



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
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**LBT INNOVATIONS**

# Annual Report

For the year ended 30 June 2016



**LBT Innovations**

ABN 95 107 670 673

**Principal Place of Business & Registered Office**

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Adelaide SA 5000

Phone: +61 8 8227 1555

Fax: +61 8 8223 1775

Website: [lbtinnovations.com](http://lbtinnovations.com)

**Directors**

**Robert Andrew Finder**  
Chairman

**Brenton Barnes**  
Chief Executive Officer  
(Commenced 8 August 2016)

**Lusia Halina Guthrie**  
Chief Executive Officer  
(Retired 8 August 2016)

**Catherine Mary Costello**  
Non-executive Director

**Stephen Paul Mathwin**  
Non-executive Director

**Caroline Popper**  
Non-executive Director

**Company Secretary**

**Daniel Hill**  
Chief Financial Officer and Company Secretary

**Lawyers**

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

**Auditors**

**HLB Mann Judd**  
167-169 Fullarton Road  
Dulwich SA 5065

**Share Register**

**Computershare Investor Services Pty Ltd.**  
GPO Box 1903  
Adelaide SA 5001

**Listed Securities**

LBT: Ordinary Shares

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## Chairman's and CEO's Letter to Shareholders

Dear Shareholders,

2015/16 has seen the Company progress to what we feel is the brink of major international success, with highly successful results received from clinical trials of the APAS® automated plate assessment system in both Australia and the USA, very encouraging progress made towards FDA approval for APAS, and an impressive global debut for the first APAS instrument, the APAS Independence™, at the world's biggest infectious diseases conference in Amsterdam.

However, our satisfaction with the year's achievements was tempered by the news that our founder and long-serving CEO, Lusia Guthrie, would be retiring in August 2016. As we write to you, Lusia is working hard to make the transition to her successor as smooth as possible, while she also begins her two-year term as Chair of Clever Culture Systems AG, the joint venture company set up between LBT and lab instrument maker Hettich AG Switzerland, to drive the commercialisation of APAS.

Revenue for the full financial year to 30 June 2016 was \$7.73 million, reflecting a 226% increase on the \$2.37 million earned in 2014/15. The increase resulted from the receipt of bioMérieux's payment as a result of their termination of the original MicroStreak® licence and the negotiation of the new non-exclusive licence.

LBT's principal sources of revenue for the year included:

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

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

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

**“The results showed that APAS achieved over 98% sensitivity in its detection of disease-causing bacteria in the samples.”**

A ten-week pivotal clinical trial at TriCore Reference Laboratories in New Mexico during July and August 2015 tested APAS against a panel of microbiologists. Culture plates from 5,500 patients were processed by APAS and simultaneously assessed by a panel of independent qualified microbiologists. The results showed that APAS achieved over 98% sensitivity in its detection of disease-causing bacteria in the samples.

A new agreement with the French in vitro diagnostics company, bioMérieux, terminated the initial exclusive licence signed in 2007, converting it to a non-exclusive licence and leaving both companies free to independently pursue their development in laboratory automation.



LBT received an upfront payment of US\$5.5 million (approx. AUD\$7.9 million) and non-exclusive technology rights to improvements developed by bioMérieux for MicroStreak. LBT also recovered global rights to pursue its own development, manufacturing and commercialisation of MicroStreak. Currently, the Company is looking at a number of options to capitalise on the value for the MicroStreak technology, including current discussions with companies to licence the technology in various world markets.

Just before the end of the 2015 calendar year, LBT completed its 510(k) de novo submission to the USA Food and Drug Administration (FDA) seeking clearance of APAS as a Class II medical device and 510(k) clearance for marketing APAS in the USA. As we write, LBT is waiting to hear from the FDA on the status of the approval request.

As well as granting access to the world's largest medical market, FDA approval holds one of the keys to Clever Culture System's ongoing negotiations with a number of major diagnostic companies and distributors who have already expressed an interest in marketing APAS.

In the course of the year, LBT received approvals for two patent applications from the USA Patents & Trademarks Office, protecting the APAS image capture technology and lighting apparatus; and the key systems and analytical software of APAS. These followed a patent issued in March 2015 for a novel method used to 'colour calibrate' images captured by APAS.

The three patents and notices all provide for 20 years of patent protection, and are part of a portfolio of four inventions related to APAS, for which LBT initiated intellectual property protection in 2011.

The Company's application for a Japanese patent protecting the APAS image capture technology was also granted in May 2016. The patent provides protection of this intellectual property throughout Japan for the next 16 years.

Also in May, the Board of LBT completed one of its most daunting tasks, that of finding a successor to founder and CEO Lusia Guthrie. After an exhaustive search, former Cochlear Limited executive Brent Barnes was appointed the Company's new Chief Executive Officer. Brent officially took the reins at LBT on August 8th.

The biotech world got its first look at the new APAS instrument, the APAS Independence, in April, at the 26th European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Amsterdam. Following ECCMID, a fully operational model was demonstrated at the American Society of Microbiology's MICROBE Conference in Boston, Massachusetts, attracting great interest and numerous inquiries from conference delegates.

LBT's newest project, WoundVue®, is continuing to take shape, with two international design engineering companies responding positively to our invitation to express their interest in a potential partnership.

As we move into the next fiscal year, LBT Innovations' primary focus remains the successful commercialisation of APAS.

All of these, along with your continued and much-valued support as loyal LBT shareholders, will help to more firmly establish LBT Innovations as a key player in the medical device field.

**Bob Finder**  
Chairman

**Brent Barnes**  
Chief Executive Officer

## Directors' Report

Your directors present their report on the Company for the year ended 30 June 2016.

### Directors

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

**Robert Andrew Finder**

Chairman

**Brenton Barnes**

Chief Executive Officer  
(Commenced 8 August 2016)

**Lusia Halina Guthrie**

Chief Executive Officer  
(Retired 8 August 2016)

**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.

### Chief Financial Officer and Company Secretary

The following person held the position of Chief Financial Officer and Company Secretary at the end of the financial year:

**Daniel Hill**

**Qualifications**

Bachelor of Accountancy, Chartered Accountant, MBA, Master of Applied Finance, Certificate in Governance Practice.

**Experience**

Daniel is an experienced chartered accountant of more than 15 years and has worked in various roles including public practice, finance and private equity. He is a non-executive director and / or company secretary of various private companies and is the company secretary of Southern Gold Ltd, an ASX listed company.

### 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.

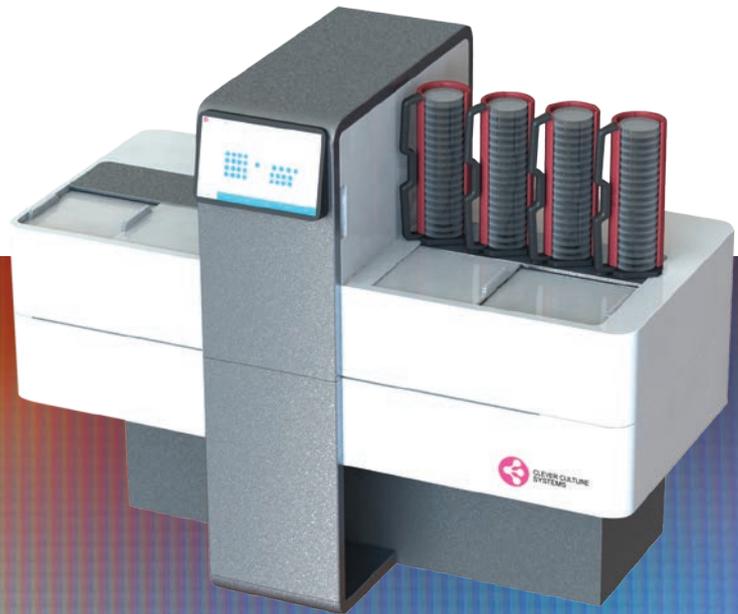
There were no significant changes in the nature of the Company's principal activities during the financial year.

**Operating Results**

LBT recorded an after-tax and comprehensive income profit for the year of \$3,541,000 (2015: \$549,000 profit).

**Dividends Paid or Recommended**

No dividends were paid, nor recommended to be paid for the year ended 30 June 2016.



Top: CCS APAS Independence model.  
Left: PREVI Isola, based on LBT's MicroStreak technology

## Review of Operations

### Automated Plate Assessment System (APAS)

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

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

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

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

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

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

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



Steve Young presenting TriCore's evaluation of APAS, ECCMID Amsterdam 2016.

## Review of Operations



Meeting at Hettich, Tuttlingen, Germany (Sep 2016).

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

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

In December 2015, the de novo submission was completed, seeking classification of APAS as a Class II medical device and 510(k) clearance for marketing for APAS in the USA.

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

## Review of Operations

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

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

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

### MicroStreak

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

**“LBT also recovered the global rights to pursue its own development, manufacturing and commercialisation of MicroStreak products.”**

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

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



APAS Independence stand, ECCMID Amsterdam 2016.

## Review of Operations

### WoundVue®

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



Michael Summerford, Klaus-Günter Eberle & Nick Horsley, AACC Philadelphia 2016.

### Corporate

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

In October 2015, LBT's CEO, Lusia Guthrie, advised the board of her intention to retire, prompting an international search by the Company's Board for an executive capable of taking her place. Lusia has served as CEO since she co-founded the Company in 2004, capably steering LBT through its formative years, including its ASX listing, the development and negotiating the global licencing of its first technology, MicroStreak, and the development of its plate analysis technology, APAS. With the support of the Board, Lusia agreed to contribute her knowledge and skills to help with the transition of the new CEO into the Company. Lusia will remain as a consultant to the Company as needed.

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

## Future Prospects

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

Brent Barnes commenced as CEO on 8 August.

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

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

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

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

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



John Glasson demonstrating APAS Independence at MICROBE 2016 conference in Boston, USA.

## Financial Overview

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

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

Significant components of overall expenses for the year included:

- Employee benefits expenses of \$1.07 million (up from \$0.76 million for the year ended 30 June 2015);
- Depreciation and amortisation expenses of \$0.78 million (\$0.76 million for the year ended 30 June 2015).

LBT received an R&D tax concession refund of \$1.618 million following completion of the 2015 tax return. The Company will lodge a claim for the 2016 financial year and expects to receive an estimated cash refund of approximately \$1.3 million.

## Financial Position

Net assets of the Company increased by \$3.51 million from \$15.68 million at 30 June 2015 to \$19.19 million at 30 June 2016.

Cash on hand and at the bank increased to \$4.68 million at 30 June 2016 (\$1.82 million at 30 June 2015). This increase resulted from the Company's inflows associated with the termination of the original MicroStreak licence agreement and the granting of a new non-exclusive licence to bioMérieux, the APAS JV agreement, the R & D tax concession net of R & D expenditure, less the repayment of a loan from the Directors and Officers of the Company and normal operating expenditure.

### Significant Changes in State of Affairs

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

### After Balance Date Events

Lusia Guthrie resigned as Chief Executive Officer on 8 August 2016 and former Cochlear Limited executive Brent Barnes was appointed the Company's new Chief Executive Officer on the 8 August 2016.

## About LBT Innovations

LBT Innovations (LBT) is an Australian developer of clinical and diagnostic technology. Based in Adelaide, South Australia, the Company has two breakthrough products in microbiology automation: MicroStreak, which provides automation of culture plate streaking, and APAS, a breakthrough in automated culture plate reading, interpretation and reporting. 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 commercialization of APAS products. LBT also has a third product in development, WoundVue, a proposed automation solution to assist in the management of chronic wounds. For more information see [lbtinnovations.com](http://lbtinnovations.com).

### 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 2002-06 (before the Novozymes acquisition).

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

Prior to Faulding, Bob's roles included Vice President Manufacturing for Ecogen Inc, in Pennsylvania, Director Manufacturing for Rhone-Poulenc (USA), and Managing Director of Monsanto Chemicals in Thailand. He is a Member of the Australian Institute of Company Directors and the American Institute of Chemical Engineers.

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

Interest in Shares	Nil	
Interest in Options	750,000	Options expiring 5 December 2017

**Third Party Holdings**

Sheryl Jean Finder	583,911	Ordinary shares
The Sherrob9 Fund	5,021,393	Ordinary shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 19 September 2016.

## Information on Directors



**Brenton Barnes** (Commenced as CEO on 8 August 2016).

### Qualifications

Master of Project Management (University of Adelaide), Diploma of Commerce (Sydney Institute of Business and Technology), Graduate, Australian Institute Of Company Directors (Australian Institute Of Company Directors).

### Experience

After beginning his career with global defence contractor Thales, Brent spent 11 years gaining broad Senior Executive experience in a variety of roles with Australian medical device manufacturer Cochlear Limited. Having lead an important transformation project from within Cochlear's Global Quality & Regulatory Group, Brent relocated to the United States working for Cochlear Americas where he held senior Operations and Sales roles based in Colorado and Texas. During this time he established a USA Manufacturing subsidiary from the ground up, where product was manufactured and business audited by the FDA with no observations. Mr Barnes returned to Sydney in 2011 to take up roles including Director, Recipient Services & Operations (Asia-Pacific) and General Manager, Asia Growth Markets and Operations Director (Asia Pacific), which saw him spending 50% of his time in Asia.

Brent is also a non-executive Director of Connek Pty Ltd, a Telecommunications and IT professional services company that subcontracts to major blue chip companies within the IT/T sector.

Interest in Shares	Nil
Interest in Options	Nil
<b>Third Party Holdings</b>	<b>Nil</b>
Directorships held in other listed entities	Nil
Interest in Contracts	Nil

The information provided above is current as at 19 September 2016.

## Information on Directors



**Lusia Halina Guthrie** (Retired as CEO on 8 August 2016).

### Qualifications

Master of Science and Technology Commercialisation (University of Adelaide) and Bachelor of Applied Science in Medical Technology (University of South Australia).

### Experience

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

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

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

In June 2016 Lusia was appointed Chairman of Clever Culture Systems AG (LBT Innovations joint venture company based in Zurich). She also currently serves on the Board of MedDev SA Alliance, AusMedtech and the ACVT Industry Advisory Panel (School of Computer Science at the University of Adelaide),

Interest in Shares	148,149
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Interest in Options	Nil
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### Third Party Holdings

LH & HB Guthrie as trustees of the Podlaska Super Fund	6,065,606	Ordinary shares
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Directorships held in other listed entities	Nil
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Interest in Contracts	Nil
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The information provided above is current as at 19 September 2016.

## Information on Directors

**Catherine Mary Costello****Qualifications**

Law Degree (University of Melbourne).

**Experience**

Kate Costello was in management with a commercial law firm before establishing a management consultancy specialising in corporate governance practices and board performance. 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 Integrated Research Ltd, the South Australian TAB, Australian Central Credit Union Ltd, and Festival City Broadcasters Ltd, and chairmanships of Saab Intelligent Transport Systems Ltd and Bassett Consulting Engineers. She currently holds directorships in Tech Project Pty Ltd and bzpoy Pty Ltd and chairs accounting firm, Accru Harris Orchard.

A regular public speaker on governance issues, Kate was a committee member for the independent review of the governance of soccer in Australia as well as a member of the University of Adelaide's Independent Selection Committee. She is currently a fellow of the Institute of Company Directors, and a member of the Law Society of South Australia.

Interest in Shares	760,716	Ordinary shares
Interest in Options	250,000	Class F Options
<b>Third Party Holdings</b>		
Costello Consulting Pty Ltd as director	1,335,312	Ordinary Shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 19 September 2016.

## Information on Directors

**Stephen Paul Mathwin****Qualifications**

Law Degree (University of Adelaide).

**Experience**

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

Stephen is Chairman of Australian Timbers Ltd, Cavitus Pty Ltd, Poly Products Co Pty Ltd and Viking Rentals Pty Ltd. He is a director of Paragon Private Equity and the McArthur Management Group of Companies. 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 \$6 billion. During his time at NGS, the fund grew from \$1.6 billion to more than \$5 billion. Stephen is also a former Chairman of the School Council of Westminster School Incorporated and is Chairman of the Investment Committee for the Westminster School Foundation.

Interest in Shares	Nil	
Interest in Options	500,000	Class E Options
<b>Third Party Holdings</b>		
Ruin Pty Ltd as trustee for the Steve Mathwin Superannuation Fund	2,550,000	Ordinary Shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 19 September 2016.

## Information on Directors

**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 USA-based pathologist and business consultant, with more than 25 years' operational experience in the international diagnostics, medical devices and drug discovery fields.

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

After 10 years in senior management and marketing roles at the leading medical technology firm, Becton, Dickinson and Company and several leading strategy initiatives in other multinationals, Caroline established her own consultancy, Popper and Company, in 2003 to provide strategic corporate and advisory services to businesses across the life sciences spectrum. Popper and Company is a strategy and M&A advisory firm focused on diagnostics, medical devices, life science tools and wireless health applications. Caroline's other directorships include BioAgilytix, Diversigen, Rarecyte, RPS Detectors, Pilgrim Software Inc and Tyrian Diagnostics Ltd, an ASX listed company.

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

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

The information provided above is current as at 19 September 2016.

## Remuneration Report

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

### Remuneration Policy

The Remuneration Policy of LBT Innovations has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results.

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

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

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

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

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

The relationship between the Board's policy and the Company's performance in terms of earnings and shareholder wealth is illustrated by the following table that shows the gross revenue, profits/(losses), earnings per share and closing share prices on 30 June for the past five years. During the financial year, the Company's share price traded between a low of \$0.06 and a high of \$0.22.

	2016	2015	2014	2013	2012
Revenue	\$7.73m	\$2.37m	\$3.99m	\$4.42m	\$1.02m
Net Profit / (Loss)	\$3.58m	\$0.32m	\$0.29m	\$0.53m	\$(1.15)m
Basic Earnings per share (cents per share)	3.08	0.28	0.29	0.53	(1.16)
Diluted Earnings per share (cents per share)	3.08	0.28	0.29	0.53	(1.16)
Full year ordinary dividends per share (cents)	Nil	Nil	Nil	Nil	Nil
Year end share price (last traded price on 30 June)	\$0.145	\$0.06	\$0.14	\$0.09	\$0.04

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

## Remuneration Report

### Executive Terms & Conditions

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

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

### Performance Measurement

The performance of executives is measured against criteria agreed annually with each executive and is based upon the achievement of the strategic objectives to secure the Company's future profits and shareholder value.

All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can decide changes to the Nominations and Remuneration Committee's recommendations.

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

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

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

### Key Performance Indicators (KPIs):

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

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

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

### Superannuation

Executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9.5% in the 2015/16 financial year, 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.

## Remuneration Report

### 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

2016	Cash Salary, Fees & Commissions	Long Service Leave	Cash Bonus	Superannuation Contributions	Non-Cash Benefits	Shares	Options	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mr R A Finder	77	0	0	7	0	0	0	84
Mrs L H Guthrie	263	11	58	39	0	0	0	371
Mrs C M Costello	52	0	0	5	0	0	0	57
Mr S P Mathwin	23	0	0	32	0	0	0	55
Dr C Popper	46	0	0	0	0	0	6	46
Mr P M Bradley	201	0	0	19	0	0	0	220
Mr D Hill	73	0	0	0	0	0	0	73
	735	11	58	102	0	0	6	906

2015	Cash Salary, Fees & Commissions	Long Service Leave	Cash Bonus	Superannuation Contributions	Non-Cash Benefits	Shares	Options <sup>(1)</sup>	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mr R A Finder	77	0	0	7	0	0	0	84
Mrs L H Guthrie	257	7	58	35	0	0	0	357
Mrs C M Costello	52	0	0	5	0	0	0	57
Mr S P Mathwin	23	0	0	32	0	0	0	55
Dr C Popper	46	0	0	0	0	0	6	52
Mr P M Bradley	195	0	0	19	0	0	0	214
Mr D Hill <sup>(2)</sup>	75	0	0	0	0	0	0	75
	725	7	58	98	0	0	6	894

(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.

### Meetings of Directors

During the financial year to 30 June 2016, ten meetings of directors were held. Attendances by each director during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr R A Finder	10	10
Mrs L H Guthrie	10	10
Mrs C M Costello	10	9
Mr S P Mathwin	10	8
Dr C Popper	10	10

During the financial year to 30 June 2016, one meeting of the Audit Committee was held. Attendances by each member during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr S P Mathwin	2	2
Mrs C M Costello	2	2

During the financial year to 30 June 2016, one meeting of the Nominations and Remuneration Committee was held. Attendances by each member during the reporting period were:

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

### Indemnifying Officers or Auditor

The Company has paid a premium to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct, while acting in the capacity of director of the Company, other than conduct involving a willful breach of duty in relation to the Company. The amount of premium has not been disclosed as it is confidential under the terms of the insurance policy.

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

### Option Details

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

Class	Date of Expiry	Exercise Price	Number of Options	No of Shares due on Conversion
E	17/04/2017	\$0.20	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	29/11/2022	\$0.058	500,000	500,000
n/a	11/12/2023	\$0.045	100,000	100,000
n/a	28/02/2025	\$0.088	100,000	100,000
n/a	11/04/2026	\$0.141	500,000	500,000
			3,200,000	3,200,000

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

### Proceedings on behalf of the Company

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

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

### Non-audit Services

The Board of directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2016: NIL.

### Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 23.

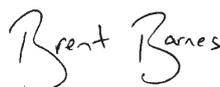
### Rounding of Amounts

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

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



**Bob FINDER**  
Chairman



**Brent BARNES**  
Chief Executive Officer

Dated at Adelaide this 27th day of September 2016.

## Auditors' Independence Declaration



**LBT INNOVATIONS LIMITED**  
**ABN 95 107 670 673**  
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of LBT Innovations Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in relation to the LBT Innovations Limited.

A handwritten signature in black ink, appearing to read 'HLB Mann Judd'.

**HLB Mann Judd**  
**Chartered Accountants**

**Adelaide, South Australia**

27 September 2016

A handwritten signature in black ink, appearing to read 'Phil Plummer'.

**Phil Plummer**  
**Partner**

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

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Postal: PO Box 377, Kent Town SA 5071

HLB Mann Judd (SA Partnership) is a member of international. A world-wide organisation of accounting firms and business advisers.

Liability limited by a scheme approved under Professional Standards Legislation

# Statement of Comprehensive Income

For the year ended 30 June 2016

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

The accompanying notes form part of the financial statements.

# Statement of Financial Position

As at 30 June 2016

	Note	2016 \$000	2015 \$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	4,682	1,818
Trade and other receivables	6	525	838
Current tax asset		1,331	1,825
<b>Total Current Assets</b>		<b>6,538</b>	<b>4,481</b>
<b>Non-Current Assets</b>			
Plant and equipment	7	44	62
Investments accounted for using the equity method	8	1,399	1,675
Financial assets		80	0
Deferred tax assets	16a	801	1,488
Intangible assets	9	20,583	16,868
<b>Total Non-Current Assets</b>		<b>22,907</b>	<b>20,093</b>
<b>Total Assets</b>		<b>29,445</b>	<b>24,574</b>
<b>Current Liabilities</b>			
Trade and other payables	10a	1,965	866
Financial liabilities	11a	511	1,195
<b>Total Current Liabilities</b>		<b>2,476</b>	<b>2,061</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	11b	1,620	1,761
Deferred tax liabilities	16b	6,023	4,964
Provisions	10b	136	104
<b>Total Non-Current Liabilities</b>		<b>7,779</b>	<b>6,829</b>
<b>Total Liabilities</b>		<b>10,255</b>	<b>8,890</b>
<b>Net Assets</b>		<b>19,190</b>	<b>15,684</b>
<b>Equity</b>			
Issued capital	12	13,152	13,187
Reserve	13	1,004	1,040
Retained earnings		5,034	1,457
<b>Total Equity</b>		<b>19,190</b>	<b>15,684</b>

The accompanying notes form part of the financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2016

	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated (Losses) / Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000
<b>Balance at 30 June 2014</b>	<b>806</b>	<b>39</b>	<b>11,665</b>	<b>1,054</b>	<b>13,564</b>
Elimination on deconsolidation	0	(39)	0	82	43
Share placement	0	0	1,619	0	1,619
Capital raising costs	0	0	(139)	0	(139)
Options granted as remuneration	6	0	0	0	6
Tax effect attributable to items in equity	0	0	42	0	42
Comprehensive income	0	228	0	0	228
Profit attributable to members	0	0	0	321	321
<b>Balance at 30 June 2015</b>	<b>812</b>	<b>228</b>	<b>13,187</b>	<b>1,457</b>	<b>15,684</b>
Share placement	0	0	45	0	45
Capital raising costs	0	0	(2)	0	(2)
Tax effect attributable to items in equity	0	0	(78)	0	(78)
Comprehensive income	0	(36)	0	0	(36)
Profit attributable to members	0	0	0	3,577	3,577
<b>Balance at 30 June 2016</b>	<b>812</b>	<b>192</b>	<b>13,152</b>	<b>5,034</b>	<b>19,190</b>

The accompanying notes form part of the financial statements

# Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
<b>Cash Flows From Operating Activities</b>			
Contract termination payment		7,889	0
APAS milestone payments received		518	482
APAS module Income		0	118
Government grants received		0	243
Payments to suppliers and employees		(2,243)	(1,662)
Research and development tax concession		1,618	3,014
Royalties received		0	810
Interest received		92	43
<b>Net Cash Provided by / (Used in) Operating Activities</b>	<b>14</b>	<b>7,874</b>	<b>3,048</b>
<b>Cash Flows From Investing Activities</b>			
Research and development (intangible asset)		(3,800)	(5,424)
Payments for plant and equipment		(22)	(35)
Loan provided		(84)	0
<b>Net Cash Used in Investing Activities</b>		<b>(3,906)</b>	<b>(5,459)</b>
<b>Cash Flows From Financing Activities</b>			
Loan received		0	1,000
Loan repaid		(1,000)	0
Loan commitment fees paid		0	(30)
Cash proceeds from share placement (Tranche 2 and SPP)		0	1,619
Capital raising costs		(2)	(175)
<b>Net Cash Provided by Financing Activities</b>		<b>(1,002)</b>	<b>2,414</b>
Net increase/(decrease) in cash and cash equivalents		2,966	3
Cash and cash equivalents at beginning of year		1,818	1,791
Exchange rate adjustments		(102)	24
<b>Cash and Cash Equivalents at end of year</b>	<b>5</b>	<b>4,682</b>	<b>1,818</b>

The accompanying notes form part of the financial statements

# Notes to the Financial Statements

For the year ended 30 June 2016

## 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 Ltd, a public company incorporated and domiciled in Australia and its joint venture, a private Swiss company Clever Culture Systems AG (CCS), 50% owned by LBT Innovations Ltd.

The financial report of LBT Innovations Ltd complies with all International Financial Reporting Standards (IFRS) in their entirety.

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

### **Basis of Preparation**

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

### **Reporting Basis and Conventions**

The 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.

## 1. Statement of Significant Accounting Policies

### b. Plant and Equipment

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

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

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

#### Depreciation

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

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

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

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

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

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

### c. Intangibles

#### Licence Fees and Option Fees

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

#### Research Expenditure

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

#### Patents

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

#### MicroStreak and APAS Development Costs

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

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

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

Capitalised development costs for MicroStreak have been amortised on a systematic basis matched to the projected future economic benefits over the useful life of the original MicroStreak licence agreement with bioMérieux. In accordance with Australian Accounting Standards capitalised costs have been amortised on a straight line basis over the what was the remaining licence term of 13.5 years.

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

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

## 1. Statement of Significant Accounting Policies

### d. Leases

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

### e. Financial Instruments

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

#### Impairment

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

#### Financial Assets

Financial assets are recognised at cost less principal repayments.

#### Financial Liabilities

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

### f. Investment Accounted for Using the Equity Method

#### Investment in Joint Venture

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

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

### g. Impairment of Assets

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

#### Key Estimates – Impairment

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

### h. Cash and Cash Equivalents

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

### i. Revenue

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

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

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

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

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

## 1. Statement of Significant Accounting Policies

### 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.

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

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

### m. Comparative Figures

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

### n. Government Grants

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

## 1. Statement of Significant Accounting Policies

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

#### New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2015. Information on the more significant standards is presented below.

AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the Group.

#### New standards and interpretations issued not yet effective

##### AASB 9 Financial Instruments (effective date: 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a. Financial assets that are debt instruments will be classification based on:
  - (i) the objective of the entity's business model for managing the financial assets; and
  - (ii) the characteristics of the contractual cash flows.
- b. Allows 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 (instead of in profit or loss). 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.
- c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significant reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
  - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

##### AASB 15 Revenue from Contracts with Customers (effective date: 1 January 2018)

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

When this Standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

## 1. Statement of Significant Accounting Policies

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

#### **AASB 16 Leases** (effective date: 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease- related Interpretations
- requires all leases to be accounted for 'on- balance sheet' by lessees, other than short- term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The entity is yet to undertake a detailed assessment of the impact of AASB 16.

#### **AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation** (effective date: 1 January 2016)

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome i.e., a revenue-based amortisation method might be appropriate only in two limited circumstances:

- (i) The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a financial total amount of revenue to be generated from cumulative tolls charged); or
- (ii) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

#### **AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements** (effective date: 1 January 2016)

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

#### **AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101** (effective date: 1 January 2016)

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information.
- clarify that AASB 101's specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated.
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position.
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order.

#### **AASB 2015-8 Amendments to Australian Accounting Standards** (effective 1 January 2017)

AASB 2015-8 amends the mandatory application date of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.

## 1. Statement of Significant Accounting Policies

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

#### **AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs** (effective 1 January 2016)

AASB 2015-9 inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings per Share in place of application paragraph text in AASB 1057.

In July and August 2015, the AASB reissued AASB 8, AASB 133 and most of the Australian Accounting Standards that incorporate IFRSs to make editorial changes. The application paragraphs in the previous versions of AASB 8 and AASB 133 covered scope paragraphs that appear separately in the corresponding IFRS 8 and IAS 33. In moving those application paragraphs to AASB 1057 when AASB 8 and AASB 133 were reissued in August, the AASB inadvertently deleted the scope details from AASB 8 and AASB 133. This amending Standard puts the scope details into those standards, and removes the related text from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

When this standard is adopted for the year ending 30 June 2017, there will be no impact on the financial statements.

#### **AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128** (effective 1 January 2016)

This standard defers the mandatory application date of amendments to AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures that were originally made in AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.

The amendments have been deferred as the IASB is planning to address them as part of its longer term Equity Accounting project. However, early application of the amendments is still permitted.

#### **AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses** (effective 1 January 2017)

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

#### **AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107** (effective 1 January 2017)

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

### 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.

	2016 \$000	2015 \$000
<b>2. Revenue</b>		
Operating activities	7,611	2,324
Interest	115	43
<b>Total Revenue</b>	<b>7,726</b>	<b>2,367</b>

### 3. Profit for the Year

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

#### (a) Consulting fees

Consulting fees include fees paid to assist with international market research, scientific and professional consulting.

69	77
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#### (b) Employee benefits expense

The employee benefits expense includes directors' fees payable in accordance with the prospectus and salaries and wages, including executive bonuses.

1,067	761
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#### (c) Other Expenses

Auditors' remuneration<sup>(1)</sup>

36	28
----	----

Rent

38	39
----	----

Travel and accommodation

285	127
-----	-----

External research and development

391	288
-----	-----

Royalty expenses

246	59
-----	----

Others

98	89
----	----

<b>1,094</b>	<b>630</b>
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NOTE (1) The auditor did not provide any non-audit services to the Company during the year.

#### (d) Significant Revenue and Expense Items

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

bioMérieux termination fee

7,519	0
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APAS milestone payments

0	1,000
---	-------

Royalty income

(195)	846
-------	-----

Grant income

255	310
-----	-----

APAS module income

0	76
---	----

Consulting income

138	68
-----	----

Foreign exchange gain (loss)

(106)	24
-------	----

Interest income

115	43
-----	----

<b>7,726</b>	<b>2,367</b>
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	2016 \$000	2015 \$000
<b>4. Income Tax</b>		
<b>(a) The components of tax (benefit) expense comprise:</b>		
Current tax	(1,125)	(1,825)
Deferred tax	1,668	1,168
	<b>543</b>	<b>(657)</b>
<b>(b) The prima facie tax on profits from ordinary activities before income</b>		
Prima facie tax payable on profits from ordinary activities before income tax at 30%	1,236	(101)
Add:		
Tax effect of:		
Non-deductible amortisation	0	3
2015 R&D concession claim	(653)	(547)
2014 R&D concession claim	0	0
Capital raising costs	(12)	(12)
Other	(28)	0
<b>Income tax attribute to the Company</b>	<b>543</b>	<b>(657)</b>
<b>5. Cash and Cash Equivalents</b>		
Cash at bank	4,682	1,818

	2016 \$000	2015 \$000
<b>6. Trade and Other Receivables</b>		
<b>Current</b>		
Trade	197	743
Other receivables	135	32
GST	193	63
<b>Total Receivables</b>	<b>525</b>	<b>838</b>

**Credit Risk**

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

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

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

	Gross Amount \$'000	Past Due and Impaired \$'000	Past Due but Not Impaired (Days Overdue)				Within Initial Trade Terms \$'000
			< 30 \$'000	31-60 \$'000	61-90 \$'000	> 90 \$'000	
<b>2016</b>							
Trade and term receivables	103	0	0	0	0	94	197
Other receivables	328	0	0	0	0	0	328
<b>Total</b>	<b>431</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>94</b>	<b>525</b>
<b>2015</b>							
Trade and term receivables	743	0	0	0	0	0	743
Other receivables	95	0	0	0	0	0	95
<b>Total</b>	<b>838</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>838</b>

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

	2016 \$000	2015 \$000
<b>7. Plant and Equipment</b>		
Plant and equipment at cost	187	166
Less: accumulated depreciation	(143)	(104)
<b>Total plant and equipment</b>	<b>44</b>	<b>62</b>
<b>Movements in Carrying Amount</b>		
Movements in carrying amounts of plant and equipment between the beginning and the end of the financial year were as follows:		
Opening balance	62	65
Additions	22	35
Disposals	0	0
Depreciation expense	(40)	(38)
	<b>44</b>	<b>62</b>
<b>8. Investments Accounted for Using the Equity Method</b>		
<b>(a) Recognition of Carrying Amounts</b>		
Investment in joint venture at cost (Note 1 (f))	1,539	1,539
Foreign currency translation reserve	192	228
Share of profit/(loss) in joint venture	(332)	(92)
	<b>1,399</b>	<b>1,675</b>

LBT Innovations Ltd has a 50% interest in a joint venture with Hettich AG Switzerland. The interest in the joint venture is held directly by LBT Innovations 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%.

## 8. Investments Accounted for Using the Equity Method

### (b) Summarised Financial Information for Joint Ventures

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

#### Summarised Financial Position

	2016 \$000	2015 \$000
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3	188
Trade and other receivables	401	1,067
<b>Total Current Assets</b>	<b>404</b>	<b>1,255</b>
<b>Non-Current Assets</b>		
Intangible assets	6,777	6,699
<b>Total Non-Current Assets</b>	<b>6,777</b>	<b>6,699</b>
<b>Total Assets</b>	<b>7,181</b>	<b>7,954</b>
<b>Current Liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	0	0
Trade and other payables	303	604
<b>Total Current Liabilities</b>	<b>303</b>	<b>604</b>
<b>Non-Current Liabilities</b>		
Non-current financial liabilities	4,080	4,000
<b>Total Non-Current Liabilities</b>	<b>4,080</b>	<b>4,000</b>
<b>Net Assets</b>	<b>2,798</b>	<b>3,350</b>
Group's share (%)	50%	50%
Group's share of joint venture's net assets	1,399	1,675
<b>Summarised Financial Performance</b>		
Revenue	0	0
Depreciation and amortisation	0	0
Interest income	0	0
Interest expense	(76)	(56)
Other expenses	(337)	(52)
<b>Profit / (Loss) after tax from continuing operations</b>	<b>(413)</b>	<b>(108)</b>
Other comprehensive income	(251)	(76)
<b>Total comprehensive income / (loss) for the year</b>	<b>(664)</b>	<b>(184)</b>
Dividends paid	0	0
Group's share of joint venture's cumulative comprehensive income / (loss)	(332)	(92)

	2016 \$000	2015 \$000
<b>9. Intangible Assets</b>		
MicroStreak option fee at cost	51	51
Less: accumulated amortisation (Note 1 (c))	(41)	(37)
	10	14
MicroStreak licence fee at cost	120	120
Less: accumulated amortisation (Note 1 (c))	(92)	(84)
	28	36
Patent fees	247	247
Less: accumulated amortisation (Note 1 (c))	(117)	(104)
	130	143
MicroStreak development costs (Note 1 (c))	11,959	11,959
Less: accumulated amortisation	(3,574)	(2,903)
	8,385	9,056
APAS development costs (Note 1 (c))	12,102	7,652
Less: accumulated amortisation	(72)	(33)
	12,030	7,619
<b>Total intangible assets</b>	<b>20,583</b>	<b>16,868</b>

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

#### Movements in Carrying Amount

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

	MicroStreak Option Fee at Cost \$'000	MicroStreak Licence Fee at Cost \$'000	Patent Fees \$'000	MicroStreak Development Costs \$'000	APAS Development Costs \$'000	Total Intangible Assets \$'000
<b>Balance 30 June 2014</b>	<b>17</b>	<b>44</b>	<b>155</b>	<b>9,727</b>	<b>3,902</b>	<b>13,845</b>
Additions	0	0	0	0	3,750	3,750
Disposals	0	0	0	0	0	0
Amortisation charge	(3)	(8)	(12)	(671)	(33)	(727)
<b>Balance 30 June 2015</b>	<b>14</b>	<b>36</b>	<b>143</b>	<b>9,056</b>	<b>7,619</b>	<b>16,868</b>
Additions	0	0	0	0	4,450	4,450
Disposals	0	0	0	0	0	0
Amortisation charge	(4)	(8)	(13)	(671)	(39)	(735)
<b>Balance 30 June 2016</b>	<b>10</b>	<b>28</b>	<b>130</b>	<b>8,385</b>	<b>12,030</b>	<b>20,583</b>

	2016 \$000	2015 \$000
<b>10. Trade and Other Payables</b>		
<b>(a) Current</b>		
Trade creditors	1,965	866
<b>Total trade and other payables</b>	<b>1,965</b>	<b>866</b>
<b>(b) Non-current</b>		
Provisions	136	104
<b>Total non-current provisions</b>	<b>136</b>	<b>104</b>
<b>11. Financial Liabilities</b>		
<b>(a) Current</b>		
Deferred revenue	511	141
Loan	0	1,000
Unexpended grants	0	54
<b>Total current financial liabilities</b>	<b>511</b>	<b>1,195</b>
<b>(b) Non-current</b>		
Deferred revenue	1,620	1,761
<b>Total non-current financial liabilities</b>	<b>1,620</b>	<b>1,761</b>

	2016 \$000	2015 \$000
<b>12. Issued Capital</b>		
Issued and paid up capital		
114,988,073 (2015: 114,723,367) ordinary shares fully paid	15,033	14,988
Less: costs associated with capital raising		
Opening balance	(1,801)	(1,704)
Capital raising costs	(2)	(139)
Amount incurred during year (net of tax)	(78)	42
	<b>13,152</b>	<b>13,187</b>
	No.	No.
Ordinary shares		
At the beginning of the reporting period	114,723,367	102,727,455
Share Purchase Plan allotted 7 August 2014	0	3,832,944
Tranche 2 Placement allotted 7 August 2014	0	8,162,968
Placement of shares	264,706	0
<b>At reporting date</b>	<b>114,988,073</b>	<b>114,723,367</b>

**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.

	2016 \$000	2015 \$000
<b>13. Reserve</b>		
Option reserve		
Option reserve of valuation of share options <sup>(1)</sup>	812	812
Foreign currency translation reserve <sup>(2)</sup>	192	228
	<b>1,004</b>	<b>1,040</b>

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

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

#### 14. Cash Flow Information

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

Profit (loss) after income tax	3,541	549
Non-cash flows in loss		
Amortisation	735	727
Depreciation	39	37
Options expense	0	6
Other comprehensive income	36	(228)
Cash Flows attributed to investing activities	(570)	30
Cash Flows attributed to financing activities	1,045	0

##### Changes in Assets and Liabilities

Decrease / (Increase) in receivables	313	462
(Decrease)/Increase in deferred revenue	(825)	(86)
Decrease / (Increase) in deferred tax asset	687	4
(Increase) / Decrease in current tax asset	493	243
Decrease / (Increase) in Investment accounted for using the equity method	241	92
Increase/(Decrease) in trade creditors	1,100	316
(Increase) / Decrease in financial asset	(80)	0
Increase/(Decrease) in provisions	32	0
Increase / (Decrease) in deferred tax liability	1,058	878
Increase/(Decrease) in deferred tax in equity	(79)	42
Decrease / (Increase) in net unrealised loss (gain) on foreign currency held	106	(24)
<b>Cash flow from/(used in) operations</b>	<b>7,874</b>	<b>3,048</b>

	2016 \$000	2015 \$000
<b>15. Earnings Per Share</b>		
<b>Reconciliation of Earnings to Net Profit/(Loss)</b>		
Net Profit/(Loss)	3,577	321
Earnings used in the calculation of basic earnings per share	3,577	321
Earnings used in the calculation of diluted earnings per share	3,577	321
Weighted average number of ordinary shares outstanding at 30 June 2016 used in the calculation of basic earnings per share	114,937,307	113,507,343
Weighted average number of options outstanding	2,744,932	2,600,000
Weighted average number of ordinary shares outstanding at 30 June 2016 used in the calculation of diluted earnings per share	114,937,307	113,507,343
<b>16. Tax</b>		
<b>(a) Assets</b>		
Deferred tax assets comprise:		
Future income tax benefits attributable to tax losses	0	807
Accruals	7	6
Leave entitlements	73	53
Assessable deferred accounting income	639	571
Capital raising costs	32	44
Other	50	7
	<b>801</b>	<b>1,488</b>
<b>(b) Liabilities</b>		
Deferred tax liabilities comprise:		
Capitalised development expenditure	6,010	4,948
Other	13	16
	<b>6,023</b>	<b>4,964</b>
<b>(c) Reconciliations</b>		
<b>i Gross Movements</b>		
The overall movement in the deferred tax account is as follows:		
Opening balance	(3,476)	(2,350)
(Charge)/credit to income statement	(1,667)	(1,168)
(Charge)/credit to equity	(79)	42
<b>Closing balance</b>	<b>(5,222)</b>	<b>(3,476)</b>

	2016 \$000	2015 \$000
<b>16. Tax</b>		
<b>c) Reconciliations cont.</b>		
<b>ii Deferred Tax Assets</b>		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<b>Carried forward income losses</b>		
Opening balance	807	1,051
(Charge)/credit to the income statement	(807)	(244)
<b>Closing balance</b>	<b>0</b>	<b>807</b>
<b>Non-deductable accrued expenses</b>		
Opening balance	6	5
Credit/(charge) to the income statement	1	1
<b>Closing balance</b>	<b>7</b>	<b>6</b>
<b>Provision for leave</b>		
Opening balance	53	53
Credit to the income statement	20	0
<b>Closing balance</b>	<b>73</b>	<b>53</b>
<b>Deferred income</b>		
Opening balance	571	613
Credit/(charge) to the income statement	68	(42)
<b>Closing balance</b>	<b>639</b>	<b>571</b>
<b>Capital raising costs</b>		
Opening balance	44	14
Credit/(charge) to equity	(12)	30
<b>Closing balance</b>	<b>32</b>	<b>44</b>
<b>Trademarks</b>		
Opening balance	7	0
Credit to equity	43	7
<b>Closing balance</b>	<b>50</b>	<b>7</b>
<b>iii Deferred tax liabilities</b>		
<b>Capitalised development expenditure</b>		
Opening balance	4,948	4,067
Charge to income statement	1,062	881
<b>Closing balance</b>	<b>6,010</b>	<b>4,948</b>
<b>Other</b>		
Opening balance	16	19
(Credit) to income statement	(3)	(3)
<b>Closing balance</b>	<b>13</b>	<b>16</b>

## 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 (retired 8 August 2016)
Mrs C M Costello	Independent Director – Non-Executive
Mr S P Mathwin	Independent Director – Non-Executive
Dr C Popper	Non-Independent Director – Non-Executive

#### Key Management Personnel

Mr P Bradley	VP of Global Business Development
Mr Daniel Hill	Chief Financial Officer and Company Secretary

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

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

	2016 \$000	2015 \$000
Short term employee benefits	793	783
Post-employment benefits	102	98
Other long-term benefits	11	7
Share-based payments	0	6
<b>Total KMP compensation</b>	<b>906</b>	<b>894</b>

#### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

#### Post-employment benefits

These amounts are the current year's superannuation contributions made during the year.

#### Other long-term benefits

These amounts represent long service leave benefits accrued during the year.

#### Share-based payments

These amounts represent the expense related to the participation of KMP in equity settled benefit schemes as measured by the fair value of the options granted on the grant date.

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

## 17. Related Party Transactions

## (b) Option Holdings

## 2016

	Balance 01/07/15	Granted as Remuneration	Options Exercised	Other Change <sup>(1)</sup>	Balance 30/06/16	Total Vested 30/06/16	Total Exercisable 30/06/16	Total Unexercisable 30/06/16
<b>Directors</b>								
Mr R A Finder	750,000	0	0	0	750,000	750,000	750,000	0
Mrs C M Costello	250,000	0	0	0	250,000	250,000	250,000	0
Mr S P Mathwin	500,000	0	0	0	500,000	500,000	500,000	0
Dr C Popper	500,000	0	0	0	500,000	500,000	500,000	0
<b>Key Management Personnel</b>								
Mr P Bradley	100,000	500,000	0	0	600,000	100,000	100,000	500,000
	<b>2,100,000</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>2,600,000</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>500,000</b>

## 2015

	Balance 01/07/14	Granted as Remuneration	Options Exercised	Other Change <sup>(1)</sup>	Balance 30/06/15	Total Vested 30/06/15	Total Exercisable 30/06/15	Total Unexercisable 30/06/15
<b>Directors</b>								
Mr R A Finder	750,000	0	0	0	750,000	750,000	750,000	0
Mrs C M Costello	250,000	0	0	0	250,000	250,000	250,000	0
Mr S P Mathwin	500,000	0	0	0	500,000	500,000	500,000	0
Dr C Popper	500,000	0	0	0	500,000	500,000	500,000	0
<b>Key Management Personnel</b>								
Mr P Bradley	100,000	0	0	0	100,000	0	0	100,000
	<b>2,100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,100,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>100,000</b>

## 17. Related Party Transactions

## (c) Shareholdings

2016					
	Balance 01/07/15	Received as Remuneration	Options Exercised	Net Change Other <sup>(1)</sup>	Balance 30/06/16
<b>Directors</b>					
Mr R A Finder	5,157,331	0	0	447,973	5,605,304
Mrs L H Guthrie	6,123,755	0	0	90,000	6,213,755
Mrs C M Costello	1,797,228	0	0	298,800	2,096,028
Mr S P Mathwin	2,400,000	0	0	150,000	2,550,000
Dr C Popper	0	0	0	0	0
<b>Key Management Personnel</b>					
Mr P Bradley	51,754	0	0	43,000	94,754
Mr D Hill	0	0	0	0	0
<b>Total</b>	<b>15,530,068</b>	<b>0</b>	<b>0</b>	<b>1,029,773</b>	<b>16,559,841</b>
2015					
	Balance 01/07/14	Received as Remuneration	Options Exercised	Net Change Other <sup>(1)</sup>	Balance 30/06/15
<b>Directors</b>					
Mr R A Finder	5,157,331	0	0	0	5,157,331
Mrs L H Guthrie	6,123,755	0	0	0	6,123,755
Mrs C M Costello	1,797,228	0	0	0	1,797,228
Mr S P Mathwin	2,312,963	0	0	87,037	2,400,000
Dr C Popper	0	0	0	0	0
<b>Key Management Personnel</b>					
Mr P Bradley	51,754	0	0	0	51,754
Mr D Hill	0	0	0	0	0
<b>Total</b>	<b>15,443,031</b>	<b>0</b>	<b>0</b>	<b>87,037</b>	<b>15,530,068</b>

Note (1) Net Change Other includes securities purchased/sold during the year.

## (d) Directors' Related Entity Transactions with the Company

Details of remuneration paid or payable to directors for the year ended 30 June 2016 has been included in the Directors' Report.

The Company engaged the services of Popper and Company LLC during the year ended 30 June 2016. This is a company controlled by Caroline Popper. Popper and Company LLC was engaged to provide consultancy services relating to the oversight of clinical trials to the Company and was paid US\$82,747 (\$74,751) in the financial year on normal commercial terms.

In June 2015, the Company entered into a loan facility with related parties of Robert Finder, Stephen Mathwin and Daniel Hill for the provision of a \$1m loan facility intended to bridge the timing of the expected 2015 R&D tax refund. This loan was fully repaid in September 2015.

## 17. Related Party Transactions

### (e) Other Related Parties Transactions with the Company

SA Pathology (formally Medvet Science Pty Ltd)

SA Pathology was a shareholder in LBT Innovations, holding 4,703,401 ordinary shares, as at 30 June 2015, but have since sold their holdings to nil.

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, while minimising potential adverse effects on financial performance.

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

#### ii) Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

##### Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits. At 30 June 2015 none of the Company's cash deposits were fixed.

##### Foreign currency risk

The Company can be exposed to fluctuations in foreign currencies arising from the receipts of milestone, licence, loan and royalty payments in currencies other than the Company measurement currency. At balance date, the Company had exposure in a loan to Clever Culture Systems on €53,720 (\$80,191) and interest on this loan totaling €269 (\$401).

##### 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.

## 18. Financial Risk Management

### (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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<b>Financial Assets</b>													
Cash and cash equivalents	2.7	2.1	4,482	1,578	0	0	0	0	0	0	200	240	4,682	1,818
Receivables	0	0	0	0	0	0	80	0	0	0	445	838	525	838
<b>Total Financial Assets</b>			<b>4,482</b>	<b>1,578</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>645</b>	<b>1,078</b>	<b>5,207</b>	<b>2,656</b>
<b>Financial Liabilities</b>														
Deferred revenue	0	0	0	0	0	0	0	0	0	0	2,131	1,956	2,131	1,956
Trade Payables Borrowings	0	12.5	0	0	0	1,000	0	0	0	0	2,101	970	2,101	1,970
<b>Total Financial Liabilities</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,232</b>	<b>2,926</b>	<b>4,232</b>	<b>3,926</b>

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 2016, 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:

	2016 \$000	2015 \$000
<b>Change in profit</b>		
- increase in interest rate by 2%	73	25
- decrease in interest rate by 2%	(73)	(25)
<b>Changes in equity</b>		
- increase in interest rate by 2%	73	25
- decrease in interest rate by 2%	(73)	(25)

## 19. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2016:

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

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

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

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

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

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

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

During 2016, 100,000 share options were granted to Michael Summerford in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.088 each. These options are exercisable during the period 28 February 2017 to 28 February 2025.

During 2016, 500,000 share options were granted to Peter Bradley in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.141 each. These options are exercisable during the period 11 April 2018 to 11 April 2026.

	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	2016	\$	2015	\$
Outstanding at the beginning of the year	2,600,000	0.192	2,600,000	0.175
Granted	600,000		0	
Forfeited	0		0	
Exercised	0		0	
Expired	0		0	
Outstanding at year end	3,200,000	0.192	2,600,000	0.175
<b>Exercisable at year end</b>	<b>2,600,000</b>	<b>0.175</b>	<b>2,500,000</b>	<b>0.18</b>

The options outstanding at 30 June 2016 had a weighted average exercise price of \$ 0.192 and a weighted average remaining contractual life of 4.3 years. Exercise prices range from \$0.045 and \$0.30.

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

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

## 20. Segment Reporting

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

(b) Revenue by geographic region

	2016 \$000	2015 \$000
Australia	265	377
Switzerland	138	1,144
USA	7,323	846
<b>Total revenue</b>	<b>7,726</b>	<b>2,367</b>

(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 \$1,399,000. The joint venture is based in Switzerland.

(d) Major customers

In 2015 LBT Innovations Ltd derived royalties from its MicroStreak technology that is licensed to the French diagnostic company bioMérieux. These royalties accounted for 36% of external revenue.

In 2016 bioMérieux terminated the original MicroStreak licence agreement and LBT Innovations Ltd granted them new non-exclusive licence in exchange for US\$5.5 million (\$7.9m). \$7.5 million of this termination payment was recognised as income in this financial year less a (\$0.2 million) royalty income adjuswent. The net income from bioMérieux accounted for 95% of external revenue.

LBT Innovations recognised \$138,000 service fees during the financial year from its joint venture with Hettich AG Switzerland. LBT Innovations Ltd recognised 50% of the joint venture losses of \$664,000.

## 21. Credit Standby Arrangements

The Company has a credit standby facility of \$40,000. This facility was used to the extent of \$26,233 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.

	2016 \$000	2015 \$000
--	---------------	---------------

### 23. Operating Leasing Commitments

#### Non-cancellable operating leases contracted for but not recognised in the financial statements

Payable - minimum lease payments

- not later than 12 months	100	95
- between 12 months and five years	8	108

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

### 24. Events After the Balance Sheet Date

Lusia Guthrie resigned as Chief Executive Officer on 8 August 2016 and former Cochlear Limited executive Brent Barnes was appointed the Company's new Chief Executive Officer on the 8 August 2016.

### 25. Company Details

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

Level 1, 300 Flinders Street  
Adelaide SA 5000

Phone: +61 8 8227 1555

Fax: +61 8 8223 1775

Website: [lbtinnovations.com](http://lbtinnovations.com)

## Directors' Declaration

### The directors of the Company declare that:

- (1) the financial statements and notes, as set out on page 24 to page 53, 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 2016 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.



**Robert Andrew Finder**  
Director



**Brenton Barnes**  
Director

Dated at Adelaide this 27th day of September 2016.

# Independent Auditor's Report



LBT INNOVATIONS LIMITED

ABN 95 107 670 673

INDEPENDENT AUDITOR'S REPORT

To the members of LBT Innovations Limited:

## Report on the Financial Report

We have audited the accompanying financial report of LBT Innovations Limited ("the company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other 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, of 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*, the financial statements comply with International Financial Reporting Standards.

## Auditor's Responsibility

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

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

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

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

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Postal: PO Box 377, Kent Town SA 5071

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## INDEPENDENT AUDITOR'S REPORT (continued)

### **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, given to the directors of the company on 27 September 2016, would be in the same terms if provided to the directors as at the time of this auditor's report.

### **Opinion**

In our opinion:

- (a) the financial report of LBT Innovations Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2016 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.

### **Emphasis of Matter**

We draw attention to the following paragraph in Note 9 to the financial statements which describes the risk related to the intangible asset (Intellectual Property) of LBT Innovations Limited.

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

Our opinion is not modified in respect of this matter.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

**INDEPENDENT AUDITOR'S REPORT (continued)*****Matters relating to the electronic presentation of the audited financial report and remuneration report***

This auditor's report relates to the financial report and remuneration report of LBT Innovations Limited for the financial year ended 30 June 2016 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial and remuneration reports identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial and remuneration reports. If users of the financial and remuneration reports are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial and remuneration reports to confirm the information contained in this website version of the financial and remuneration reports.

A handwritten signature in black ink, appearing to read 'HLB Mann Judd'.

**HLB Mann Judd**  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Phil Plummer'.

**Phil Plummer**  
Partner

Adelaide, South Australia  
27 September 2016

## Shareholder Information

As at 19 September 2016

### Statement of Issued Securities

The total number of shareholders is 909 and there are 114,988,073 ordinary fully paid shares on issue.

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

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

Other Options Expiry date	Number of holders	Number on issue	Number of restricted securities	Release date (if applicable)
5 December 2017	1	750,000	0	N/A
6 January 2019	1	50,000	0	N/A
24 August 2020	1	200,000	0	N/A
29 November 2022	1	500,000	0	N/A
11 December 2023	1	100,000	0	N/A
28 February 2025	1	100,000	100,000	28 February 2017
11 April 2026	1	500,000	500,000	11 April 2018

### Distribution of Securities

Equity Distribution	No of Share- holders	No of Class E Option- holders	No of Class F Option- holders	No of Option- holders Exp 5/12/17	No of Option- holders Exp 6/1/19	No of Option- holders Exp 24/8/20	No of Option- holders Exp 29/11/22	No of Option- holders Exp 11/12/23	No of Option- holders Exp 28/02/25	No of Option- holders Exp 11/04/26
1 – 1,000	25	0	0	0	0	0	0	0	0	0
1,001 – 5,000	98	0	0	0	0	0	0	0	0	0
5,001 – 10,000	170	0	0	0	0	0	0	0	0	0
10,001 – 100,000	451	0	0	0	1	0	0	1	1	0
100,001 and over	165	1	2	1	0	1	1	0	0	1
	<b>909</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

The number of shareholdings held in less than marketable parcels is 61.

### Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 19 September 2016 are:

Name	Number of Shares held	% Held of Issued Capital
bioMérieux SA	9,772,727	8.50
Mr Brendan Moran + Morcap Pty Ltd	7,048,697	6.13
Mrs Lucyna Halina Guthrie + Mr Hugh Berkerley Guthrie <The Podlaska Super Fund A/C>	6,213,755	5.40
	<b>23,035,179</b>	<b>20.03%</b>

### 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	8.50
2	Mr Brendon Moran	6,374,516	5.54
3	Mrs Lusia Halina Guthrie + Mr Hugh Berkeley Guthrie <The Podlaska Super Fund A/C>	6,065,606	5.27
4	Mr Robert Andrew Finder & Mrs Sheryl Jean Finder <Sherrob9 S/F A/C>	5,021,393	4.37
5	Allora Technology Pty Ltd	3,703,704	3.22
6	Avanteos Investments Limited <1823201>	2,894,329	2.52
7	Ruin Pty Ltd <Steve Mathwin Super A/C>	2,550,000	2.22
8	Avanteos Investments Limited <1823205>	2,493,121	2.17
9	Mr David Cattuzzo + Mrs Elizabeth Cattuzzo	2,350,000	2.04
10	Angueline Investments Pty Ltd <Angueline A/C>	1,501,353	1.31
11	Citicorp Nominees Pty Ltd	1,479,107	1.29
12	Mr Leng Kuan Ng + Ms Junisilver Tajj + Mr Leng Ming Ng <TNG Superfund A/c>	1,423,015	1.24
13	Costello Consulting Pty Ltd	1,335,312	1.16
14	Mr Ari Pullinen + Mrs Outi Pullinen <A&O Pullinen Super S/F A/c>	1,317,541	1.15
15	Chag Pty Ltd	1,300,000	1.13
16	KMEC Superannuation Pty Ltd	1,248,113	1.09
17	Mr Philip Anthony Beale	1,242,867	1.08
18	Mr Bryce Whetton	1,121,111	0.97
19	Mr Stephen Goodwin	1,100,000	0.96
20	Mr Jarkko Petteri Pullinen	1,000,000	0.87
		<b>55,293,815</b>	<b>48.09%</b>

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

Rank	Name	Number of Options	% of Options
1	Mr Stephen Mathwin	500,000	100.00%
		<b>500,000</b>	<b>100.00%</b>

**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%
		<b>500,000</b>	<b>100.00%</b>

**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	34.09%
2	Dr Caroline Popper (option expire 29/11/22 – ex price \$0.058)	500,000	22.73%
3	Mr Peter Bradley (500,000 options expire 11/4/26 – ex price \$0.141)	500,000	22.73%
4	Mr John Glasson (200,000 options expire 24/8/20 – ex price \$0.065)	200,000	9.09%
5	Mr Peter Bradley (100,000 options expire 24/8/20 – ex price \$0.045)	100,000	4.55%
6	Mr Michael Summerford (100,000 options expire 28/2/25 – ex price \$0.088)	100,000	4.55%
7	Ms Deborah Nutt (50,000 options expire 6/1/19 – ex price \$0.165)	50,000	2.26%
		<b>2,200,000</b>	<b>100%</b>

**Register of Securities****The register of securities is located at:**

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GPO Box 1903 Adelaide, South Australia 5001, Australia

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