LBT INNOVATIONS
ACN 107 670 673

The Manager
Company Announcements Office
ASX Limited

AMENDMENT TO ANNUAL REPORTS

8 May 2017, Adelaide: LBT Innovations Ltd (ASX: LBT) has today lodged an amended 2012, 2013, 2014, 2015 and 2016 Annual Report with the ASX.

It has come to the Company's attention that a required disclosure of listed company directorships was omitted from the Directors Report in each year relating to Dr Popper's directorship in Tyrian Diagnostics Ltd.

Dr Popper ceased the Directorship in February 2016.

– ENDS –

About LBT Innovations
LBT Innovations (LBT) improves patient outcomes by making healthcare more efficient. Based in Adelaide, South Australia, the Company has two world class-leading products in microbiology automation: MicroStreak®, which provides automated culture plate streaking and Automated Plate Assessment System (APAS®). Based on LBT's intelligent imaging and interpretative software, US FDA-cleared APAS® automates imaging, analysis and interpretation of culture plates following incubation. LBT has entered into a joint venture Clever Culture Systems AG (CCS) with Hettich Holding Beteiligungs- und Verwaltungs-GmbH to commercialise APAS® products. LBT's third product WoundVue® is in early development; this is a proposed automated solution to assist in the management of chronic wounds.

CONTACTS

LBT Innovations	Media Relations
Brent Barnes Chief Executive Officer & Managing Director Tel: +61 (0)8 8227 1555 E: info@lbtinnovations.com	Sarah Kemter Monsoon Communications Tel: +61 (0)3 9620 3333 M: +61 (0) 407 162 530 E: sarahk@monsoon.com.au

ANNUAL REPORT

For the year ended 30 June 2013

LBT INNOVATIONS

CORPORATE DIRECTORY

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

300 Flinders Street
Adelaide SA 5000

Phone: +61 8 8227 1555
Fax: +61 8 8223 1775

Website lbtinnovations.com

Accountants

Edwards Marshall Pty Ltd

Level 3, 153 Flinders Street
Adelaide SA 5000

Lawyers

Thomsons Lawyers

19 Gouger Street
Adelaide SA 5000

Auditors

HLB Mann Judd

167-169 Fullarton Road
Dulwich SA 5067

Share Register

Computershare Investor Services Pty Limited

GPO Box 1903
Adelaide SA 5001

Listed Securities

LBT: Ordinary Shares

CONTENTS

LBT INNOVATIONS

LETTER TO SHAREHOLDERS

Dear Shareholders,

Revenue for the full financial year to 30 June 2013 was $4.4 million (up from $1.02 million for the year ended 30 June 2012). The change was largely attributable to the milestone joint venture agreement signed in June to commercialise our Automated Plate Assessment System (APAS®) with European laboratory instrument manufacturer, Hettich AG Switzerland. The agreement provided for an immediate $2 million payment to LBT, resulting in an after-tax profit for the full year of $0.5 million.

With funding secured to complete the development of APAS, we were able to take up the $510,000 ARC Linkage Grant awarded in 2012. The Company had reserved its acceptance of the grant until the signing of the Hettich deal, as such grants are based on cash and in-kind contributions from industry partners equivalent to the contribution of the Australian Research Council and the University of Adelaide. The funds and in-kind contributions by the parties total approximately $1.5 million and will be used to investigate broader applications of the APAS technology over the next three years.

The year continued to see progress, albeit slower than anticipated, with LBT's MicroStreak® technology, which has captured the largest share of the global market for automated culture plate streaking since it was launched by bioMérieux as PREVI® Isola in 2009. After three years of gradual growth, our first technology has now been installed in over 300 clinical microbiology laboratories, where it is addressing one of the most labour-intensive laboratory tasks. We were disappointed with the slower rate of applicator sales growth in the first half of 2013 and it appears that the minimum royalty payment threshold will not be crossed during this calendar year.

In bioMérieux's First Half Business Review 2013, the Company reported that the "first-half 2013 remained shaped by the persistence of wide variations in the global healthcare market. In Western Europe, markets remained generally difficult". We believe that our technology is in excellent hands with bioMérieux.

After months of diligent negotiations, Lusia Guthrie and her team were able to finalise a highly complementary joint venture with Hettich AG Switzerland. The agreement is a cut above our licensing deal on PREVI Isola, providing LBT with an equal share in all profits arising from the APAS technology, as well as a central role in determining its future development. The latter is particularly important to our Company. In early trials, the sophisticated computer vision technology utilised by APAS has demonstrated potential for application in a broad variety of medical and environmental fields, and LBT has been determined to maintain a central role in evaluating and prioritising its future directions.

"After three years of gradual growth, our first technology has now been installed in over 300 clinical microbiology laboratories, where it is addressing one of the most labour-intensive laboratory tasks."

LBT's groundbreaking APAS is a natural successor to PREVI Isola. APAS fully automates the next phase of the microbiology workflow – the imaging, analysis, interpretation and reporting of culture plates – and has shown significant success in preliminary clinical trials.

LETTER TO SHAREHOLDERS

The Hettich deal guarantees both this critical control and access to the world-class engineering expertise of an established laboratory instrumentation manufacturer and its patented auto-incubator, which will be integrated with LBT's APAS to produce a new generation of diagnostic instruments. LBT, working with the newly formed joint venture, is also pursuing negotiations with key international diagnostics companies for the global distribution of APAS products.

Shortly before last year's AGM, we were delighted to be joined by respected biotech business professional, Peter Bradley. As well as taking charge of our new product drive as Vice President of Global Business Development, Peter will be the inaugural General Manager of Clever Culture Systems AG, the joint venture Company we have established with Hettich. Peter has more than 25 years experience running innovative biotech companies and launching world-class products.

As we continue to smooth the road ahead for our next technology and to work on our long-term corporate strategies and growth options, we look forward to regularly updating you on progress against our goals in the year ahead. Thank you all for your invaluable support.

Yours faithfully,

Bob Finder
Chairman

Lusia Guthrie
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

LBT Innovations has committed to adopting the 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 have been applied for the entire financial year ended 30 June 2013.

Further information on LBT Innovations' corporate governance policies and practices can be found on our website lbtinnovations.com under 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 role, 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.

CORPORATE GOVERNANCE STATEMENT

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 the relevant business issues. The Company 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.

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 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.

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
The commitments of non-executive directors are reviewed each year as part of the annual performance assessment.

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

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.

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.

Principle 2: Structure the Board to add value cont.

The Board considers Robert (Bob) Finder, Catherine (Kate) Costello, Stephen Mathwin and Caroline Popper to be independent directors. Lusia Guthrie is not considered an independent director as she is employed by the Company as the Chief Executive Officer. With the exception of the Chief Executive Officer, the Board is comprised of independent non-executive 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 Audit 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 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 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 to the tasks and work it undertakes;

"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..."

The Nominations and Remuneration Committee
This committee assists the Board through examining 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

Committee members are independent directors.

- 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.

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.

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 conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigation of unlawful and 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 the 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 and employees 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 and employees 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. Accordingly the Board has developed and achieved the following objectives regarding gender diversity as seen in the table below.

	Objective	Actual as at 30 June 2013	
	%	Number	%
Women on the Board	50%	3	60%
Women in senior management roles	50%	1	50%
Women employees in the company	50%	3	60%

Principle 3: Promote ethical and responsible decision-making

cont.

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 where 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 provide that a Company should have an audit committee of at least three members and be 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.

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 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.

"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."

Composition of the Audit Committee

ASX Corporate Governance Principle and Recommendation 4.2 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 members have a working knowledge of the finances of the Company.

Members of the Audit Committee

- S P Mathwin
- C M Costello

CORPORATE GOVERNANCE STATEMENT

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 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 adequate time has elapsed for this to be reflected in the security's price. The policy also restricts directors and employees 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 person 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 Ltd 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.

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 given has already been disclosed to the market or to correct inaccuracies. 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 constitution and 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, Financial Reporting 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 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 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."

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 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 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.

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 objectives 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 paid to non-executive directors are subject to shareholder approval at each Annual General Meeting. Payments in the form of equity are also subject to shareholder approval.

"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."

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.

DIRECTORS' REPORT

Left to right: Jamie Dreckow, Stephen Mathwin, Kate Costello, Lusia Guthrie, Caroline Popper and Bob Finder.

Your directors present their report on the Company for the year ended 30 June 2013.

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 23 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.

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 $0.5 million (30 June 2012 $1.15 million loss).

Dividends Paid or Recommended

No dividends were paid, nor recommended to be paid.

DIRECTORS' REPORT

Operations and Business Highlights

Revenue for the year to 30 June 2013 was $4.4 million (up from $1.02 million for the year ended 30 June 2012). Revenue consisted primarily of:

- $2 million signing fee due to LBT under the joint venture agreement with Hettich AG Switzerland;
- gain of $1.5 million recognised on LBT's 50% interest in the joint venture;
- interest revenue of $0.08 million (down from $0.18 million for the year ended 30 June 2012);
- royalty income of $0.60 million (up from $0.58 million from the year ended 30 June 2012) due from bioMérieux under the minimum guarantee royalty provision;
- recognition of deferred Commercial Ready Grant income of $141K (consistent with the year ended 30 June 2012);
- Export Market Development Grant (EMDG) of $42K (down from $84K for the year ended 30 June 2012).

Significant components of overall expenses for the year:

- external research and development costs of $1.25 million (up from $0.15 million for the year ended 30 June 2012);
- employee benefits expense of $1.1 million (up from $0.9 million for the year ended 30 June 2012);
- depreciation and amortisation expense of $0.7 million (consistent with the year ended 30 June 2012).

External research and development expenditure increased in line with our continued development of APAS, which will soon be ready for licensing.

Income tax expense includes a credit of $827K in respect of the 2013 R&D tax offset. The Company received an R&D Tax Initiative refund ($256K) following completion of the 2012 tax return.

The cash position as at 30 June 2013 was $0.88 million (2012 $2.93 million) (note $2.0 million Hettich AG Switzerland signing fee was subsequently received on 4 July).

The year closed on a positive note with the signing on 25 June of an exclusive joint venture agreement between LBT Innovations and European laboratory instrumentation company, Hettich AG Switzerland.

Through the agreement, Hettich AG Switzerland agreed an upfront signing fee of $2 million (paid in July) and committed a further $4 million to fast track the completion of LBT's APAS technology. In addition, Hettich AG Switzerland is providing working capital of approximately $1.5 million to the joint venture company, which will be based in Zurich and called Clever Culture Systems AG.

Funding from Hettich AG Switzerland also enabled LBT to confirm its acceptance of a $510,000 Linkage Grant from the Australian Research Council, which had been awarded in late 2012 but was contingent upon the Company committing an equal amount.

PREVI Isola, based on LBT's MicroStreak technology, now manufactured and distributed globally by bioMérieux

The grant will enable LBT and the Australian Centre for Visual Technologies (ACVT) at The University of Adelaide to further explore the application of intelligent image interpretation in several emerging fields of medical research.

The year continued to see progress, albeit slower than anticipated, with LBT's MicroStreak® technology, which has captured the largest share of the global market for automated culture plate streaking since it was launched by bioMérieux as PREVI® Isola in 2009. While it was hoped, based on the rate of the growth of applicator sales in the calendar year 2012, that the minimum rate payment would be crossed, the sales rate growth slowed in the first half of calendar year 2013. It is now expected that the minimum rate will not be crossed in fiscal year 2013.

In bioMérieux's First Half Business Review 2013, the Company reported that the "first-half 2013 remained shaped by the persistence of wide variations in the global healthcare market. In Western Europe, markets remained generally difficult." bioMérieux is currently marketing PREVI Isola as a core component of its recently launched Full Microbiology Laboratory Automation (FMLA) solution. In the bioMérieux publication myNEWS in May, the company states that since its introduction in 2009, "PREVI Isola is by far the most installed system for automated inoculation. It is the system with the highest productivity per square meter of floor space, the highest number of streaked plates per robotic arm and the lowest cost and the best isolation of colonies."

"Studies show that the streaking pattern, unlike other systems, is not only equal to, but superior to, manual methods. This streaking pattern is a radical development of the system of the 3-loop smear technique. The quality of the smear and the number of colonies are the only factors which will matter since those will play a key role for further automation in downstream applications and offer lean workflows. Quality and the scale of innovation is not just about the automation of processes, it is also about integration of microbiological expertise with the latest technology."

The agreement with bioMérieux guarantees LBT minimum annual royalties of US$600,000. While sales of PREVI Isola disposable applicators remained below the minimum threshold, the agreement has proven to be valuable, giving LBT a crucial revenue stream that has enabled us to cover our operating expenses while pushing ahead with the development of APAS. To date LBT has received $10.1 million in milestone payments from bioMérieux and $2.1 million in royalty payments. In addition to these payments, 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 for a further 15 years. Minimum royalty provisions are in place until the end of 2014, at which time a new royalty agreement will be negotiated.

In October, LBT appointed Peter Bradley, to the position of Vice President of Global Business Development. Peter's appointment was timed to coincide with the commercialisation of APAS. With the signing of the Hettich AG Switzerland joint venture deal, there was agreement on both sides that Peter would be the inaugural General Manager for the new joint venture company, Clever Culture Systems AG.

"Studies show that the streaking pattern, unlike other systems, is not only equal to, but superior to, manual methods. This streaking pattern is a radical development of the system of the 3-loop smear technique."

During 2012/13, LBT's CEO Lusia Guthrie and other senior managers travelled to Europe on a number of occasions to finalise the details of the Hettich AG Switzerland joint venture and to begin the process of canvassing global distribution partners for future APAS instruments. The Company is in detailed discussions with a potential global distributor of APAS products.

In December, Lusia Guthrie and VP Global Business Development Peter Bradley together with Scientific Director John Glasson visited bioMérieux's St Louis headquarters to see PREVI Isola in the Company's model showcase FMLA installation and to visit the plant where machines integrating LBT's technology are now being manufactured. The LBT team also travelled to Florida to attend the American Association for Clinical Chemistry's Laboratory Automation Conference, a key gathering of American laboratory leaders engaged in automation.

DIRECTORS' REPORT

Operations and Business Highlights cont.

In late April, Lusia, Peter and John were in Berlin to attend the world's largest gathering of clinical microbiologists: the 23rd European Congress of Clinical Microbiology and Infectious Diseases (ECCMID). This conference provides an opportunity to view the latest developments in laboratory technology and to meet with some of Europe's most prominent microbiology researchers and distributors.

LBT's agreement with Hettich AG Switzerland has enabled it to emerge from the shadows of a relatively flat-performing biotech sector to earn some high-profile praise. Writing in the Herald Sun, John Beveridge, predicted that "the deal should be an ideal marriage of LBT's intellectual property and Hettich's experience in making laboratory instruments." The Adelaide Advertiser noted that combining APAS with Hettich's automated incubator system will produce "the first fully automated imaging, monitoring and reporting machine of its kind in the world."

Around 60-80% of the workload of a typical microbiology laboratory is in the preparation, including inoculation and streaking, of agar plates. This is therefore where the biggest efficiency savings can be made and this is being addressed by PREVI Isola. Another labour-intensive process is the sorting, reading and interpretation of culture plates after incubation to assess bacterial growth and this is the area being addressed by LBT's APAS (Automated Plate Assessment System). APAS is an image-based classification system that automatically analyses, interprets and reports microbial activity following incubation.

Two years of intensive trialling have shown that the technology can bring major operational advantages to busy labs, providing faster reporting times, alleviating a critical bottleneck and freeing up microbiologists and precious laboratory space.

LBT Innovations' intelligent image interpretation technology platform also offers cross-disciplinary opportunities and potential applications in several other areas of pathology, including histopathology, cytology and telemedicine.

Significant Changes in State of Affairs

On 25 June 2013 the Company announced that it signed a joint venture agreement with laboratory instrumentation company Hettich AG Switzerland to drive the commercial development and global distribution of LBT Innovations Automated Plate Assessment System (APAS). 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.

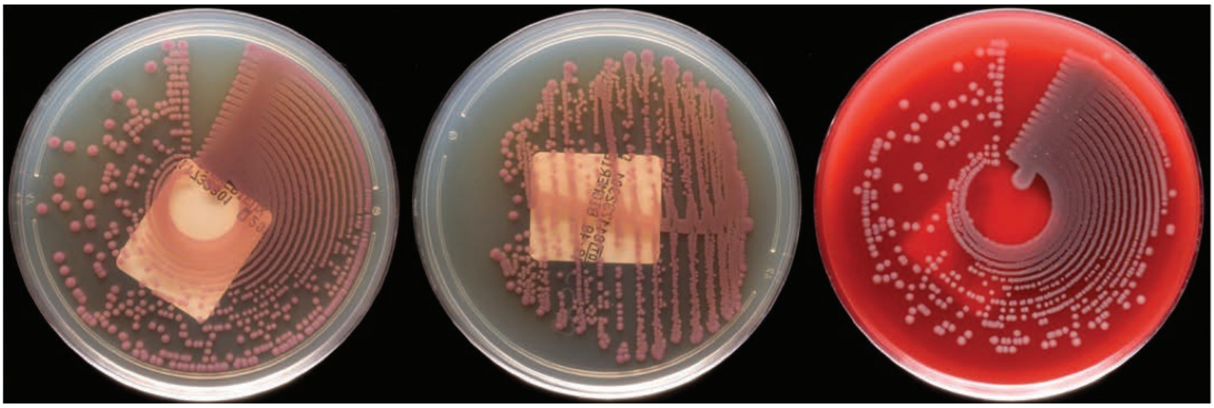
"Around 60-80% of the workload of a typical microbiology laboratory is in the preparation, including inoculation and streaking, of agar plates..."

Financial Position

Net assets of the Company increased by $0.5 million from $12.3 million at 30 June 2012 to $12.8 million at 30 June 2013. As previously announced prior to 30 June 2013, the Company signed an agreement to establish a joint venture with Hettich AG Switzerland. Under the terms of the agreement LBT is entitled to receive an upfront signing fee of $2 million and a 50% share in the joint venture. The entitlement to the signing fee (received early July 2013) and recognition of LBT's interest in the joint venture contributed to a $0.5 million increase in net assets of the Company for the year.

Cash on hand and at bank decreased to $0.88 million at 30 June 2013. This decrease resulted from the Company's continued investment in R & D and general operating expenditure.

Hettich AG Switzerland also holds a 50% interest in the JV and will match LBT's CHF25,000 share capital contribution together with an additional working capital injection of approximately $A1.5 million. Hettich AG Switzerland made an upfront payment of A$2.0 million to LBT Innovations early in July 2013 and will provide funding of A$4.0 million into the joint venture (in tranches subject to the achievement of milestones) to develop APAS products for commercial launch.



Examples of bacterial colonies growing on culture plates, used when investigating the cause of an infection

After Balance Date events:

- in July, LBT received the $2 million signing fee from Hettich AG Switzerland per the joint venture agreement announced in June;
- the Company announced in July that in collaboration with the Australian Centre for Visual Technologies (ACVT) it had been awarded $0.51 million grant for APAS visual recognition product development to develop follow-on products from its Automated Plate Assessment System (APAS);
- the Company established a subsidiary in the United Kingdom – LBT Innovations (UK) on 18 July 2013;
- Michael Summerford joined the Company as Senior Microbiologist to support APAS development and clinical testing, and also the research programme under the ARC Linkage grant;
- Ian Reilly was appointed APAS Program Director on 12 month contract and Geoff Thomas was appointed Software Program Manager, also on contract.

Future Developments, Prospects and Business Strategies

The expansion of microbiology automation continues to accelerate as laboratories around the world come under increasing pressure to reduce costs and improve efficiency. The industry continues to trend towards fully integrated, modular automation systems using automated streakers, smart incubators and other instruments in the culture plate workflow – all linked by sophisticated laboratory management software.

The corporate environment has also had direct impact on capital investments in laboratories globally. Continuing economic uncertainty, combined with mergers and partnerships among larger diagnostics companies, all point to the continuing consolidation of the sector – with enduring interest in intellectual property developed by smaller innovation companies.

In 2012/13, these developments continued to augur well for LBT Innovations, with growing sales of PREVI Isola and keen interest in the commercialisation of its APAS technology. The outlook for 2013/14 for LBT will be to:

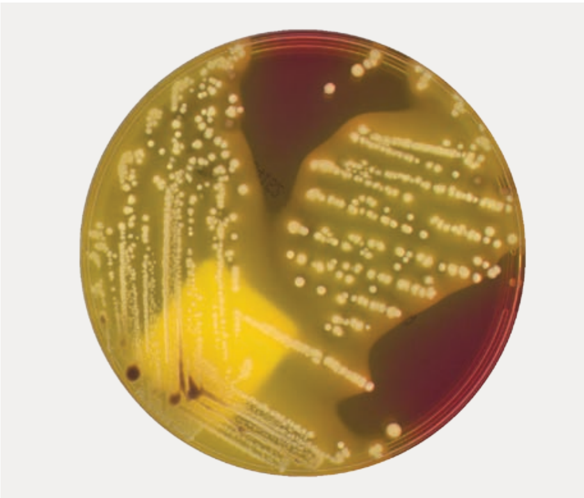
- manage LBT's ongoing relationship with bioMérieux to consolidate PREVI Isola as the leading global automated plate streaker;
- develop the joint venture company with partner Hettich AG Switzerland;
- actively manage the JV company (Clever Culture Systems AG) to the end of CY 2014 (P Bradley as General Manager);
- secure distribution partner(s) for APAS;
- manage LBT's development partners to complete APAS and APAS products;
- establish the "APAS Apps Lab" to support APAS software upgrades;
- undertake clinical studies and preparation for CE Mark and FDA submissions;
- implement projects under the ARC Linkage grant to develop further applications of LBT's computer vision platform to fill the product pipeline;
- investigate technology in a completely new field for LBT's future new product pipeline.

DIRECTORS' REPORT

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, UK and multiple European countries.



In the mass of different species in this culture plate image, APAS detected the presence of six potential pathogens.

LBT has a second breakthrough technology, APAS (Automated Plate Assessment System) 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.

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 2002-6 (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 past Chairman of Reproductive Health Science Pty Ltd.

Interest in Shares	Nil	
Interest in Options	750,000	Options expiring 5 December 2017
Third Party Holdings		
· Sheryl Jean Finder	472,800	Ordinary shares
· The Sherrob9 Fund	3,721,567	Ordinary shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

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 30 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; member of the Future Manufacturing Industry Innovation Council (FMIIC) for the Commonwealth Department of Industry, Innovation, Science and Research and on the Assessment Panel for the Medical Device Commercialisation Program (MDCP), Department of Trade and Economic Development, S.A. Government.

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

Interest in Shares	Nil	
Interest in Options	Nil	
Third Party Holdings		
· LH & HB Guthrie as trustees of the Podlaska Super Fund	5,402,957	Ordinary shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

Robert Andrew Finder

Lusia Halina Guthrie

DIRECTORS' REPORT

Catherine Mary Costello

Qualifications
Law Degree (University of Melbourne)

Experience
Kate was in management with a commercial law firm before establishing a management consultancy. Kate 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 and a member of the Independent Selection Committee, University of Adelaide.

Interest in Shares	760,716	Ordinary shares
Interest in Options	250,000	Class F Options
Directorships held in other listed entities	Integrated Research Ltd	
Interest in Contracts	Nil	

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. In 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, a director of 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
Third Party Holdings		
• Ruin Pty Ltd as trustee for the Steve Mathwin Superannuation Fund	1,750,000	Ordinary Shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

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. 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, to provide strategic corporate and advisory services to businesses across the life sciences spectrum.

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.

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 famous 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.

In 2003, Caroline founded Popper and Company, a strategy and M&A advisory firm focused on diagnostics, medical devices, life science tools and wireless health applications. Her other directorships include Innovative Biosensors Inc (Chairman), nanoMR, Rarecyte, Pilgrim Software Inc and Tyrian Diagnostics, an ASX listed company.

Interest in Shares	Nil	
Interest in Options	500,000	Options expiring 29 November 2022
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

Catherine Mary Costello

Stephen Paul Mathwin

Caroline Popper

DIRECTORS' REPORT

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 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 having regard to market conditions. This is 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 achieving KPIs. This policy aligns the interests of optionholders with those of shareholders and creates a direct relationship between individual remuneration outcomes and Company performance. This is because optionholders 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 $0.04 and a high of $0.09.

Minimum royalty payments are being received for PREVI Isola applicator sales. The Company has continued its development of the new APAS technology and has successfully established a joint venture with Hettich AG Switerland to complete the development of the technology and take the product to market.

	2013	2012	2011	2010	2009
Revenue	$4.4m	$1.02m	$0.74m	$3.9m	$2.2m
Net Profit / (Loss)	$0.5m	$(1.15)m	$(1.16)m	$1.49m	$0.34m
Basic Earnings per share (cents per share)	0.53	(1.16)	(1.17)	1.50	0.34
Diluted Earnings per share (cents per share)	0.53	(1.16)	(1.17)	1.50	0.25
Full year ordinary dividends per share (cents)	Nil	Nil	Nil	Nil	Nil
Year end share price (last traded price on 30 June)	$0.09	$0.04	$0.04	$0.06	$0.125

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

Executive Terms & Conditions

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

The Nominations and Remuneration Committee reviews executive packages annually by 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 on 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.

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 the assessment, the KPIs are reviewed by the Nominations and Remuneration Committee in light of the 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.

"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."

Key Performance Indicators – KPIs:

- are set annually by the Board on recommendation from 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.

Superannuation

Executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9% in the 2012/13 financial year, increasing in the 2013/14 financial year to 9.25%; 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

2013	Cash Salary, Fees & Commissions	Superannuation Contributions	Cash Bonus	Non-Cash Benefits	Shares	Options[1]	Total
	$000	$000	$000	$000	$000	$000	$000
Mr R A Finder	77	7	0	0	0	0	84
Mrs L H Guthrie	257	25	51	0	0	0	333
Mrs C M Costello	52	5	0	0	0	0	57
Mr S P Mathwin	41	14	0	0	0	0	55
Dr C Popper	82	0	0	0	0	9	91
Mr P M Bradley[2]	125	11	0	0	0	0	136
	634	62	51	0	0	9	756

(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.

2012	Cash Salary, Fees & Commissions	Superannuation Contributions	Cash Bonus	Non-Cash Benefits	Shares	Options	Total
	$000	$000	$000	$000	$000	$000	$000
Mr R A Finder	77	7	0	0	0	0	84
Dr M S Hirshorn[3]	16	2	0	0	0	0	18
Mrs L H Guthrie	232	50	51	0	0	0	333
Mrs C M Costello	24	29	0	0	0	0	53
Mr S P Mathwin	41	14	0	0	0	0	55
Dr C Popper [4]	33	0	0	0	0	0	33
Mr P M Bradley[5]	0	0	0	0	0	0	0
	423	102	51	0	0	0	576

(3) Dr Hirshorn resigned 10 November 2011. Remuneration received is for the period 1 July 2011 to 10 November 2011.

(4) Dr Popper was appointed 15 March 2012. Remuneration received is for the period 15 March 2012 to 30 June 2012.

(5) Mr Bradley was appointed 15 October 2012. No remuneration was paid in this period.

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 issue date and expire within 8 years of vesting. All options were granted for nil consideration.

500,000 options were granted as remuneration to Dr Caroline Popper during 2013. No options were granted as remuneration during 2012.

Shares Issued on Exercise of Compensation Options

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

Meetings of Directors

During the period to 30 June 2013, 13 meetings of directors were held. Attendances by each director during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr R A Finder	13	13
Mrs L H Guthrie	13	13
Mrs C M Costello	13	12
Mr S P Mathwin	13	13
Dr C Popper*	13	11

*Dr Popper resides in the United States of America and due to time zone differences Dr Popper was unable to attend 2 meetings during 2012/13.

During the period to 30 June 2013, 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 2013, two meetings of the Nominations and Remuneration Committee were held. Attendances by each member during the reporting period were:

	Number Eligible to Attend	Number Attended
Mrs C M Costello	2	2
Mr R A Finder	2	2
Dr C Popper	2	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	$0.20	500,000	500,000
F	24/05/2017	$0.30	500,000	500,000
n/a	5/12/2017	$0.20	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	1/11/2021	$0.042	200,000	200,000
n/a	8/11/2021	$0.042	200,000	200,000
n/a	29/11/2022	$0.058	500,000	500,000
			2,900,000	2,900,000

There have been no shares issued from the conversion of options during the year ended 30 June 2013. No amounts are unpaid on any of the shares. Class B, C and 921,482 (n/a class) options expired during the year ended 30 June 2013.

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 is 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 do 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 2013: NIL.

Auditor Independence Declaration

The auditor’s independence declaration for the year ended 30 June 2013 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 and directors report 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 26th day of September 2013

AUDITORS' INDEPENDENCE DECLARATION

HLB Mann Judd

Chartered Accountants

LBT INNOVATIONS LIMITED
ACN 107 670 673

AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF LBT INNOVATIONS LIMITED

As lead auditor for the audit of the financial report of LBT Innovations Limited for the year ended 30 June 2013, 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C. M. G

Corey McGowan
Partner

Adelaide, South Australia
26 September 2013

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED
30 JUNE 2013

	Note	2013 $000	2012 $000
Revenue	2	4,416	1,019
Consulting fees	3a	(245)	(330)
Employee benefits expense	3b	(1,090)	(921)
Depreciation and amortisation expense		(704)	(707)
General administration expenses		(184)	(188)
Legal		(130)	(58)
Marketing		(8)	(11)
Other expenses	3c	(1,685)	(545)
Profit / (Loss) before income tax		370	(1,741)
Income tax (expense) / benefit	4a	161	585
Net profit / (loss) for the year		531	(1,156)
Other comprehensive income		0	0
Other comprehensive income net of tax		0	0
Total comprehensive income		531	(1,156)
Basic earnings per share (cents per share)		0.53	(1.16)
Diluted earnings per share (cents per share)		0.53	(1.16)

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 $000	2012 $000
Assets			
Current Assets			
Cash and cash equivalents	5	876	2,932
Trade and other receivables	6	2,281	362
Current tax asset		827	256
Total Current Assets		3,984	3,550
Non-Current Assets			
Plant and equipment	7	13	18
Investments accounted for using the equity method	8	1,539	0
Deferred tax assets	16a	2,582	3,480
Intangible assets	9	10,639	11,333
Total Non-Current Assets		14,773	14,831
Total Assets		18,757	18,381
Current Liabilities			
Trade and other payables	10	468	289
Financial liabilities	11a	141	141
Total Current Liabilities		609	430
Non-Current Liabilities			
Financial liabilities	11b	2,043	2,184
Deferred tax liabilities	16b	3,195	3,426
Provisions		60	29
Total Non-Current Liabilities		5,298	5,639
Total Liabilities		5,907	6,069
Net Assets		12,850	12,312
Equity			
Issued capital	12	11,297	11,299
Reserve	13	791	782
Retained earnings		762	231
Total Equity		12,850	12,312

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
30 JUNE 2013

	Option Reserve $000	Share Capital $000	Accumulated (Losses) / Retained Earnings $000	Total $000
Balance at 1 July 2011	782	11,299	1,387	13,468
Loss attributable to members	0	0	(1,156)	(1,156)
Balance at 30 June 2012	782	11,299	231	12,312
Options granted as remuneration	9	0	0	9
Tax effect attributable to items in equity	0	(2)	0	(2)
Profit attributable to members	0	0	531	531
Balance at 30 June 2013	791	11,297	762	12,850

The accompanying notes form part of the financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED
30 JUNE 2013

	Note	2013 $000	2012 $000
Cash Flows From Operating Activities			
Federal government grants received		42	84
Payments to suppliers and employees		(3,202)	(1,987)
Research and development tax concession		256	751
Royalties received		731	566
Interest received		104	175
Net Cash provided by operating activities	14	(2,069)	(411)
Cash Flows From Investing Activities			
Payments for plant and equipment		(5)	(14)
Sale of equipment		0	0
Equity investment	1f	(29)	0
Net cash used in investing activities		(34)	(14)
Cash Flows From Financing Activities		0	0
Net (decrease)/increase in cash and cash equivalents		(2,103)	(425)
Cash and cash equivalents 1 July 2012		2,932	3,320
Exchange rate adjustments		47	37
Cash and cash equivalents 30 June 2013	5	876	2,932

The accompanying notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2013

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

The financial report of LBT Innovations 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 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.

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 statement of comprehensive income during the financial period in which they are incurred.

1. Statement Of Significant Accounting Policies cont.

b. Plant and Equipment cont.

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 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).

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 16.5 years. Amortisation expense relating to capitalised MicroStreak development costs is approximately $670k 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 $140k per annum relating to the grant will be recognised going forward.

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.

1. Statement Of Significant Accounting Policies cont.

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 has established a joint venture (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 and will match LBT's CHF25,000 share capital contribution together with an additional working capital injection of approximately $A1.5 million. LBTs investment in the joint venture 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 LBT's balance sheet at cost, and adjusted for post-acquisition changes in LBT's share of net assets in the JV. The cost of the investment into the JV has been 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 approximately $1.5 million.

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.

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).

1. Statement Of Significant Accounting Policies cont.

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.

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.

m. Comparative Figures

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

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. Adoption of New and Revised Accounting Standards

The following standards, amendments to standards and interpretations have been identified as those that may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report.

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

1. Statement of Significant Accounting Policies cont.

o. Adoption of New and Revised Accounting Standards cont.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Company is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Company's financial statements.
- AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

The Company's interest in the joint venture with Hettich AG Switzerland (see Note 8), which is currently referred to as a "joint venture entity", will continue to be referred to as a "joint venture" under AASB 11. Joint ventures are required to be accounted for using the equity method of accounting under AASB 11. The proportionate consolidation method is no longer permitted. However, this will not have any impact on the Company's financial statements as the Company's interest in the joint venture with Hettich AG Switzerland is currently accounted for using the equity method of accounting.

- AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company's financial statements.

1. Statement of Significant Accounting Policies cont.

o. Adoption of New and Revised Accounting Standards cont.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Company's financial statements.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Company's financial statements.

- AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

1. Statement of Significant Accounting Policies cont.

o. Adoption of New and Revised Accounting Standards cont.

This Standard is not expected to significantly impact the Company's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Company; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.
- AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 2012–2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly 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 adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Company's financial statements.

- AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009–2011 Cycle by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

The company does not anticipate early adoption of any of the above Australian Accounting Standards.

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. Revenue

	2013 $000	2012 $000
Operating activities	4,339	842
Interest	77	177
Total Revenue	4,416	1,019

3. Profit for the Year

	2013 $000	2012 $000
(a) Consulting fees		
Consulting fees include fees paid to assist with international market research, scientific and professional consulting.	245	330
(b) Employee benefits expense		
The employee benefits expense includes director's fees payable in accordance with the prospectus and salaries and wages, including executive bonuses.	1,090	921
(c) Other Expenses		
Auditors' remuneration [1]	27	19
Rent	64	64
Travel and accommodation	184	142
External research and development	1,250	149
Others	160	171
	1,685	545

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

	2013 $000	2012 $000
(d) Significant Revenue and Expenses		
The following significant revenue and expense items are relevant in explaining the financial performance:		
Joint venture signing fee	2,000	0
Recognition of investment in joint venture	1,510	0
Royalty income	598	580
	4,108	580

4. Income Tax

	2013 $000	2012 $000
(a) The components of tax expense comprise:		
Current tax	876	(178)
Deferred tax	(1,037)	(407)
	(161)	(585)
(b) The prima facie tax on profits from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profits from ordinary activities before income tax at 30%	111	(522)
Add:		
Tax effect of:		
Non deductible amortisation	3	3
2013 R&D concession claim	(276)	0
2012 R&D concession claim	0	(85)
Capital raising costs	(1)	(1)
Other non-allowable items	2	20
Income tax attribute to the company	(161)	(585)
The applicable weighted average effective tax rates are as follows:	N/A	N/A

5. Cash and Cash Equivalents

	2013 $000	2012 $000
Cash at bank	876	2,932

6. Trade and Other Receivables

	2013 $000	2012 $000
Current		
Trade debtors	2,162	298
Other receivables	43	37
GST refundable	76	27
Total Receivables	2,281	362

Credit Risk

Trade debtors include a $2 million receivable from Hettich AG Switzerland being the signing fee due on entering into the joint venture agreement described at note 1[f]. The signing fee was received in July 2013.

Other than as described above, 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) < 30 $'000	31–60 $'000	61–90 $'000	> 90 $'000	Within Initial Trade Terms $'000
2013							
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
2012							
Trade and term receivables	298	0	0	0	0	0	298
Other receivables	64	0	0	0	0	0	64
Total	362	0	0	0	0	0	362

7. Plant and Equipment

	2013 $000	2012 $000
Plant and equipment at cost	63	59
Less: accumulated depreciation	(50)	(41)
Total plant and equipment	13	18
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	18	17
Additions	5	14
Depreciation expense	(10)	(13)
	13	18

8. Investments Accounted for Using the Equity Method

Investment in joint venture at cost (Note 1 (f))	1,539	0
Share of Profit/(Loss) in joint venture	0	0
	1,539	0

LBT Innovations Ltd has a 50% interest in a joint venture with Hettich AG Switzerland. The interest in the joint venture will be 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%.

9. Intangible Assets

	2013 $000	2012 $000
MicroStreak Option Fee at Cost	51	51
Less: Accumulated Amortisation (Note 1 (c))	(30)	(27)
	21	24
MicroStreak Licence Fee at Cost	120	120
Less: Accumulated Amortisation (Note 1 (c))	(68)	(60)
	52	60
Patent fees	247	247
Less: Accumulated Amortisation (Note 1 (c))	(79)	(67)
	168	180
MicroStreak Development Costs	11,959	11,959
Less: Accumulated Amortisation	(1,561)	(890)
	10,398	11,069
Total Intangible Asset	10,639	11,333

9. 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	Total Intangible Assets $'000
Balance 1 July 2011	27	68	192	11,741	12,028
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Amortisation charge	(3)	(8)	(12)	(672)	(695)
Balance 30 June 2012	24	60	180	11,069	11,333
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Amortisation charge	(3)	(8)	(12)	(671)	(694)
Balance 30 June 2013	21	52	168	10,398	10,639

10. Trade and Other Payables

	2013 $000	2012 $000
Current		
Trade creditors	468	289
Total trade and other payables	468	289

11. Financial Liabilities

(a) Current		
Deferred revenue	141	141
Total current financial liabilities	141	141
(b) Non-current		
Deferred revenue	2,043	2,184
Total non-current financial liabilities	2,043	2,184

12. Issued Capital

	2013 $000	2012 $000
Issued and paid up capital		
99,374,861 (2012: 99,374,861) ordinary shares fully paid	12,953	12,953
Less: costs associated with capital raising		
Opening balance	(1,654)	(1,654)
Amount incurred during year (net of tax)	(2)	0
	11,297	11,299
	No.	No.
Ordinary shares		
At the beginning of the reporting period	99,374,861	99,374,861
Conversion of options	0	0
At reporting date	99,374,861	99,374,861

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.

13. Reserve

	2013 $000	2012 $000
Option reserve		
Option reserve of valuation of share options	791	782
The option reserve records items recognised as expenses on valuation of issued share options		

14. Cash Flow Information

	2013 $000	2012 $000
Reconciliation of Cash Flow from operations with Profit / (Loss) after Income Tax		
Profit (loss) after income tax	531	(1,156)
Non-cash flows in loss		
Amortisation	695	695
Depreciation	9	13
(Increase) / Decrease in receivables	(1,920)	(8)
(Decrease) / Increase in deferred revenue	(141)	(141)
Decrease / (Increase) in deferred tax asset	899	623
(Increase) / Decrease in current tax asset	(571)	(256)
(Increase) / Decrease in Investment accounted for using the equity method	(1,539)	0
Increase / (Decrease) in trade creditors	179	26
Increase / (Decrease) in provisions	31	29
(Decrease) / Increase in deferred tax liability	(232)	(199)
(Increase) / Decrease in net unrealised loss (gain) on foreign currency held	(10)	(37)
Cash flow from / (used in) operations	(2,069)	(411)

15. Earnings Per Share

Reconciliation of Earnings to Net Profit/(Loss)		
Net Profit/(Loss)	531	(1,156)
Earnings used in the calculation of basic earnings per share	531	(1,156)
Earnings used in the calculation of diluted earnings per share	531	(1,156)
Weighted average number of ordinary shares outstanding at 30 June 2013 used in the calculation of basic earnings per share	99,374,861	99,374,861
Weighted average number of options outstanding	29,640,019	38,340,673
Weighted average number of ordinary shares outstanding at 30 June 2013 used in the calculation of diluted earnings per share	99,374,861	99,374,861

Since reporting date the Company has not issued shares (2012: Nil) and options (2012: Nil) which would have impacted on the number of ordinary shares if these transactions had occurred before the end of the reporting period.

16. Tax

	2013 $000	2012 $000
(a) Assets		
Deferred tax assets comprise:		
Future income tax benefits attributable to tax losses	1,882	2,756
Accruals	4	3
Leave entitlements	36	23
Assessable deferred accounting income	655	697
Capital raising costs	0	1
Other	5	0
	2,582	3,480
(b) Liabilities		
Deferred tax liabilities comprise		
Capitalised development expenditure	3,120	3,321
Other	75	105
	3,195	3,426
(c) Reconciliations		
i Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	54	477
(Charge)/credit to income statement	(666)	343
Prior Period R & D tax offset claim	0	(766)
Credit/(charge) to equity	0	0
Closing balance	(612)	54
ii Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Carried forward income losses		
Opening balance	2,756	3,345
(Charge)/credit to the income statement	(874)	177
R & D offset claim	0	(766)
Closing balance	1,882	2,756

16. **Tax** cont.

	2013 $000	2012 $000
(c) Reconciliations cont.		
ii Deferred Tax Assets cont.		
Non-deductable accrued expenses		
Opening balance	3	4
Credit/(charge) to the income statement	1	(1)
Closing balance	4	3
Provision for annual leave		
Opening balance	23	13
Credit to the income statement	13	10
Closing balance	36	23
Deferred income		
Opening balance	697	740
(Charge) to the income statement	(42)	(43)
Closing balance	655	697
Capital raising costs		
Opening balance	1	1
Change to equity	(1)	0
Closing balance	0	1
Trademarks		
Opening balance	0	0
Credit to equity	5	0
Closing balance	5	0
iii Deferred tax liabilities		
Capitalised development expenditure		
Opening balance	3,321	3,522
(Credit) to income statement	(201)	(201)
Closing balance	3,120	3,321
Other		
Opening balance	105	103
(Credit)/charge to income statement	(30)	2
Closing balance	75	105

17. 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:

Directors

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 remuneration has been included in the remuneration section of the Directors Report.

(b) Option Holdings

2013

Directors	Balance 01/07/12	Granted as Remuneration	Options Exercised	Other Change [1]	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
	2,400,000	500,000	0	(900,000)	2,000,000	1,500,000	1,500,000	500,000

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

2012

Directors	Balance 01/07/11	Granted as Remuneration	Options Exercised	Other Change [2]	Balance 30/06/12	Total Vested 30/06/12	Total Exercisable 30/06/12	Total Unexercisable 30/06/12
Mr R A Finder	750,000	0	0	0	750,000	750,000	750,000	0
Mrs L H Guthrie	1,375,000	0	0	(1,375,000)	0	0	0	0
Mrs C M Costello	1,000,000	0	0	0	1,000,000	1,000,000	1,000,000	0
Mr S P Mathwin	650,000	0	0	0	650,000	650,000	650,000	0
Dr C Popper	0	0	0	0	0	0	0	0
	3,775,000	0	0	(1,375,000)	2,400,000	2,400,000	2,400,000	0

[2] Class A Options expired without exercise 30 June 2012.

17. Related Party Transactions cont.

(c) Shareholdings

2013

Directors	Balance 01/07/12	Received as Remuneration	Options Exercised	Net Change Other [1]	Balance 30/06/13
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
Total	10,413,398	0	0	1,694,642	12,108,040

2012

Directors	Balance 01/07/11	Received as Remuneration	Options Exercised	Net Change Other [1]	Balance 30/06/12
Mr R A Finder	1,681,420	0	0	1,132,928	2,814,348
Mrs L H Guthrie	5,063,334	0	0	225,000	5,288,334
Mrs C M Costello	200,000	0	0	560,716	760,716
Mr S P Mathwin	1,350,000	0	0	200,000	1,550,000
Dr C Popper	0	0	0	0	0
Total	8,294,754	0	0	2,118,644	10,413,398

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

17. Related Party Transactions cont.

(d) Directors' Related Entity Transactions with the Company

Details of remuneration paid or payable to directors for the year ended 30 June 2013 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 (2012 – 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:

(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.

18. 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, whilst 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. Milestone payments from bioMérieux were received in Euros. Ongoing royalty payments and minimum royalties from the sale of applicators will be in USD.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits. At 30 June 2013 approximately 36% 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 2013 to 30 June 2013 amounting to $US150,000.

The Company will initially deposit royalty receipts in a USD account held with the National Australia Bank. At 30 June 2013 the balance of this account was $US370,939.

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 other than the receivable from Hettich AG Switzerland disclosed in Note 6.

18. **Financial Risk Management** cont.

(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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Financial Assets														
Cash and cash equivalents	3.6	5.6	161	195	315	2,618	0	0	0	0	400	119	876	2,932
Receivables	0	0	0	0	0	0	0	0	0	0	2,281	362	2,281	362
Total Financial Assets			161	195	315	2,618	0	0	0	0	2,681	481	3,157	3,294
Financial liabilities														
Deferred revenue	0	0	0	0	0	0	0	0	0	0	2,184	2,325	2,184	2,325
Trade and other payables	0	0	0	0	0	0	0	0	0	0	468	289	468	289
Total Financial Liabilities			0	0	0	0	0	0	0	0	2,652	2,614	2,652	2,614

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

(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 2013, 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:

	2013 $000	2012 $000
Change in profit		
- increase in interest rate by 2%	29	45
- decrease in interest rate by 2%	(29)	(45)
Changes in equity		
- increase in interest rate by 2%	29	45
- decrease in interest rate by 2%	(29)	(45)

19. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2013:

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 20 cents 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 2012, 400,000 share options were granted to employees in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of $0.042 each. 200,000 are exercisable during the period 1 November 2013 to 1 November 2021, and 200,000 are exercisable during the period 8 November 2013 to 8 November 2021.

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.

	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	2013	$	2012	$
Outstanding at the beginning of the year	5,671,482	0.18	6,973,851	0.19
Granted	500,000	0	400,000	0
Forfeited	0	0	0	0
Exercised	0	0	0	0
Expired	3,271,482	0	1,702,369	0
Outstanding at year end	2,900,000	0.16	5,671,482	0.18
Exercisable at year end	2,000,000	0.16	5,071,482	0.18

The options outstanding at 30 June 2013 had a weighted average exercise price of $0.16 and a weighted average remaining contractual life of 5.7 years. Exercise prices range from $0.042 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.

20. Segment Reporting

(a) The company operates in one business segment, conducting research and development.

(b) Revenue by geographic region

	2013 $000	2012 $000
Australia	308	439
Switzerland	3,510	0
USA	598	580
Total revenue	4,416	1,019

(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 $1,539,397. 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 14% of external revenue (2012 57%).

LBT Innovations Ltd was entitled to an upfront payment (A$2 million) on the signing of the joint venture agreement with Hettich AG Switzerland. This was accompanied with a 50% interest in the joint venture valued at approximately A$1.5 million in exchange for which LBT Innovations Ltd granted a licence for the use of the APAS technology.

21. Credit Standby Arrangements

The Company has a credit standby facility of $40,000. This facility was used to the extent of $17,685 at balance date.

22. 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.

23. Operating Leasing Commitments

	2013 $000	2012 $000
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments		
- not later than 12 months	39,000	38,000
- between 12 months and five years	0	38,000

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.

24. Events After the Balance Sheet Date

On 3 July 2013 the Company announced that in collaboration with the Australian Centre for Visual Technologies (ACVT) was awarded $0.5 million grant for APAS visual recognition product development to develop follow–on products from its Automated Plate Assessment System (APAS).

The Company established a subsidiary, LBT Innovations (UK) on 18 July 2013.

25. Company Details

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

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 29 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 2013 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	**Robert Andrew Finder**
Director	Director

Dated at Adelaide this 26th day of September 2013

HLB Mann Judd

Chartered Accountants

LBT INNOVATIONS LIMITED

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 2013, 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 the company.

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 financial report of LBT Innovations Limited complies 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 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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

HLB Mann Judd
Chartered Accountants

LBT INNOVATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONT.)

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 financial position as at 30 June 2013 and its 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 the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C.M.G

Corey McGowan
Partner

Adelaide, South Australia
26 September 2013

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

SHAREHOLDER INFORMATION

AS AT 23 SEPTEMBER 2013

Statement of Issued Securities

The total number of shareholders is 762 and there are 99,374,861 ordinary fully paid shares on issue.

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

The total number of Class F optionholders 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
1 November 2021	1	200,000	200,000	01/11/13
8 November 2021	1	200,000	200,000	08/11/13
29 November 2022	1	500,000	500,000	29/11/14

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 1/11/21	No of Option-holders Exp 8/11/21	No of Option-holders Exp 29/11/22
1 – 1,000	10	0	0	0	0	0	0	0	0
1,001 – 5,000	84	0	0	0	0	0	0	0	0
5,001 – 10,000	140	0	0	0	0	0	0	0	0
10,001 – 100,000	397	0	0	0	1	0	0	0	0
100,001 and over	131	1	2	1	0	1	1	1	1
	762	1	2	1	1	1	1	1	1

The number of shareholdings held in less than marketable parcels is 107.

SHAREHOLDER INFORMATION
AS AT 23 SEPTEMBER 2013

Substantial Shareholders

The names of the substantial shareholders listed in the company's register as at 23 September 2013 are:

Name	Number of Shares held	% Held of Issued Capital
bioMérieux SA	9,772,727	9.83
Mrs Lucyna Halina Guthrie + Mr Hugh Berkerley Guthrie <The Podlaska Super Fund A/C.>	5,402,957	5.44
	15,175,684	15.27%

Voting Rights

Refer to Note 12.

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	9.83
2	Mrs Lucyna Halina Guthrie + Mr Hugh Berkeley Guthrie <The Podlaska Super Fund A/C>	5,402,957	5.44
3	Avanteos Investments Limited <1823205>	4,757,172	4.79
4	Mr Brendon Moran	4,327,573	4.35
5	Mr Robert Andrew Finder & Mrs Sheryl Jean Finder <Sherrob9 S/F A/C]	3,721,567	3.74
6	Medvet Science Pty Ltd	3,333,334	3.35
7	Avanteos Investments Limited <1823201>	2,972,329	2.99
8	Mr Stephen Goodwin	2,500,000	2.52
9	Citicorp Nominees Pty Ltd	2,073,818	2.09
10	Ruin Pty Ltd <Steve Mathwin Super A/C>	1,750,000	1.76
11	Angueline Capital Pty Ltd	1,600,000	1.61
12	Katray Nominees Pty Ltd <RG Duthy S/F A/C>	1,100,000	1.11
13	Medvet Science Pty Ltd	1,000,000	1.01
14	Mr Jarkko Petteri Pullinen	1,000,000	1.01
15	Mr Bryce Whetton	1,000,000	1.01
16	KMEC Superannuation Pty Ltd	852,113	0.96
17	Chag Pty Ltd	949,426	0.96
18	Ms Diane Lester	885,170	0.89
19	Laden Pty Ltd <The Kiefel Super Fund A/C>	833,334	0.84
20	College Street Nominees Pty Ltd <JP Lem Super A/C>	832,750	0.84
		50,764,270	51.10

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	39.47
2	Dr Caroline Popper (option expire 29/11/22 – ex price $0.058)	500,000	26.32
3	Mr John Glasson (200,000 options expire 24/8/20 – ex price $0.065) (200,000 options expire 1/11/21 – ex price $0.042)	400,000	21.05
4	Ms Deborah Nutt (50,000 options expire 6/1/19 – ex price $0.165) (200,000 options expire 8/11/21 – ex price $0.042)	250,000	13.16
		1,900,000	100.00

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