)	(64)
Marketing		(105)	(78)
Finance costs		(27)	(32)
Other expenses	3 (a)	(1,094)	(630)
		<hr/>	<hr/>
Profit / (Loss) before income tax		4,120	(336)
Income tax benefit / (expense)		<hr/> (543)	<hr/> 657
Profit / (Loss) for the year		<hr/> 3,577	<hr/> 321
Other comprehensive income		<hr/> (36)	<hr/> 228
Other comprehensive income for the year net of tax		<hr/> (36)	<hr/> 228
Total comprehensive income / (loss) for the year		<hr/> <hr/> 3,541	<hr/> <hr/> 549
Basic earnings per share (cents per share)		<hr/> <hr/> 3.08	<hr/> <hr/> 0.28
Diluted earnings per share (cents per share)		<hr/> <hr/> 3.08	<hr/> <hr/> 0.28

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$000	2015 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,682	1,818
Trade and other receivables	5	525	838
Current tax asset		<u>1,331</u>	<u>1,825</u>
TOTAL CURRENT ASSETS		<u>6,538</u>	<u>4,481</u>
NON-CURRENT ASSETS			
Plant and equipment	6	44	62
Investments accounted for using the equity method	7	1,399	1,675
Financial assets		80	0
Deferred tax assets		1,628	1,488
Intangible assets	8	<u>20,583</u>	<u>16,868</u>
TOTAL NON-CURRENT ASSETS		<u>23,734</u>	<u>20,093</u>
TOTAL ASSETS		<u>30,272</u>	<u>24,574</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,965	866
Financial liabilities	10	<u>511</u>	<u>1,195</u>
TOTAL CURRENT LIABILITIES		<u>2,476</u>	<u>2,061</u>
NON-CURRENT LIABILITIES			
Financial liabilities	10	1,620	1,761
Deferred tax liabilities		6,850	4,964
Provisions	9	<u>136</u>	<u>104</u>
TOTAL NON-CURRENT LIABILITIES		<u>8,606</u>	<u>6,829</u>
TOTAL LIABILITIES		<u>11,082</u>	<u>8,890</u>
NET ASSETS		<u>19,190</u>	<u>15,684</u>
EQUITY			
Issued capital	11	13,152	13,187
Reserve	12	1,004	1,040
Retained earnings		<u>5,034</u>	<u>1,457</u>
TOTAL EQUITY		<u>19,190</u>	<u>15,684</u>

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



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contract termination payment		7,889	0
APAS milestone payments received		518	482
APAS module income		0	118
Grants received		0	243
Interest received		92	43
Royalties received		0	810
Research and development tax concession		1,618	3,014
Payments to suppliers and employees		<u>(2,243)</u>	<u>(1,662)</u>
Net cash provided by (used in) operating activities	13	<u>7,874</u>	<u>3,048</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Research and development (intangible asset)		(3,800)	(5,424)
Payment for plant and equipment		(22)	(35)
Sale of equipment		0	0
Loan provided		<u>(84)</u>	<u>0</u>
Net cash used in investing activities		<u>(3,906)</u>	<u>(5,459)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan received		0	1,000
Loan repaid		(1,000)	0
Loan commitment fees paid		0	(30)
Cash proceeds from share placement (Tranche 2 and SPP)		0	1,619
Capital raising expenses		<u>(2)</u>	<u>(175)</u>
Net Cash from financing activities		<u>(1,002)</u>	<u>2,414</u>
Net increase / (decrease) in cash and cash equivalents		2,966	3
Cash and cash equivalents at beginning of year		1,818	1,791
Exchange rate adjustments		<u>(102)</u>	<u>24</u>
Cash and cash equivalents at end of year	4	<u><u>4,682</u></u>	<u><u>1,818</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 2016**

	Note	Option Reserve \$000	Foreign Currency Translation Reserve \$000	Share Capital \$000	Accumulated (Losses) / Retained Earnings \$000	Total \$000
Balance at 1 July 2014		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	11,12	812	228	13,187	1,457	15,684
Share placement		0	0	45	0	45
Options exercised		0	0	0	0	0
Capital raising costs		0	0	(2)	0	(2)
Options granted as remuneration		0	0	0	0	0
Tax effect attributable to items in equity		0	0	(78)	0	(78)
Comprehensive income		0	(36)	0	0	(36)
Profit attributable to members		0	0	0	3,577	3,577
Balance at 30 June 2016	11,12	812	192	13,152	5,034	19,190

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of Preparation

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

Reporting Basis and Conventions

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

Accounting Policies

a. Income Tax

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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

b. Plant and Equipment

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

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

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

Depreciation

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016****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

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 2016**

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 original MicroStreak licence agreement with bioMérieux. In accordance with Australian Accounting Standards capitalised costs have been amortised on a straight line basis over the what was the remaining licence term of 13.5 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 has already been recognised and received by LBT.

e. Leases

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****f. Financial Instruments**

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

Impairment

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

Financial Liabilities

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

Financial Assets

Financial assets are recognised at cost less principal repayments.

g. Impairment of Assets

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

Key Estimates – Impairment

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

h. Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 2016****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 2016**

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 2016**

	2016	2015
	\$000	\$000

NOTE 2: REVENUE

Operating activities	7,611	2,324
Interest	<u>115</u>	<u>43</u>
Total Revenue	<u><u>7,726</u></u>	<u><u>2,367</u></u>

NOTE 3: PROFIT FOR THE YEAR
a. Other Expenses

Auditors' remuneration	36	28
Rent	38	39
Travel and accommodation	285	127
Research and development	391	288
Royalty expenses	246	59
Others	<u>98</u>	<u>89</u>
	<u><u>1,094</u></u>	<u><u>630</u></u>

b. Significant Revenue and Expense Items

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

bioMérieux termination fee	7,519	0
Milestone payments for APAS	0	1,000
Royalty income	(195)	846
Grant Income	255	310
APAS module income	0	76
Consulting income	138	68
Interest received	115	43
Foreign exchange gain (loss)	<u>(106)</u>	<u>24</u>
	<u><u>7,726</u></u>	<u><u>2,367</u></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 \$1,101,010 (2015 \$939,643) capitalised within APAS development costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$000	\$000

NOTE 4: CASH AND CASH EQUIVALENTS

Cash at bank	<u>4,682</u>	<u>1,818</u>
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NOTE 5: TRADE AND OTHER RECEIVABLES**CURRENT**

Trade debtors	197	743
Other receivables	136	32
GST refundable	<u>192</u>	<u>63</u>
Total Receivables	<u>525</u>	<u>838</u>

NOTE 6: PLANT AND EQUIPMENT

Plant and equipment at cost	187	166
Less: accumulated depreciation	<u>(143)</u>	<u>(104)</u>
Total Plant and equipment	<u>44</u>	<u>62</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	62	65
Additions	22	35
Disposals	0	0
Depreciation expense	<u>(40)</u>	<u>(38)</u>
	<u>44</u>	<u>62</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

2016	2015
\$000	\$000

NOTE 7: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in joint venture at cost (Note 1(c))	1,539	1,539
Foreign currency translation reserve	192	228
Share of Profit / (Loss) in joint venture	<u>(332)</u>	<u>(92)</u>
	<u>1,399</u>	<u>1,675</u>

NOTE 8: INTANGIBLE ASSETS

MicroStreak option fee at cost	51	51
Less: accumulated amortisation (Note 1 (d))	<u>(41)</u>	<u>(37)</u>
	<u>10</u>	<u>14</u>
MicroStreak licence fee at cost	120	120
Less: accumulated amortisation (Note 1 (d))	<u>(92)</u>	<u>(84)</u>
	<u>28</u>	<u>36</u>
Patent fees	247	247
Less: accumulated amortisation (Note 1 (d))	<u>(117)</u>	<u>(104)</u>
	<u>130</u>	<u>143</u>
MicroStreak development costs (Note 1 (d))	11,959	11,959
Less: accumulated amortisation	<u>(3,574)</u>	<u>(2,903)</u>
	<u>8,385</u>	<u>9,056</u>
APAS development costs (Note 1 (d))	12,102	7,652
Less: accumulated amortisation	<u>(72)</u>	<u>(33)</u>
	<u>12,030</u>	<u>7,619</u>
Total Intangible assets	<u>20,583</u>	<u>16,868</u>

The MicroStreak patents became non-exclusive in August 2015 with the termination of the original MicroStreak licence with bioMérieux. There is a known demand from current PREVI Isola users and other potential laboratory customers for MicroStreak. It is the Company's view that the re-commercialisation of MicroStreak is likely, however, until a definitive buyer or licensee is found the sum remaining in the balance sheet is at significant risk.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

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 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
Additions	0	0	0	0	4,450	4,450
Disposals	0	0	0	0	0	0
Amortisation	(4)	(8)	(13)	(671)	(39)	(735)
Balance 30 June 2016	10	28	130	8,385	12,030	20,583

**2016
\$000**

**2015
\$000**

NOTE 9: TRADE AND OTHER PAYABLES

CURRENT

Trade creditors	<u>1,965</u>	<u>866</u>
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Total Current Trade and other payables	<u><u>1,965</u></u>	<u><u>866</u></u>
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NON-CURRENT

Provisions	<u>136</u>	<u>104</u>
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Total Non-Current Provisions	<u><u>136</u></u>	<u><u>104</u></u>
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

2016 **2015**
\$000 **\$000**

NOTE 10: FINANCIAL LIABILITIES
CURRENT

Deferred revenue	511	141
Loan	0	1,000
Unexpended grants	<u>0</u>	<u>54</u>
Total Current Financial liabilities	<u><u>511</u></u>	<u><u>1,195</u></u>

NON-CURRENT

Deferred revenue	<u>1,620</u>	<u>1,761</u>
Total Non-current Financial liabilities	<u><u>2,131</u></u>	<u><u>2,956</u></u>

NOTE 11: ISSUED CAPITAL

Issued and paid up capital		
114,988,073 (2015: 114,723,367) ordinary shares fully paid	15,033	14,988
Less: costs associated with capital raising		
opening balance	(1,801)	(1,704)
Capital raising costs	(2)	(139)
Tax effect attributable to items in equity	<u>(78)</u>	<u>42</u>
	<u><u>13,152</u></u>	<u><u>13,187</u></u>

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

	Number of shares
Opening balance 30 June 2014	102,727,455
Share issue – SPP July 2014	3,832,944
Share issue – Tranche 2 Placement August 2014	8,162,968
Share issue – Hydrix September 2015	264,706
Closing balance 30 June 2016	<u><u>114,988,073</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 \$000	2015 \$000
NOTE 12: RESERVE		
Option reserve		
Option reserve of valuation of share options The option reserve records items recognised on valuation of share-based payments.	<u>812</u>	<u>812</u>
Foreign currency translation reserve	<u>192</u>	<u>228</u>
	<u><u>1,004</u></u>	<u><u>1,040</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$000	\$000

NOTE 13: CASH FLOW INFORMATION
**Reconciliation of Cash Flow from Operations
with Profit / (Loss) after Income Tax**

Profit / (Loss) after income tax	3,541	549
Non-cash flows in profit / loss		
Amortisation	735	727
Depreciation	39	37
Options expense	0	6
Other comprehensive income	36	(228)
Cash flows attributed to investing activities	(570)	30
Cash flows attributed to financing activities	1,045	0
Changes in assets and liabilities		
Decrease / (Increase) in receivables	313	462
(Decrease) / Increase in deferred revenue	(825)	(86)
(Increase) / Decrease in deferred tax asset	(139)	4
Decrease / (Increase) in investment accounted for using the equity method	241	92
(Increase) / Decrease in financial assets	(80)	0
Increase / (Decrease) in trade creditors	1,100	316
Decrease / (Increase) in current tax asset	493	243
Increase / (Decrease) in provisions	32	0
Increase / (Decrease) in deferred tax liability	1,886	878
(Decrease) / Increase in deferred tax in equity	(79)	42
Decrease / (Increase) in net unrealised loss / (gain) on foreign currency held	106	(24)
Cash flow from / (used in) operations	<u>7,874</u>	<u>3,048</u>

NOTE 14: COMPANY DETAILS

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