



LBT INNOVATIONS

Annual Report

For the year ended 30 June 2017



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

Website: lbtinnovations.com

Directors**Catherine Mary Costello**

(Commenced chair position 1 August 2017)
Chairman
(Formerly non-executive director)

Robert Andrew Finder

(Retired 31 July 2017)
Chairman

Brenton Barnes

(Commenced 8 August 2016)
Chief Executive Officer and
Managing Director

Lusia Halina Guthrie

Chief Executive Officer
(Retired 8 August 2016)

Stephen Paul Mathwin

Non-executive Director

Caroline Popper

Non-executive Director

Dr Glenn Haifer

(Commenced 1 September 2017)
Non-executive Director

Matthew Michalewicz

(Commenced 1 September 2017)
Non-executive Director

Company Secretary**Daniel Hill**

Company Secretary (Formerly Company
Secretary and Chief Financial Officer)
Retired as Chief Financial Officer on
24 August 2017

Chief Financial Officer**Raymond Ridge**

(Commenced 25 August 2017)

Lawyers**Thomson Geer Lawyers**

19 Gouger Street
Adelaide SA 5000

Auditors**HLB Mann Judd Audit (SA) Pty Ltd**

167-169 Fullarton Rd
Dulwich SA 5065

Share Register**Computershare Investor Services
Pty Limited**

GPO Box 1903
Adelaide SA 5001

Listed Securities

LBT: Ordinary Shares

Contents

Chairman's and CEO's Letter to Shareholders	2-3
Directors' Report.....	4-24
Auditors' Independence Declaration.....	25
Statement of Comprehensive Income	26
Statement of Financial Position	27
Statement of Changes in Equity.....	28
Statement of Cash Flows.....	29
Notes to the Financial Statements	30-53
Directors' Declaration	54
Independent Auditor's Report	55-59
Shareholder Information.....	60-62

Chairman's and CEO's Letter to Shareholders

Dear Shareholders,

This past financial year has delivered monumental success around LBT's platform APAS® technology, coupled with a smooth transition of leadership from outgoing to incoming CEO.

Since submitting our 510(k) de novo application for APAS for the FDA in December, we continue to keep our shareholders informed as we sit on the brink of a world first.

Our FDA clearance milestone achieved on 10 October 2016 is one of the most meaningful achievements made by our company over the past few years. It is a tribute to many years of work by LBT staff and partners. We wish to thank our long term shareholders for your trust and patience, and welcome the many new shareholders that have joined us as a result of achieving this milestone.

With FDA clearance based on the core APAS technology (APAS compact), and our regulatory path to market for the US significantly de-risked, an accelerated engineering program has been created to bring a fully automated instrument to market. The APAS Independence will be brought to market with our 50/50 owned joint venture company Clever Culture Systems AG (CCS).

In December 2016, we also completed a \$7 million placement to support this accelerated engineering program, allowing us to achieve the important milestone of bringing a working instrument to market in the 2017 calendar year.

We also reached the important milestone of launching a working demonstration APAS Independence instrument for display in April this year, where it was showcased at the prestigious European Congress of Clinical Microbiology and Infectious Diseases conference in Vienna. The instrument was then displayed at the American Society of Microbiology in New Orleans in early June 2017. Feedback from these events was extremely positive, with stakeholders impressed with our software technology and instrument footprint. Stakeholders were excited to see plates move through the instrument.

Our instrument characteristics remain unique in the marketplace, with no direct competing products. Our technology is a world first, and we expect a realistic adoption curve for those early adopters over the first 12 to 18 months as sales commence. We also plan to build laboratory reference site data following the APAS Independence being used in laboratories globally.

“The coming calendar year will see our company shift into executing the commercialisation plans for the APAS Independence and generating sales. ”

At time of writing, we are working with St Vincent's Hospital in Melbourne as the first trial site laboratory in the world. We look forward to providing our shareholders with updates of this trial in November 2017, and the placement of instruments in additional reference sites both in Australia, and globally over the coming 12 to 18 months. We expect to be ready to ship instruments to fulfil sales orders starting from January 2018, beginning with the Australian market.

Progress on LBT's WoundVue® device continued, with a prototype device being completed and used with Central Adelaide Local Health Network (CALHN) Vascular and Endovascular Services, to support their clinical trial, “Predicting outcomes in patients with diabetic foot ulcers and effectiveness of interventions to improve outcomes”. The technology behind WoundVue originates from the principles behind LBT's FDA Cleared APAS platform, where the core machine learning algorithms have been adapted to interpret tissue types and automatically provide surface area, volume and depth measurements.



Revenue for the year ending 30 June 2017 was \$5.92 million, however fundamentally the company did not generate any material revenues from the sales or licensing of products.

The principal sources of revenue for the year included:

- \$4.96 million reimbursement of APAS related expenses by the Company's 50% owned joint venture company, Clever Culture Systems AG (CCS),
- \$370,000 revenue recognition of the remaining proceeds from bioMérieux's termination of the original MicroStreak® licence agreement,
- \$141,000 of deferred grant income brought to account as revenue,
- \$330,000 Consulting Income related to services provided to CCS,
- \$116,000 Interest received,
- \$11,000 Foreign exchange gain.

The cash position as at 30 June 2017 was \$3.5 million (2016 \$4.68 million).

LBT received a R&D tax concession refund of \$1.16 million following completion of the 2016 tax return. The Company has lodged a claim for the 2017 year with an estimated cash refund of approximately \$4.01 million (net of Income tax payable), followed by a further \$0.34 million for an overseas finding claim made in 2016 which has recently been approved by AusIndustry.

There have been some changes to our board with the retirement of long serving LBT Innovations Chairman, Bob Finder at the end of July 2017. We wish to thank Bob following a decade of outstanding leadership of LBT Innovations since 2007. Existing director, Kate Costello, was elected Chair and we welcomed two new non-executive directors, Dr Glenn Haifer and Mr Matthew Michalewicz.

Dr Haifer has 30 years of experience in medicine and the healthcare sector and has successfully launched four different businesses in this time. His business operating areas include primary medical services, histopathology and cosmetic medical services, which he has exited through sales to private equity firms and to an ASX 200 listed entity.

Artificial intelligence expert and entrepreneur Mr Michalewicz has more than 20 years' experience in starting and running high-growth tech companies, particularly in the areas of predictive analytics and optimisation software. He is the CEO of Complexica Pty Ltd, a provider of artificial intelligence software applications that help large organisations increase revenue, margin and customer engagement through automated analytics.

The coming calendar year will see our company shift into executing the commercialisation plans for the APAS Independence and generating sales. The board will complete a strategy meeting in October 2017, with a focus on leveraging our intelligent imaging and machine learning platform for future products.

While our immediate focus remains on APAS Independence, it is also important to shape our company's future to ensure profits from our current capabilities, while also having a long term product strategy.

We would like to thank you for your continued and much valued support as loyal LBT shareholders, particularly at this most exciting phase in our commercial development.

Yours faithfully,

Catherine Costello and Brent Barnes

Catherine Costello
Chairman

Brent Barnes
Chief Executive Officer

Directors' Report

Your directors present their report on the Company for the year ended 30 June 2017.

Directors

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

Catherine Mary Costello

(Commenced chair position 1 August 2017)
Chairman (Formerly non-executive director)

Robert Andrew Finder

(Retired 31 July 2017)
Chairman

Brenton Barnes

(Commenced 8 August 2016)
Chief Executive Officer and Managing Director

Lusia Halina Guthrie

(Retired 8 August 2016)
Chief Executive Officer

Stephen Paul Mathwin

Non-executive Director

Caroline Popper

Non-executive Director

Dr Glenn Haifer

(Commenced 1 September 2017)
Non-executive Director

Matthew Michalewicz

(Commenced 1 September 2017)
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

(Retired as Chief Financial Officer on 24 August 2017)

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 loss for the year of \$5,213,400 (2016: \$3,541,000 profit).

Dividends Paid or Recommended

No dividends were paid, nor recommended to be paid for the year ended 30 June 2017.



CCS APAS Independence model.

Review of Operations

In the 2016/17 financial year LBT has achieved some significant milestones across engineering, organisational leadership and capital planning. The primary focus remained the continued development of the Automated Plate Assessment System (APAS) technology, specifically the APAS Independence instrument. The past 12 months have delivered tangible results, notably FDA Clearance in October 2016 and showcasing a working demonstration instrument at major tradeshow starting in April 2017. These achievements coupled with the accelerated engineering schedule announced in December 2016 have set up fiscal 2017/18 as a year for commercialisation and first sales.

Clever Culture Systems

Clever Culture Systems AG (CCS) is a joint venture company that is owned 50/50 between LBT Innovations and Hettich Holding Beteiligungs- und Verwaltungs-GmbH. It was established as the legal entity responsible for bringing APAS Independence to market. Retiring LBT co-founder and CEO Luisa Guthrie was appointed as Chair of CCS for a two-year period, ensuring strategic continuity of the business.

Management and organisation development

In August 2016 Brent Barnes began his tenure as CEO and Managing Director of LBT. After establishing 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 led 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. After four years in the US, Brent returned to Cochlear's global headquarters in Sydney, running Asia Growth Markets and Operations for Asia Pacific at the Sydney and Singapore offices.

Two key strategic appointments were made during the year: Dr Steven Giglio was appointed Scientific Director in December 2016, and Rhys Hill as Research Director in February 2017. Both Steve and Rhys have extensive experience in the areas of science and artificial intelligence, which are foundational growth drivers for LBT. Rhys is the inventor of APAS and having this experience within LBT will ensure ongoing development of our platform technology, notwithstanding the continuation of important collaborative partners such as the Australian Centre of Visual Technology. Our investment in internal capabilities, along with our continued focus on staff, led to the successful accomplishments of key milestones during the year.

Review of Operations

LBT board

LBT's long-serving Chairman Bob Finder announced his retirement following a decade of outstanding leadership of the company. The board acknowledges Bob's exceptional leadership of LBT since 2007. He left as the third largest shareholder in the company, participating in both the share placement in December 2016 and shareholder purchase plan in June 2017, demonstrating his ongoing support of the board and management.

Existing long standing board member Catherine (Kate) Costello became chairman of LBT immediately following Bob's retirement. Kate is a lawyer and expert in strategy and corporate governance with depth of experience as a director and chair of various companies.

In December 2016 the board completed a reflective board skills assessment to define the competencies the board requires to achieve its strategic goals. As a result of this, two new Non-executive Directors were appointed, both starting on 1 September 2017.

Mr Matt Michalewicz has more than 20 years' experience in starting and running high-growth tech companies, particularly in the areas of predictive analytics and optimisation software. He is the CEO of Complexica Pty Ltd, a provider of artificial intelligence (AI) software applications that help large organisations increase revenue, margin and customer engagement through automated analytics. Matt lives in Adelaide and started his career based in the United States. His background in AI technology complements LBT's platform technology.

Dr Glenn Haifer has 30 years' experience in medicine and the healthcare sector and has successfully launched four different businesses operating in primary medical services, histopathology and cosmetic medical services, which he has exited through sales to private equity firms and to an ASX 200 company. Glenn is a Sydney-based experienced company director holding multiple directorships with focus in capital management strategies.

Review of Operations

APAS Independence developments

A major company milestone was reached in October 2016 with the announcement that CCS had received clearance of its 510(k) de novo submission to the US Food and Drug Administration (FDA) for APAS as a Class II medical device. FDA clearance followed rigorous interrogation and validation of the capabilities of APAS after the successful clinical trial program was completed and submitted to FDA in December 2015.

The submission used a manual version of APAS to test 10,000 patients in a series of clinical trials conducted in Australia and the US over a 12 month period. In each trial APAS achieved its target primary endpoints and the results matched or exceeded the findings of a panel of experienced microbiologists.

FDA clearance is a fitting tribute to the many years of painstaking work by LBT's staff and partners, and was the most pleasing and important milestone achieved for the year, adding considerable value to LBT shares.

Following FDA clearance, confirmation was received that APAS had been included on the Australian Register of Therapeutic Goods (ARTG) as an In-Vitro Diagnostic Device. Inclusion on the ARTG is a legal requirement for the supply of any medical device in Australia and is an important milestone to support the sale and distribution of APAS products within Australia.

"FDA clearance is a fitting tribute to the many years of painstaking work by LBT's staff and partners."

The inclusion by the TGA of the APAS technology is part of the global distribution strategy where Australia will be the first launch country for APAS Independence. LBT was appointed the distributor for Australia and New Zealand. As the initial developer of APAS, LBT has existing software and engineering expertise in-house and an ability to provide experienced market support. This market focus coupled with existing microbiology, sales and marketing expertise, will set the foundations for building global expertise used to support distributors who will be appointed in other global markets.



APAS Independence & LBT Management Team (L-R) Julie Winson, Rhys Hill, Vaughan Wesson, Steven Giglio, Tom Cosic, Brent Barnes

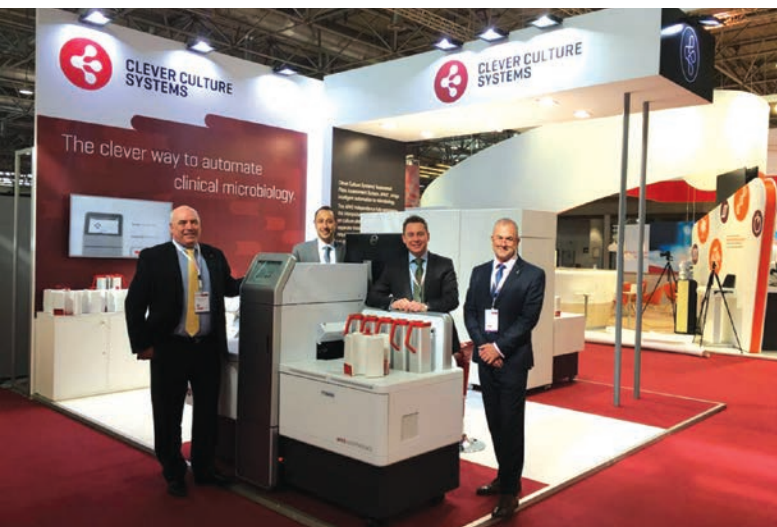
Review of Operations

The first functional APAS Independence demonstration instrument was showcased at an investor briefing in March 2017 in Melbourne, ahead of being shipped for display at the prestigious European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Vienna in April 2017. Following this successful display, the instrument was exhibited at the CCS booth during the American Society of Microbiology meeting in New Orleans in June 2017.

A constant stream of laboratory directors and microbiologists attended the booth during both conferences. They received demonstrations of the instrument along with explanations of the features and benefits of the APAS Independence. Stakeholders were enthusiastic and impressed with both the software technology and instrument footprint and design. Some of the highly regarded instrument features and feedback included:

- Recognition the technology did replicate the thought process of a microbiologist
- Triaging of negative samples out of the workflow did introduce efficiencies in the laboratory
- Two way interface with laboratory information systems and the ability to tailor reporting to specific laboratory protocols
- No other competitor product is able to image and interpret plates like APAS and it remains unique, filling an unmet need within the market
- The small footprint of the instrument lends itself to easy installation in many laboratories

In addition to the potential customers, a number of potential distributors have expressed interest in selling the instrument in their territories.



ECCMID Vienna, April 2017 (L-R) Peter Bradley, Steven Giglio, Brent Barnes, Michael Summerford

MicroStreak

Following a review of potential options to recognise value from the sale or licence of the MicroStreak Patents, the Directors have taken a decision to write down the carrying amount of the Microstreak Intangible assets, together with the unearned income related to the commercial ready grant, to nil. This is reflected in the Statement of Comprehensive Income for the year ended 30 June 2017 as a net impairment expense of \$6.24 million, being an after tax impact of \$4.52 million.

MicroStreak was LBT's foundational technology that was invented in 2004 and was successfully commercialised over subsequent years. From 2007-2015 the rights to LBT's MicroStreak technology were exclusively licensed to leading French diagnostic company bioMérieux, which marketed MicroStreak as PREVI® Isola. It's estimated that 450-500 PREVI Isola instruments were sold in 30 countries. In 2015 the agreement was renegotiated in which LBT resumed all exclusive rights to MicroStreak and received a USD\$5.5 million finalisation payment.

Following many years of milestone, royalty and finalisation payments, the MicroStreak asset has been a success for LBT and fully utilised.

Review of Operations

WoundVue

WoundVue is a hand held portable device that takes 2D and 3D images of chronic wounds to objectively monitor wound healing. The technology behind WoundVue originates from the principles behind LBT's FDA cleared APAS platform, where the core machine learning algorithms have been adapted to interpret tissue types and automatically provide surface area, volume and depth measurements. A prototype device has been completed and is being used with Central Adelaide Local Health Network Vascular and Endovascular Services to support its clinical trial. The capability achieved by the prototype device is encouraging with further development required for further clinical validation.

Investor relations

An important focus of the newly appointed CEO was to build and raise awareness of LBT as a company that is entering into its commercialisation phase. In the subsequent month of starting as CEO, Brent delivered his first major presentation at the AusBiotech Broker Meets Biotech twilight event in Adelaide. Since then, there has been a large amount of video, podcast and print coverage of LBT as it achieved its milestones throughout the year.

The media and analyst coverage is available on the LBT website lbtinnovations.com.au.

Capital planning

In December 2016 LBT completed a \$7 million placement to support the accelerated engineering program of APAS Independence. The exclusive lead manager of the offer was Bell Potter Securities, with Roth Capital Partners acting as the US Placement Agent. Directors of LBT elected to purchase shares, including newly appointed CEO Brent Barnes who invested at his first opportunity.

In May 2017 LBT announced a Share Purchase Plan (SPP) available to all existing eligible shareholders. \$500,000 was raised.

Closing Remarks

The 2016/17 financial year has been a year of major change for LBT, delivered in a very structured, thought out and considered way. A new CEO, transition of chair, coupled with new Non-executive Directors starting in September 2017, in addition to monumental progress in delivering a working APAS Independence instrument. This sets up LBT for continued success in fiscal year 2018.

Financial Overview

Revenue for the year to 30 June 2017 was \$5.92 million (down from \$7.73 million for the year ended 30 June 2016). Revenue consisted primarily of:

- \$4.96 million reimbursement of APAS related expenses by JV partner;
- \$370,000 residual proceeds from bioMérieux's termination of the original MicroStreak licence agreement and new non-exclusive licence;
- Interest revenue of \$116,000 (consistent with \$115,000 for the year ended 30 June 2016);
- The recognition of deferred commercial ready grant income of \$141,000 (consistent with the year ended 30 June 2016);
- Consulting income of \$330,000 relating to recoveries from the JV entity, CCS in Switzerland (up from \$138,000 for the year ended 30 June 2016);
- Foreign exchange gain \$11,000.

Significant components of overall expenses for the year included:

- Employee benefits expenses of \$1.29 million (up from \$1.07 million for the year ended 30 June 2016);
- Depreciation and amortisation expenses of \$0.76 million (consistent with \$0.78 million for the year ended 30 June 2016);
- A net impairment expense of \$6.24 million resulting from the write down of the carrying value of intangible assets associated with MicroStreak;
- Research and development expense of \$6.38 million (up from \$0.4 million for the year ended 30 June 2016). In the prior year the majority of APAS related research and development expenditure was capitalised, rather than expensed. Research and development expenses in this financial year relate to WoundVue, and some APAS related expenses that were largely reimbursed by LBT's Joint Venture Company, CCS. The \$4.96 million in reimbursements received from CCS are recorded as revenue.

LBT received an R&D tax concession refund of \$1.160 million following completion of the 2016 tax return. The Company has lodged a claim for the 2017 financial year and expects to receive an estimated cash refund of approximately \$4.015 million followed by a further \$0.343 million for an overseas finding claim made back in 2016 which has recently received approval by the ATO.

Financial Position

Net assets of the Company increased by \$2.21 million from \$19.19 million at 30 June 2016 to \$21.40 million at 30 June 2017.

Cash on hand and at the bank decreased to \$3.50 million at 30 June 2017 (\$4.68 million at 30 June 2016).

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

Robert Finder retired as Chairman on 31 July 2017 and former Non-executive Director Catherine Costello was appointed Chairman commencing 1 August 2017.

Dr Glenn Haifer and Matthew Michalewicz were both appointed Non-executive directors commencing 1 September 2017.

Receipt of \$0.5 million proceeds (1,923,057 shares at \$0.26 issued on 10 July 2017) from the Share Purchase Plan announced on 23 May 2017.

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.

Environmental Issues

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

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 25 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, Saab Systems, the South Australian TAB, Australian Central Credit Union Ltd and Festival City Broadcasters Ltd. She chaired Saab Intelligent Transport Systems and Bassett Consulting Engineers.

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	1,290,272	Ordinary shares
Interest in Options	161,290	Options expiring 9 December 2018

Third Party Holdings

Costello Consulting Pty Ltd as director	1,393,004	Ordinary Shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 18 September 2017.

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 was a former member on the board of directors of National Pharmacies (retired April 2017) and a former Chairman of Reproductive Health Science Pty Ltd.

Interest in Shares	807,692	Ordinary shares
Interest in Options	161,290	Options expiring 9 December 2018

Third Party Holdings

Sheryl Jean Finder	416,603	Ordinary shares
The Sherrob9 Fund	5,401,665	Ordinary shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 18 September 2017.

Information on Directors



Brenton Barnes (Commenced as CEO on 8 August 2016)
Chief Executive Officer and Managing Director

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 US Manufacturing subsidiary from ground up, where product was manufactured and business audited by the FDA with no observations. After four years in the US, Mr Barnes returned to Cochlear's global headquarters in Sydney to take up the role Director, Recipient Services & Operations (Asia-Pacific) and subsequently General Manager, Asia Growth Markets and Operations Director (Asia Pacific), based out of the Singapore office.

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

In his spare time, Brent enjoys all sports and tries to keep fit. He's a keen Aussie Rules follower, and a Life Member of Sydney's North Shore Bombers AFC and during his US posting, he played Australian Rules football for the Denver Bulldogs.

Interest in Shares	Nil	
Interest in Options	1,500,000	ESOP options expiring 7 August 2026
Third Party Holdings		
Barnes' Love Work Live	380,272	Ordinary shares
Barnes' Love Work Live	161,290	Options expiring 9 December 2018
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 18 September 2017.

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

With over 35 years in the pharmaceutical and bioscience industries, Lusia Guthrie is an experienced executive and medtech entrepreneur, with strong leadership skills and international industry networks. She started her career as a Medical Laboratory Scientist before joining the manufacturing operations of FH Faulding & Co. Lusia then went on to co-found LBT Innovations Limited where she served as Chief Executive Officer until her retirement in August 2016.

Lusia has previously served as a member of the Manufacturing Consultative Council (MCC) for the State Government of South Australia and on the Future Manufacturing Industry Innovation Council (FMIIC) for the Commonwealth Department of Industry, Innovation, Science and Research. She is a member of the Australian Institute of Company Directors (AICD) and currently holds several corporate and advisory board positions:

- Chair, Clever Culture Systems AG (Zurich)
- Board Member, BioMelbourne Network
- Board Member ANDHealth (Australia's National Digital Health Initiative)
- Advisory Committee Member, Australian Centre for Visual Technology (ACVT) at the University of Adelaide
- Advisory Committee Member, Australian Regenerative Medicine Institute (ARMI) at Monash University
- Chair, Advisory Committee for the Medicines Manufacturing Innovation Centre (MMIC), Monash Institute of Pharmaceutical Sciences

Interest in Shares	148,149	
Interest in Options	Nil	
Third Party Holdings		
LH & HB Guthrie as trustees of the Podlaska Super Fund	4,315,606	Ordinary shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 18 September 2017.

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 former chairman of 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	519,230	Ordinary Shares
Interest in Options	64,516	Options expiring 9 December 2018
Third Party Holdings		
Ruin Pty Ltd as trustee for the Steve Mathwin Superannuation Fund	2,648,262	Ordinary Shares
Directorships held in other listed entities	Nil	
Interest in Contracts	Nil	

The information provided above is current as at 18 September 2017.

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 digital health 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 and Pilgrim Software Inc.

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

Interest in Shares	200,000
Interest in Options	Nil
Directorships held in other listed entities	Nil
Past directorships held in other listed entities	Tyrian Diagnostics Ltd (ASX:TDX) 2009 to February 2016
Interest in Contracts	Nil

The information provided above is current as at 18 September 2017.

Information on Directors

**Matthew Michalewicz**

Non-executive Director

Qualifications

Bachelor of Science, Business Administration and Corporate Finance
(University of North Carolina)

Experience

Matthew Michalewicz has more than 20 years' experience in starting and running high-growth tech companies, particularly in the areas of predictive analytics and optimisation software. He is currently the CEO of Complexica Pty Ltd, a provider of artificial intelligence software applications that help large organisations increase revenue, margin and customer engagement through automated analytics.

Matt has extensive experience as an international business executive specialising in start-ups, raising capital, technology commercialisation, sales and marketing strategy and execution, international expansion, corporate governance and mergers and acquisitions.

Prior to co-founding Complexica, he was the CEO of SolveIT Software Pty Ltd, a provider of artificial intelligence software for optimising complex supply chains. He grew that company from zero to 180 employees during 2005-12 while building revenue in excess of A\$20 million per annum. The company was also named the third fastest growing in Australia by Deloitte in 2012.

He is a director on three boards: ComOps Ltd (ASX:COM), Prophecy International Ltd (ASX:PRO) and Complexica, and has served on numerous other boards throughout his career.

Matt was also named 2002 Alumnus of the Year for outstanding business achievements by the University of North Carolina. He completed a Company Director's Course (CDC) at the Australian Institute of Company Directors.

He has also been awarded numerous prestigious awards throughout his career including Pearcey Foundation Entrepreneur of the Year, Ernst & Young Entrepreneur of the Year finalist, Forty under 40 by the Charlotte Business Journal and Entrepreneur of the Year by the Charlotte Chamber of Commerce.

Interest in Shares	Nil
Interest in Options	Nil
Directorships held in other listed entities	ComOps Ltd (ASX:COM) March 2016 to Present Prophecy International Ltd (ASX:PRO) May 2014 to Present
Interest in Contracts	Nil

The information provided above is current as at 18 September 2017.

Information on Directors

**Glenn Haifer**

Non-executive Director

Qualifications

Master of Business Administration – Australian Graduate School of Management (University of NSW)

Bachelor of Medicine and Bachelor of Surgery (University of Witwatersrand, Johannesburg)

Experience

Glenn Haifer has over 30 years' experience in the healthcare sector. He has successfully established four different businesses operating in primary medical services, histopathology and cosmetic medical services, which he has exited through sales to private equity firms and to an ASX listed company.

Glenn is an experienced company director. His current directorships include Sun Doctors, a health care organisation that employs 250 staff and contracting doctors and offers special interest medical services, and access to one of the largest private histopathology laboratories in Australia.

He is a Non-executive Director of Aurora Expeditions, an expedition company and travel agency that operates in remote areas of the world including the polar regions. He was also previously a Non-executive Director of BDS Vircon, a multinational engineering services business employing over 300 staff, which was sold to a US listed public company in October 2016.

In addition to his 20 years' experience in general management of health care service delivery, Glenn has current roles as Medical Consultant to Apotex Pharmaceuticals and is the Australasian Medical Consultant to P&O/Princess Cruises.

Glenn is a registered Australian Specialist Medical Practitioner, and a fellow of the College of Rural and Remote Medicine. He is a member of the Australian Institute of Company Directors, and was previously a member of the American Stock Exchange in New York.

Interest in Shares	Nil
Interest in Options	Nil
Directorships held in other listed entities	Nil
Interest in Contracts	Nil

The information provided above is current as at 18 September 2017.

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 \$0.155 and a high of \$1.085.

	2017	2016	2015	2014	2013
Revenue	\$5.92m	\$7.73m	\$2.37m	\$3.99m	\$4.42m
Net Profit/(Loss)	(\$5.13m)	\$3.58m	\$0.32m	\$0.29m	\$0.53m
Basic Earnings per share (cents per share)	(4.02)	3.08	0.28	0.29	0.53
Diluted Earnings per share (cents per share)	(4.02)	3.08	0.28	0.29	0.53
Full year ordinary dividends per share (cents)	Nil	Nil	Nil	Nil	Nil
Year-end share price (last traded price on 30 June)	\$0.25	\$0.145	\$0.06	\$0.14	\$0.09

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 2016/17 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

2017	Cash Salary, Fees & Commissions	Long Service Leave	Cash Bonus	Superannuation Contributions	Non-Cash Benefits	Shares	Options ⁽²⁾	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Mr R A Finder	77	0	0	7	0	0	0	84
Mr B Barnes ⁽¹⁾	237	0	0	22	11	0	301	571
Mrs L H Guthrie ⁽³⁾	57	68	61	35	0	0	0	221
Mrs C M Costello	52	0	0	5	0	0	0	57
Mr S P Mathwin	50	0	0	5	0	0	0	55
Dr C Popper	46	0	0	0	0	0	0	46
Mr P M Bradley	204	0	0	20	0	0	0	224
Mr D Hill	66	0	0	0	0	0	0	66
	789	68	61	94	11	0	301	1,324

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	0	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	0	906

(1) Mr B Barnes commenced on 8 August 2016.

(2) Mr Barnes received 1,500,000 options on 18 November 2016, following shareholder approval. The terms of the options were finalised with Mr Barnes on 5 May 2016 upon his acceptance of the letter of offer of employment as CEO and Managing Director. The option exercise price of \$0.157 was based upon the volume weighted average share price for the five trading days prior to the 5 May 2017. However, in accordance with AASB2 "Share Based Payments", the fair value of the options was calculated on the date shareholders approved the grant of the options (16 November 2016). The option value is being expensed over the two year vesting period from commencement of employment on 8 August 2016.

(3) Mrs L Guthrie retired on 8 August 2016.

Meetings of Directors

During the financial year to 30 June 2017, eleven meetings of directors were held. Attendances by each director during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr R A Finder	11	11
Mr B Barnes ⁽¹⁾	10	10
Mrs L H Guthrie ⁽²⁾	1	1
Mrs C M Costello	11	10
Mr S P Mathwin	11	10
Dr C Popper	11	9

(1) Mr B Barnes commenced on 8 August 2016.

(2) Mrs L Guthrie retired on 8 August 2016.

During the financial year to 30 June 2017, three meetings of the Audit Committee were held. Attendances by each member during the reporting period were:

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

During the financial year to 30 June 2017, 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
- Mr B Barnes
- Mrs L H Guthrie
- Mrs C M Costello
- Mr S P Mathwin
- Dr C Popper

(1) Mr B Barnes commenced on 8 August 2016.

(2) Mrs L Guthrie retired on 8 August 2016.

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
n/a	09/12/2018	\$0.4425	11,292,505	11,292,505
n/a	24/8/2020	\$0.065	200,000	200,000
n/a	11/12/2023	\$0.045	100,000	100,000
n/a	11/04/2026	\$0.141	500,000	500,000
n/a	07/08/2026	\$0.157	1,500,000	1,500,000
n/a	22/12/2026	\$0.320	100,000	100,000
n/a	28/02/2027	\$0.400	200,000	200,000
			13,892,505	13,892,505

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 2017: NIL.

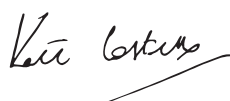
Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 25.


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.



Catherine Costello
Chairman



Brent Barnes
Chief Executive Officer

Dated at Adelaide this 29th day of September 2017.

Auditors' Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of LBT Innovations Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Adelaide, South Australia
29 September 2017

A handwritten signature in blue ink, appearing to read 'Jon Colquhoun'.

Jon Colquhoun
Partner

HLB Mann Judd Audit (SA) Pty Ltd ABN: 32 166 337 097

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Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Revenue	2	5,923	7,726
Share of profit/(loss) of associates & joint ventures accounted for using the equity method		(143)	(241)
Consulting fees	3a	(246)	(69)
Employee benefits expense	3b	(1,290)	(1,067)
Depreciation and amortisation expense		(759)	(775)
Net Impairment expense	10	(6,239)	0
General administration expenses		(209)	(163)
Legal		(13)	(65)
Marketing		(87)	(105)
Finance costs		0	(27)
Other expenses	3c	(6,689)	(1,094)
Profit/(Loss) before income tax		(9,752)	4,120
Income tax (expense)/benefit	4a	4,619	(543)
Net profit/(loss) for the year		(5,133)	3,577
Other comprehensive income/(loss)		(80)	(36)
Other comprehensive income/(loss) net of tax		(80)	(36)
Total comprehensive profit for the year		(5,213)	3,541
Basic earnings per share (cents per share)	16	(4.02)	3.11
Diluted earnings per share (cents per share)	16	(4.02)	3.11

The accompanying notes form part of the financial statements.

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Current Assets			
Cash and cash equivalents	5	3,498	4,682
Trade and other receivables	6	2,365	525
Current tax asset		4,357	1,331
Total Current Assets		10,220	6,538
Non-Current Assets			
Plant and equipment	7	65	44
Investments accounted for using the equity method	8	1,176	1,399
Financial assets	9	2,920	80
Deferred tax assets	17a	225	801
Intangible assets	10	15,864	20,583
Total Non-Current Assets		20,250	22,907
Total Assets		30,470	29,445
Current Liabilities			
Trade and other payables	11a	4,194	1,965
Financial liabilities	12a	0	511
Total Current Liabilities		4,194	2,476
Non-Current Liabilities			
Financial liabilities	12b	0	1,620
Deferred tax liabilities	17b	4,844	6,023
Provisions	11b	39	136
Total Non-Current Liabilities		4,883	7,779
Total Liabilities		9,077	10,255
Net Assets		21,393	19,190
Equity			
Issued capital	13	20,881	13,152
Reserve	14	611	1,004
Retained earnings		(99)	5,034
Total Equity		21,393	19,190

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2017

	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated (Losses) / Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2015	812	228	13,187	1,457	15,684
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
Balance at 30 June 2016	812	192	13,152	5,034	19,190
Share placement	0	0	7,001	0	7,001
Options exercised	(620)	0	1,066	0	446
Options granted as remuneration	307	0	0	0	307
Capital raising costs	0	0	(507)	0	(507)
Tax effect attributable to items in equity	0	0	169	0	169
Comprehensive income	0	(80)	0	0	(80)
Loss attributable to members	0	0	0	(5,133)	(5,133)
Balance at 30 June 2017	499	112	20,881	(99)	21,393

The accompanying notes form part of the financial statements

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Cash Flows From Operating Activities			
Contract termination payment		0	7,889
APAS milestone payments received		0	518
Reimbursement of expenses from JV Company		3,985	0
Government grants received		66	0
Payments to suppliers and employees		(5,968)	(2,243)
Research and development tax concession		1,160	1,618
Interest received		100	92
Net Cash Provided by/(Used in) Operating Activities	15	(657)	7,874
Cash Flows From Investing Activities			
Research and development (intangible asset)		(4,627)	(3,800)
Payments for plant and equipment		(43)	(22)
Loan provided		(2,805)	(84)
Net Cash Used in Investing Activities		(7,475)	(3,906)
Cash Flows From Financing Activities			
Loan repaid		0	(1,000)
Cash proceeds from share placement		7,447	0
Capital raising costs		(498)	(2)
Net Cash Provided by Financing Activities		6,949	(1,002)
Net increase/(decrease) in cash and cash equivalents		(1,183)	2,966
Cash and cash equivalents at beginning of year		4,682	1,818
Exchange rate adjustments		(1)	(102)
Cash and Cash Equivalents at end of year	5	3,498	4,682

The accompanying notes form part of the financial statements

Notes to the Financial Statements

For the year ended 30 June 2017

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 cont.

b. Plant and Equipment

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

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

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

Depreciation

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

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

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

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

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

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

c. Intangibles

Licence Fees and Option Fees

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

Research Expenditure

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

Patents

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

MicroStreak and APAS Development Costs

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

Capitalised development costs for MicroStreak have been amortised on a straight line basis over the remaining life of the patent. The amortisation expense relating to capitalised MicroStreak development costs is approximately \$670,000 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 ready 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 patent, resulting in revenue recognised of approximately \$141,000 per annum.

Following a review of potential options to recognise value from the sale or licence of the MicroStreak Patents, the Directors have taken a decision to write down the carrying amount of the Microstreak Intangible assets, together with the unearned income related to the commercial ready grant, to nil. Refer to Notes 10 and 12.

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.

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 the product is generated. APAS commercialisation will be managed through the 50:50 JV company, CCS, established through a JV agreement signed in 2013 with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. A total of \$6 million in sign on fees and milestone payments have been paid by CCS to LBT pursuant to the JV agreement. This income has previously already been recognised as revenue by LBT.

1. Statement of Significant Accounting Policies cont.

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 Holding Beteiligungs- und Verwaltungs-GmbH. 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 Holding Beteiligungs- und Verwaltungs-GmbH 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 Holding Beteiligungs- und Verwaltungs-GmbH 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 LBT.

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 cont.

j. Share-Based Payments

Equity Settled Transactions

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

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

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

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

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

k. Goods and Services Tax (GST)

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

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

l. Foreign Currency Transactions and Balances

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

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

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 cont.

o. Adoption of New and Revised Accounting Standards

The Company notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2017. These standards have not been adopted early by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments (December 2014)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model.

These latest amendments now complete the new financial instruments standard. This standard does not apply mandatorily before 1 January 2018.

The Company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Company'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

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. This standard does not apply mandatorily before 1 July 2017.

Adoption of this amendment will not result in a material impact on the Company's financial statements.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease related Interpretations. The new standard requires all leases to be accounted for as 'on balance sheet' by lessees, other than short term and low value asset leases.

The standard provides new guidance on the application of the definition of lease and on sale and lease back accounting. The standard also requires new and different disclosures about leases. This standard does not apply mandatorily before 1 January 2019.

The Company is yet to undertake a detailed assessment of the impact of AASB 16. 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 2020.

AASB 2014–10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures.

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

p. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and the 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.

	2017 \$000	2016 \$000
2. Revenue		
Operating activities	5,807	7,611
Interest	116	115
Total Revenue	5,923	7,726

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.

246	69
-----	----

(b) Employee benefits expense

Cash based employee benefits expense includes directors' fees and salaries and wages, including executive bonuses.

984	1,067
-----	-------

Share based payments

306	0
-----	---

Total employee benefits expense

1,290	1,067
-------	-------

(c) Other Expenses

Auditors' remuneration⁽¹⁾

28	36
----	----

Rent

37	38
----	----

Travel and accommodation

123	285
-----	-----

External research and development

6,383	391
-------	-----

Royalty expenses

0	246
---	-----

Others

118	98
-----	----

6,689	1,094
-------	-------

(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

370	7,519
-----	-------

Reimbursement of expenses from JV Company

4,955	0
-------	---

Royalty income

0	(195)
---	-------

Grant income

141	255
-----	-----

Consulting income

330	138
-----	-----

Foreign exchange gain (loss)

11	(106)
----	-------

Interest income

116	115
-----	-----

5,923	7,726
-------	-------

	2017 \$000	2016 \$000
4. Income Tax		
(a) The components of tax (benefit) expense comprise:		
Current tax	(4,186)	(1,125)
Deferred tax	(433)	1,668
	(4,619)	543
(b) The prima facie tax on profits from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profits from ordinary activities before income tax at 27.5% (2016 30%)	(2,682)	1,236
Add:		
Tax effect of:		
Non-deductible amortisation	0	0
2016 R&D concession claim	0	(653)
2017 R&D concession claim	(1,561)	0
Capital raising costs	(39)	(12)
Effect on deferred tax balances due to change in income tax rate from 30% to 27.5% (effective 1 July 2016)	(444)	0
Other	107	(28)
Income tax attribute to the company	(4,619)	543
5. Cash and Cash Equivalents		
Cash at bank	3,498	4,682

	2017 \$000	2016 \$000
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6. Trade and Other Receivables

Current

Trade debtors	1,626	197
Other receivables	220	135
GST refundable	519	193
Total Receivables	2,365	525

Credit Risk

The trade receivable of \$1,626,000 is owed by LBT's 50% owner joint venture company, CCS. A further \$171,000 of the sundry debtors balance is a receivable from CCS. These amounts relate to CCS' reimbursement to LBT of certain APAS development expenditure and are within agreed payment terms. Other than CCS, LBT 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	
2017							
Trade and term receivables	1,626	0	0	0	0	0	1,626
Other receivables	739	0	0	0	0	0	739
Total	2,365	0	0	0	0	0	2,365
2016							
Trade and term receivables	103	0	0	0	0	94	197
Other receivables	328	0	0	0	0	0	328
Total	431	0	0	0	0	94	525

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

	2017 \$000	2016 \$000
7. Plant and Equipment		
Plant and equipment at cost	236	187
Less: accumulated depreciation	(171)	(143)
Total plant and equipment	65	44
Movements in Carrying Amount		
Movements in carrying amounts of plant and equipment between the beginning and the end of the financial year were as follows:		
Opening balance	44	62
Additions	49	22
Disposals	0	0
Depreciation expense	(28)	(40)
	65	44

8. Investments Accounted for Using the Equity Method

(a) Recognition of Carrying Amounts

Investment in joint venture at cost (Note 1 (f))	1,539	1,539
Foreign currency translation reserve	112	192
Share of profit/(loss) in joint venture	(475)	(332)
	1,176	1,399

LBT Innovations Ltd has a 50% interest in a joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. 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, and subsequent manufacture, distribution and sales.

The voting power held by LBT Innovations Ltd is 50%.

8. Investments Accounted for Using the Equity Method cont.

(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 financial statements of CCS, in accordance with Australian Accounting Standards. The following summarised financial information reflects the adjustments made by LBT when applying the equity method, including adjustments for any differences in accounting policies between LBT and the joint venture.

Summarised Financial Position

	2017 \$000	2016 \$000
Assets		
Current Assets		
Cash and cash equivalents	711	3
Trade and other receivables	688	401
Total Current Assets	1,399	404
Non-Current Assets		
Intangible assets	12,898	6,777
Total Non-Current Assets	12,898	6,777
Total Assets	14,297	7,181
Current Liabilities		
Trade and other payables	2,564	303
Total Current Liabilities	2,564	303
Non-Current Liabilities		
Non-current financial liabilities (loans from JV shareholders)	9,382	4,080
Total Non-Current Liabilities	9,382	4,080
Total Liabilities	11,946	4,383
Net Assets	2,351	2,798
Group's share (%)	50%	50%
Group's share of joint venture's net assets	1,176	1,399
Summarised Financial Performance		
Revenue	0	0
Depreciation and amortisation	0	0
Interest income	0	0
Interest expense	(91)	(76)
Other expenses	(138)	(337)
Profit/(Loss) after tax from continuing operations	(229)	(413)
Other comprehensive income	(56)	(69)
Total comprehensive income/(loss) for the year	(285)	(482)
Dividends paid	0	0
Group's share of joint venture's cumulative comprehensive income/(loss)	(143)	(241)

	2017 \$000	2016 \$000
9. Financial Assets		
Interest on Loan to joint venture	22	0
Loan to joint venture	2,898	80
Total financial assets	2,920	80

The loan is LBT's 50% contribution of the additional funding required by the joint venture company, CCS, in order to bridge the funding gap as it brings APAS based products to market. Any future profits of CCS will first applied to repay the loans to both LBT and CCS' other JV shareholder, Hettich Holding Beteiligungs- und Verwaltungs-GmbH.

10. Intangible Assets

MicroStreak option fee at cost	51	51
Less: accumulated amortisation (Note 1 (c))	(44)	(41)
Less: impairment	(7)	0
	0	10
MicroStreak licence fee at cost	120	120
Less: accumulated amortisation (Note 1 (c))	(100)	(92)
Less: impairment	(20)	0
	0	28
Patent fees	247	247
Less: accumulated amortisation (Note 1 (c))	(129)	(117)
Less: impairment	(118)	0
	0	130
MicroStreak development costs (Note 1 (c))	11,959	11,959
Less: accumulated amortisation	(4,244)	(3,574)
Less: impairment	(7,715)	0
	0	8,385
APAS development costs (Note 1 (c))	15,974	12,102
Less: accumulated amortisation	(110)	(72)
	15,864	12,030
Total intangible assets	15,864	20,583

Following a review of potential options to recognise value from the sale or licence of the MicroStreak Patents, the Directors have taken a decision to write down the carrying amount of the Microstreak intangible assets as at 30 June 2017, from \$7.86 million to nil. The remaining unearned income, relating to the commercial ready grant, of \$1.62 million as at 30 June 2017, has also been reduced to nil (refer to Note 12). As the decision to fully recognise all unearned income is directly related to the decision to impair the intangible assets associated with Microstreak, the two transactions have been offset and presented in the Statement of Comprehensive Income, for the year ended 30 June 2017, as a net impairment expense of \$6.24 million. The tax effect associated with the net impairment is a tax benefit of \$1.72 million. The impact on the Company's after tax net loss for the year ended 30 June 2017 is \$4.52 million.

Impairment Expense to write down MicroStreak intangible assets	(7,860)
Recognition of the remaining unearned grant income related to MicroStreak	1,621
Net impairment expense per the Statement of Comprehensive Income	(6,239)
Income tax benefit	1,716
Impact on after tax profit/(loss)	(4,523)

10. Intangible Assets *cont.***Movements in Carrying Amount**

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

	MicroStreak Option Fee at Cost \$'000	MicroStreak Licence Fee at Cost \$'000	Patent Fees \$'000	MicroStreak Development Costs \$'000	APAS Development Costs \$'000	Total Intangible Assets \$'000
Balance 1 July 2015	14	36	143	9,056	7,619	16,868
Additions	0	0	0	0	4,450	4,450
Disposals	0	0	0	0	0	0
Amortisation charge	(4)	(8)	(13)	(671)	(39)	(735)
Balance 30 June 2016	10	28	130	8,385	12,030	20,583
Additions	0	0	0	0	3,872	3,872
Disposals	0	0	0	0	0	0
Amortisation charge	(3)	(8)	(12)	(670)	(38)	(731)
Impairment	(7)	(20)	(118)	(7,715)	0	(7,860)
Balance 30 June 2017	0	0	0	0	15,864	15,864

2017
\$000

2016
\$000

11. Trade and Other Payables

(a) Current

Trade creditors	4,194	1,965
Total trade and other payables	4,194	1,965

An amount of \$2,764,109, within the trade creditors balance at 30 June 2017, is secured in the form of a first ranking general security.

(b) Non-current

Provisions	39	136
Total non-current provisions	39	136

12. Financial Liabilities

(a) Current

Deferred revenue	0	511
Total current financial liabilities	0	511

(b) Non-current

Deferred revenue	0	1,620
Total non-current financial liabilities	0	1,620

Revenue from the company's commercial ready grant is 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 of MicroStreak, it has also been recognised as revenue on a straight line basis over the remaining term of the patent, resulting in revenue recognised of approximately \$141,000 per annum.

Following a review of potential options to recognise value from the sale or licence of the MicroStreak Patents, the Directors have taken a decision to write down the carrying amount of the Microstreak intangible assets as at 30 June 2017 to nil (refer to Note 10). The remaining unearned income, relating to the commercial ready grant, of \$1.62 million as at 30 June 2017, has also been reduced to nil.

	2017 \$000	2016 \$000
13. Issued Capital		
Issued and paid up capital		
139,973,064 (2016: 114,988,073) ordinary shares fully paid	23,100	15,033
Less: costs associated with capital raising		
Opening balance	(1,881)	(1,801)
Capital raising costs	(507)	(2)
Tax effect of capital raising costs	169	(78)
	20,881	13,152
	No.	No.
Ordinary shares		
At the beginning of the reporting period	114,988,073	114,723,367
Options exercised	2,400,000	0
Tranche 1 placement allotted 12 December 2016	11,399,990	0
Tranche 2 placement allotted 25 January 2017	11,185,001	0
Placement allotted 9 November 2015	0	264,706
At reporting date	139,973,064	114,988,073

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.

	2017 \$000	2016 \$000
14. Reserve		
Option reserve		
Option reserve of valuation of share options ⁽¹⁾	499	812
Foreign currency translation reserve ⁽²⁾	112	192
	611	1,004

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

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

15. Cash Flow Information

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

Profit (loss) after income tax	(5,213)	3,541
Non-cash flows in loss		
Amortisation	731	735
Net impairment	6,239	0
Depreciation	28	39
Share based payments expense	306	0
Other comprehensive income	80	36
Cash Flows attributed to investing activities	755	(570)
Cash Flows attributed to financing activities	2,804	1,045

Changes in Assets and Liabilities

(Increase)/Decrease in receivables	(1,840)	313
(Decrease)/Increase in deferred revenue	(510)	(825)
Decrease/(Increase) in deferred tax asset	576	687
(Increase)/Decrease in current tax asset	(3,025)	493
Decrease/(Increase) in Investment accounted for using the equity method	143	241
Increase/(Decrease) in trade creditors	2,227	1,100
(Increase)/Decrease in financial asset	(2,840)	(80)
(Decrease)/Increase in provisions	(97)	32
Increase/(Decrease) in deferred tax liability	(1,179)	1,059
Increase/(Decrease) in deferred tax in equity	169	(78)
(Increase)/Decrease in net unrealised loss (gain) on foreign currency held	(11)	106
Cash flow from/(used in) operations	(657)	7,874

	2017 \$000	2016 \$000
16. Earnings Per Share		
Reconciliation of Earnings to Net Profit/(Loss)		
Net Profit/(Loss)	(5,133)	3,577
Earnings used in the calculation of basic earnings per share	(5,133)	3,577
Earnings used in the calculation of diluted earnings per share	(5,133)	3,577
Weighted average number of ordinary shares outstanding at 30 June 2017 used in the calculation of basic earnings per share	127,763,260	114,937,307
Weighted average number of options outstanding	9,777,324	2,744,932
Weighted average number of ordinary shares outstanding at 30 June 2017 used in the calculation of diluted earnings per share	127,763,260	114,937,307
17. Tax		
(a) Assets		
Deferred tax assets comprise:		
Accruals	5	7
Leave entitlements	38	73
Assessable deferred accounting income	0	639
Capital raising costs	130	32
Other	51	50
	225	801
(b) Liabilities		
Deferred tax liabilities comprise:		
Deferred income	562	0
Capitalised development expenditure	4,298	6,010
Other	(16)	13
	4,844	6,023
(c) Reconciliations		
i Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	(5,222)	(3,476)
(Charge)/credit to income statement	434	1,667
(Charge)/credit to equity	169	(79)
Closing balance	(4,619)	(5,222)

	2017 \$000	2016 \$000
17. Tax cont.		
c) Reconciliations cont.		
ii Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Carried forward income losses		
Opening balance	0	807
(Charge)/credit to the income statement	0	(807)
Closing balance	0	0
Non-deductable accrued expenses		
Opening balance	7	6
Credit/(charge) to the income statement	(2)	1
Closing balance	5	7
Provision for leave		
Opening balance	73	53
Credit to the income statement	(35)	20
Closing balance	38	73
Deferred income		
Opening balance	639	571
Credit/(charge) to the income statement	(639)	68
Closing balance	0	639
Capital raising costs		
Opening balance	32	14
(Charge)/credit to equity	98	(12)
Closing balance	130	32
Other		
Opening balance	50	7
Credit to equity	1	43
Closing balance	51	50
iii Deferred tax liabilities		
Capitalised development expenditure		
Opening balance	6,010	4,948
Charge to income statement	(1,712)	1,062
Closing balance	4,298	6,010
Deferred income		
Opening balance	0	0
(Credit) to income statement	562	0
Closing balance	562	0
Other		
Opening balance	13	16
(Credit) to income statement	(29)	(3)
Closing balance	(16)	13

18. Related Party Transactions

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

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

Directors

Mr R A Finder	Independent Chairman – Non-executive
Mrs L H Guthrie	Chief Executive Officer (retired 8 August 2016)
Mr B Barnes	Chief Executive Officer and Managing Director (commenced 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:

	2017 \$000	2016 \$000
Short term employee benefits	861	793
Post-employment benefits	94	102
Other long-term benefits	68	11
Share-based payments	301	0
Total KMP compensation	1,324	906

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 paid during the year.

Share-based payments

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

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

18. Related Party Transactions cont.

(b) Option Holdings

2017

	Balance 01/07/16	Granted as Remuneration	Options Exercised	Other Change ⁽¹⁾	Balance 30/06/17	Total Vested 30/06/17	Total Exercisable 30/06/17	Total Unexercisable 30/06/17
Directors								
Mr R A Finder	750,000	0	(750,000)	161,290	161,290	161,290	161,290	0
Mr B Barnes	0	1,500,000	0	161,290	1,661,290	161,290	161,290	1,500,000
Mrs C M Costello	250,000	0	(250,000)	161,290	161,290	161,290	161,290	0
Mr S P Mathwin	500,000	0	(500,000)	64,516	64,516	64,516	64,516	0
Dr C Popper	500,000	0	(500,000)	0	0	0	0	0
Key Management Personnel								
Mr P Bradley	600,000	0	0	0	600,000	100,000	100,000	500,000
Mr D Hill	0	0	0	0	0	0	0	0
	2,600,000	1,500,000	(2,000,000)	548,386	2,648,386	648,386	648,386	2,000,000

(1) Eligible Directors participated in a placement at \$0.31 per share, with one free option for every two shares subscribed. The placement and option terms were consistent with the terms applicable to external parties participating in the placement. Director participation was approved by shareholders on 18 January 2017.

2016

	Balance 01/07/15	Granted as Remuneration	Options Exercised	Other Change	Balance 30/06/16	Total Vested 30/06/16	Total Exercisable 30/06/16	Total Unexercisable 30/06/16
Directors								
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
Key Management Personnel								
Mr P Bradley	100,000	500,000	0	0	600,000	100,000	100,000	500,000
Mr D Hill	0	0	0	0	0	0	0	0
	2,100,000	500,000	0	0	2,600,000	2,100,000	2,100,000	500,000

18. Related Party Transactions cont.

(c) Shareholdings

2017

	Balance 01/07/16	Received as Remuneration	Options Exercised	Net Change Other ⁽¹⁾	Balance 30/06/17
Directors					
Mr R A Finder	5,605,304	0	750,000	97,580	6,452,884
Mrs L H Guthrie	6,213,755	0	0	(1,750,000)	4,463,755
Mr B Barnes	0	0	0	322,580	322,580
Mrs C M Costello	2,096,028	0	250,000	221,864	2,567,892
Mr S P Mathwin	2,550,000	0	500,000	79,032	3,129,032
Dr C Popper		0	500,000	(300,000)	200,000
Key Management Personnel					
Mr P Bradley	94,754	0	0	0	94,754
Mr D Hill	0	0	0	0	0
Total	16,559,841	0	2,000,000	(1,328,944)	17,230,897

2016

	Balance 01/07/15	Received as Remuneration	Options Exercised	Net Change Other ⁽¹⁾	Balance 30/06/16
Directors					
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
Key Management Personnel					
Mr P Bradley	51,754	0	0	43,000	94,754
Mr D Hill	0	0	0	0	0
Total	15,530,068	0	0	1,029,773	16,559,841

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 2017 has been included in the Directors' Report.

The Company engaged the services of Popper and Company LLC during the year ended 30 June 2017. This is a company controlled by Caroline Popper. Popper and Company LLC was engaged to provide consultancy services relating to WoundVue market research for the Company and was paid US\$92,500 (\$123,087) 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.

18. Related Party Transactions cont.

(e) Other Related Parties Transactions with the Company

SA Pathology (formally Medvet Science Pty Ltd)

SA Pathology was a shareholder in LBT Innovations, holding 4,703,104 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.

19. Financial Risk Management

(a) Financial Risk Management Policies

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

i) Treasury Risk Management

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

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

ii) Financial Risk Exposures and Management

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

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate deposits. At 30 June 2017 \$2.3 million 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 one of the loans to Clever Culture Systems of €346,527 (\$514,899) and interest on these loans totaling €5,234 (\$7,777).

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.

19. Financial Risk Management cont.

(a) Financial Risk Management Policies

ii) Financial Risk Exposures and Management cont.

Credit risk cont.

LBT has a loan of \$2,920,000 to its 50% owned joint venture company, CCS. Any future profits of CCS will be first applied to repay the loans to both LBT and CCS' other joint venture shareholder, Hettich Holding Beteiligungs- und Verwaltungs-GmbH (refer Note 9). In addition, LBT's receivables balance includes \$1,797,000 outstanding from CCS (refer Note 6). The Board consider both of these amounts to be recoverable. Other than CCS, LBT does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

(b) Financial instrument composition and maturity analysis

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

	Weighted Average Effective Interest Rate %		Floating Interest Rate \$ 000		Within 1 Year \$ 000		1 to 5 Years \$ 000		Over 5 Years \$ 000		Non-interest Bearing \$ 000		Total \$ 000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Financial Assets														
Cash and cash equivalents	2.7%	2.7%	3,493	4,482	0	0	0	0	0	0	5	200	3,498	4,682
Receivables	0	0	0	0	0	0	2,920	80	0	0	2,195	525	5,115	605
Total Financial Assets			3,493	4,482	0	0	2,920	80	0	0	2,200	725	8,613	5,287
Financial Liabilities														
Deferred revenue	0	0	0	0	0	0	0	0	0	0	0	2,131	0	2,131
Trade Payables Borrowings	0	0	0	0	0	0	0	0	0	0	4,233	2,101	4,233	2,101
Total Financial Liabilities		0	0	0	0	0	0	0	0	0	4,233	4,232	4,233	4,232

All trade and sundry payables are expected to be paid within four 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 2017, 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:

	2017 \$000	2016 \$000
Change in profit		
- increase in interest rate by 2%	64	73
- decrease in interest rate by 2%	(64)	(73)
Changes in equity		
- increase in interest rate by 2%	64	73
- decrease in interest rate by 2%	(64)	(73)

20. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2017:

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 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, 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.

During the year ended 30 June 2017, the following options were granted:

- 1,500,000 share options were granted to the CEO and Managing Director, Mr Barnes, following shareholder approval on 16 November 2016. The terms of the options were finalised with Mr Barnes on 5 May 2016 upon his acceptance of the letter of offer of employment as CEO and Managing Director. The option exercise price of \$0.157 was based upon the volume weighted average share price for the five trading days prior to the 5 May 2017. However, in accordance with AASB2 "Share Based Payments", the fair value of the options was calculated on the date shareholders approved the grant of the options on 16 November 2016. The option value is being expensed over the two year vesting period from the commencement of employment on 8 August 2016.
- 5,699,999 options were granted in December 2016 in connection with the Tranche 1 placement of Shares, on the basis of one free option for every two shares subscribed by placees. The options have an exercise price of \$0.4425 each, and are exercisable at any time through to expiry on 9 December 2018.
- 5,592,506 options were granted on 18 January 2017, following shareholder approval, in connection with the Tranche 2 placement of Shares, on the basis of one free option for every two shares subscribed by placees. The options have an exercise price of \$0.4425 each, and are exercisable at any time through to expiry on 9 December 2018.
- 100,000 share options were granted to Steven Giglio in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.32 each. These options are exercisable during the period 31 January 2019 to 22 December 2026.
- 100,000 share options were granted to Rhys Hill in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.40 each. These options are exercisable during the period 1 March 2019 to 28 February 2026.
- 100,000 share options were granted to Vaughan Wesson in accordance with the Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.40 each. These options are exercisable during the period 1 March 2019 to 28 February 2026.

The weighted average fair value of options granted during the year was \$0.439 (2016: nil). These values were calculated using the Binomial option pricing model applying the following inputs:

Weighted average exercise price	\$0.0167
Weighted average life of the option	9.7 years
Estimated share price volatility	90%
Risk-free interest rate	2.60%

Included under employee benefits expense in the Statement of Comprehensive Income is \$306,000, which relates to the fair value of equity settled share based payment transactions (2016: nil).

	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
	2017		2016	
Outstanding at the beginning of the year	3,200,000	0.192	2,600,000	0.192
Granted	13,092,505		600,000	
Forfeited	0		0	
Exercised	(2,400,000)		0	
Expired	0		0	
Outstanding at year end	13,892,505	0.391	3,200,000	0.192
Exercisable at year end	11,592,505	0.433	2,600,000	0.175

20. Share-Based Payments cont.

The options outstanding at 30 June 2017 had a weighted average exercise price of \$0.391 and a weighted average remaining contractual life of 6.6 years. Exercise prices range from \$0.065 and \$0.4425.

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

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

21. Segment Reporting

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

(b) Revenue by geographic region

	2017 \$000	2016 \$000
Australia	257	265
Switzerland	5,296	138
USA	370	7,323
Total revenue	5,923	7,726

(c) Assets by geographical region

The Company holds a 50% interest in the joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. At balance date, the carrying value of the Company's interest in the joint venture was \$1,175,697. The joint venture is based in Switzerland.

(d) Major customers

LBT Innovations recognised \$4,955,277 income from the reimbursement of APAS related expenses and \$329,652 service fees during the financial year from its joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. LBT Innovations Ltd recognised 50% of the joint venture losses of \$286,340. Net Income (excluding JV losses) from Clever Culture Systems AG accounted for 73% 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 2016 less a (\$0.2 million) royalty income adjustment. The remainder of the termination payment was recognised this year.

22. Credit Standby Arrangements

The Company has a credit standby facility of \$40,000. This facility was used to the extent of \$25,444 at balance date.

23. Capital, Royalty and Other Fees Commitments

(a) Acquisition of Invention and Technology - MicroStreak.

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

	2017 \$000	2016 \$000
24. 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	103	100
– between 12 months and five years	215	8

LBT has signed a property lease for its laboratory accommodation at Thebarton, SA, commencing May 2017. This is a non-cancellable lease with a 3-year term, with rent payable monthly in advance. The rent will increase on an annual basis by 3% or CPI whichever is the greatest, An option exists to renew the lease at the end of the 3-year term for an additional term of 3 years.

LBT signed a property lease after the end of the financial year for its head office in Adelaide CBD commencing on August 2017. This is a non-cancellable lease with a 3-year term, with rent payable monthly in advance. The rent will increase on an annual basis by 3% or CPI whichever is the greatest, An option exists to renew the lease at the end of the 3-year term for an additional term of 2 years.

25. Going Concern

The financial statements have been prepared on the basis of a going concern. The Company incurred a loss after tax and comprehensive income of \$5,213,400 for the year ending 30 June 2017 and net cash outflows from operating and investing activities of \$8,131,998. The company is economically dependent on generating cash flows from the commercialisation of APAS Independence and/or raising additional capital for the continued operations and the provision of working capital.

The Company's ability to continue as a going concern is contingent upon the generation of cash flow from its commercialisation of APAS Independence and/or successfully raising additional capital. If sufficient cash flow is not generated and/or additional funds are not raised, the going concern basis may not be appropriate, with the result that the Company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

26. Events After the Balance Sheet Date

Robert Finder retired as Chairman on 31 July 2017 and former Non-executive Director Catherine Costello was appointed Chairman commencing 1 August 2017.

Dr Glenn Haifer and Matthew Michalewicz were both appointed Non-executive directors commencing 1 September 2017.

Receipt of \$0.5 million proceeds (1,923,057 shares at \$0.26 issued on 10 July 2017) from the Share Purchase Plan announced on 23 May 2017.

27. Company Details

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

Level 8, 44 Waymouth Street
Adelaide SA 5000

Phone: +61 8 8227 1555

Website: lbtinnovations.com

Directors' Declaration

The directors of the Company declare that:

- (1) the financial statements and notes, as set out on page 26 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 2017 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.



Brenton Barnes
Director

Catherine Costello
Chairman

Dated at Adelaide this 29th day of September 2017.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Members of LBT Innovations Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of LBT Innovations Limited ("the Company") which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Regarding Going Concern

We draw attention to Note 25 in the financial statements, which indicates that the Company incurred a net loss of \$5,213,400 during the year ended 30th June 2017, and incurred net cash outflows from operating and investing activities totalling \$8,131,998. These conditions, along with other matters as set forth in Note 25, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Regarding Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Intangible assets Note 10 in the financial statements At 30 June 2017 the Company carried intangible assets totalling \$15.864m representing the capitalised development costs in respect of APAS. The Company also recognised a net impairment expense of \$6.239m in respect of MicroStreak. Under Australian Accounting Standards, an entity shall assess throughout the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, an entity shall estimate the recoverable amount of the asset. Additionally, intangible assets that are not yet available for use must be tested for impairment annually. As APAS is still in the development phase, the Company is required to test annually for impairment by comparing its recoverable amount with its carrying value. The impairment testing process is complex and highly judgemental and is based on assumptions and estimates that are affected by expected future performance and market conditions.	Our procedures included but were not limited to the following: <ul style="list-style-type: none"> • obtaining the impairment and valuation model prepared by the Company; • testing the mathematical accuracy of the model; • evaluating and assessing the key assumptions and estimates used in the model • performing sensitivity analysis on the key assumptions and assessing the effect on the carrying value; • assessing the adequacy of disclosures within the financial statements

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Key Audit Matter	How our audit addressed the key audit matter
Share-Based Payments Note 20 in the financial statements	
<p>During the period, the Company issued options to Directors and Employees. The Company has performed calculations to record the related share based payment expenses in the statement of profit or loss and other comprehensive income.</p> <p>We focused on this area as a key audit matter due to the judgemental estimates used in determining the valuation of the share based payments.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • reviewing and assessing the key assumptions used by the Company in the valuation of the options • examining the treatment of vesting conditions in relation to the amounts recorded for share-based payments during the period • assessing the adequacy of disclosures within the financial statements

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.


Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB Mann Judd Audit (SA) Pty Ltd ABN: 32 166 337 097

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REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 22 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of LBT Innovations Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

A stylized, handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants


Adelaide, South Australia
29 September 2017

A handwritten signature in blue ink, appearing to read 'Jon Colquhoun'.

Jon Colquhoun
Partner

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Shareholder Information

As at 18 September 2017

Statement of Issued Securities

The total number of shareholders is 1,931 and there are 141,896,121 ordinary fully paid shares on issue.

Options Expiry date	Number of holders	Number on issue	Number of restricted securities	Release date (if applicable)
9 December 2018	66	11,292,505	0	N/A
24 August 2020	1	200,000	0	N/A
11 December 2023	1	100,000	0	N/A
11 April 2026	1	500,000	500,000	11 April 2018
7 August 2026	1	1,500,000	1,500,000	7 August 2018
22 December 2026	1	100,000	100,000	22 December 2018
28 February 2027	2	200,000	200,000	28 February 2019

Distribution of Securities

Equity Distribution	No of Share- holders	Tranche 1 & 2 Options-holders Exp 9/12/18	No of Option- holders Exp 24/08/20	No of Option- holders Exp 11/12/23	No of Option- holders Exp 11/04/26	No of Option- holders Exp 7/08/26	No of Option- holders Exp 22/12/26	No of Option- holders Exp 28/02/27
1 – 1,000	121	0	0	0	0	0	0	0
1,001 – 5,000	389	0	0	0	0	0	0	0
5,001 – 10,000	363	0	0	0	0	0	0	0
10,001 – 100,000	843	42	0	1	0	0	0	0
100,001 and over	215	24	1	0	1	1	1	2
	1,931	66	1	1	1	1	1	2

The number of shareholdings held in less than marketable parcels is 175.

Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 18 September 2017 are:

Name	Number of Shares held	% Held of Issued Capital
bioMérieux SA	9,772,727	6.89
Mr Brendan Moran + Morcap Pty Ltd	7,724,407	5.44
	17,497,134	12.33%

Voting Rights

Refer to Note 13.

On Market Buy Back

There is no current on market buy back.

Top 20 Shareholders

Rank	Name	Number of Shares	% of Shares
1	bioMérieux SA	9,772,727	6.89
2	Mr Brendon Moran	7,032,419	4.96
3	Mr Robert Andrew Finder & Mrs Sheryl Jean Finder <Sherrob9 S/F A/C>	5,401,665	3.81
4	Mrs Lusia Halina Guthrie + Mr Hugh Berkeley Guthrie <The Podlaska Super Fund A/C>	4,315,606	3.04
5	PA & A Beale Investments Pty Ltd <PA & A Beale Super Fund A/c>	3,142,500	2.21
6	Avanteos Investments Limited <1823205>	2,845,913	2.01
7	Ruin Pty Ltd <Steve Mathwin Super A/C>	2,648,262	1.87
8	Mr David Cattuzzo + Mrs Elizabeth Cattuzzo	2,500,000	1.76
9	Avanteos Investments Limited <1823201>	2,452,021	1.73
10	Mazoni Pty Ltd <The Utiger Super Fund A/c>	2,300,000	1.62
11	Mr Richard Anthony Earp	2,052,321	1.45
12	Citicorp Nominees Pty Ltd	1,620,569	1.14
13	Costello Consulting Pty Ltd	1,393,004	0.98
14	Mr Ari Pullinen + Mrs Outi Pullinen <A&O Pullinen Super S/F A/c>	1,392,541	0.98
15	Mrs Catherine Mary Costello	1,290,272	0.91
16	Mr Leng Kuan Ng + Ms Junisilver Taij + Mr Leng Ming Ng <TNG Superfund A/c>	1,288,015	0.91
17	Chag Pty Ltd	1,200,000	0.85
18	Miss Alecia Stoodley	1,124,028	0.79
19	Mr Stephen Goodwin	1,100,000	0.78
20	KMEC Superannuation Pty Ltd	1,048,113	0.74
		55,920,019	39.41%

Top 20 Other Option-holders (not listed)

Rank	Name	Number of Options	% of Options
1	Merrill Lynch (Australia) Nominees Pty Ltd (option expire 9/12/18 – ex price \$0.4425)	1,899,955	13.68%
2	Mr Brenton Barnes (option expire 7/08/26 – ex price \$0.157)	1,500,000	10.80%
3	PA & A Beale Investments Pty Ltd <PA & A Beale Super Fund A/c> (option expire 9/12/18 – ex price \$0.4425)	1,500,000	10.80%
4	Mr Brendan Moran (option expire 9/12/18 – ex price \$0.4425)	967,700	6.97%
5	Mr Peter Bradley (500,000 options expire 11/4/26 – ex price \$0.141 and 100,000 options expire 24/8/20 – ex price \$0.045)	600,000	4.32%
6	Mr Richard Anthony Earp (option expire 9/12/18 – ex price \$0.4425)	548,350	3.95%
7	Chag Pty Ltd	528,590	3.80%
8	J P Morgan Nominees Australia Limited	507,061	3.65%
9	Fifty Second Celebration Pty Ltd <McBain Family A/C>	353,060	2.54%
10	Avanteos Investments Limited <1823205 Superannuation A/c>	322,550	2.32%
11	Mr Justin Peter Morgan	241,900	1.74%
12	Ract Super Pty Ltd <Rand Super Fund A/c>	226,575	1.63%
13	HSBC Custody Nominees (Australia) Limited – A/c 2	213,905	1.54%
14	Spiceme Capital Pty Ltd	211,837	1.52%
15	Mr John Glasson (200,000 options expire 24/8/20 – ex price \$0.065)	200,000	1.44%
16	Accbell Nominees Pty Ltd	189,296	1.36%
17	North of the River Investments Pty Ltd	180,409	1.30%
18	Beirne Trading Pty Ltd	176,400	1.27%
19	Jatayco Nominees Pty Ltd <RG Family A/c>	171,120	1.23%
20	Barnes' Love Work Live P/L	161,290	1.16%
		10,699,998	77.02%

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

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

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