LBT Innovations Ltd

ACN 107 670 673

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Annual Financial Report

30 June 2020

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Directors Report

Your Directors present their report on LBT Innovations Ltd (LBT or the Company) for the year ended 30 June 2020 as at the date of this report.

Directors

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

Catherine Costello
Chairman

Brenton Barnes

Chief Executive Officer and Managing Director

Caroline Popper
Non-Executive Director

Simon Arkell

Non-Executive Director

Damian Lismore
Non-Executive Director

Stephen Mathwin (Retired 30 October 2019)
Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Company Secretary

The names of the individuals holding the position of Company Secretary at any time during or since the end of the year are:

Raymond Ridge (appointed 10 February 2020)

Daniel Hill (resigned 9 February 2020)

Principal Activities

The principal activities of the Company during the financial year were those of researching, developing and commercialising 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 a net loss for the year of $5.64 million (2019: $4.35 million).

Dividends Paid or Recommended

No dividends were paid, nor recommended to be paid for the year ended 30 June 2020.

Review of Operations

The Company's focus during the 2020 Financial Year was to expand and build out its sales infrastructure and commercial platform for its automated culture plate reader, the APAS® Independence, in the key launch markets of Europe and the United States.

This proprietary technology remains the only FDA cleared instrument using artificial intelligence for routine clinical analysis in a pathology laboratory, a large market globally. During the Financial year, the prestigious Johns Hopkins Hospital completed an independent evaluation of the APAS® Independence with MRSA analysis module involving over 6,000 test samples. This independent review data was published at the American Society of Microbiology's annual conference, ASM Microbe Online and supported the claims made regarding the instruments ease, usability and accuracy. Importantly, the APAS® Independence achieved no false negative results and identified a further 3 MRSA samples missed by the microbiologists in their manual plate reading.

During the Financial Year, significant commercial progress was made in Europe where CE Mark for the APAS® Independence with MRSA analysis module was received in September 2019, providing the required regulatory clearance to sell the instrument within the EU. This was shortly followed by the first European sale of the APAS® Independence to the Company's centre of excellence in Germany, Labor Dr Wisplinghoff.

In July 2020, the Company appointed global diagnostic leader Beckman Coulter, Inc, as its Marketing Agent for Europe. This represented a major milestone for the Company following an extensive review process and will significantly expand the customer reach through an expanded sales presence and trusted brand. Throughout the Financial Year, a dedicated Sales Executive based in Germany was active in identifying sales opportunities and conducting customer demonstrations, with a focus on labs in Germany. This sales pipeline will now be expanded through the Beckman Coulter relationship.

To further support EU commercial activities, in July 2020, oneservice was appointed as an outsourced managed services provider for installation, training and technical support of the APAS® Independence in local EU countries. oneservice was actively involved in the first UK installation of the APAS® Independence in the Halo lab in London, operated by a subsidiary of Sonic Healthcare Limited.

In the United States, the Company's commercial activities continued with a lead generation program aimed at identifying potential customers that meet the target profile for the APAS® Independence and demonstrations with the U.S. Centre of Excellence at Hennepin Medical Center in Minneapolis. Through this program, over 200 qualified leads have been identified. In January 2020, the Company appointed a United States based Sales Executive to provide a local presence to directly engage with identified customers and progress sales opportunities.

To expand the value proposition of the APAS® Independence for US customers, in March 2020, application was made to the United States FDA for approval of the APAS® Independence with MRSA analysis module. This regulatory process is ongoing, following the request for additional data from the FDA, with a formal response to the FDA being prepared.

Another activity in support of US commercialisation completed during the Financial Year, was the development of a middleware driver for the APAS® Independence to the Data Innovations' Laboratory Information Management System or LIS. In the US, this Data Innovations LIS is widely used and completion of this driver will be a key step required to integrate the APAS® Independence technology within US laboratories.

The beginning of 2020 saw the emergence of the COVID-19 pandemic with lockdown restrictions brought in place by governments including the Company's base in South Australia. These changes severely impacted the ability of the Company to meet directly with potential customers in the first half of calendar year 2020, particularly as these same customers were the laboratories faced with establishing COVID-19 testing capacity at short notice which has been so critical to the healthcare response.

Despite the challenges posed by COVID-19, the Company has continued to make operational progress, achieving the first sale of an APAS® Independence in the United States to Hennepin County Medical Center. The Company remains engaged with other customers in the United States as it seeks to achieve more sales in the region and lockdowns have started to ease in the key EU counties of Germany, France and the UK.

In support of this commercial activity, ongoing APAS® technology development has focused on increasing the number of analysis modules available for customers in each region, enabling them to run more laboratory tests on the instrument and improve the overall value proposition. In March, the Company commenced its clinical study for its Vancomycin-resistant enterococcus, or VRE, analysis module adding to the suite of APAS® infection control modules. Development of a new APAS®-AMR analysis module has also commenced, extending the technology into the reading of antibiotic susceptibility testing (AST) and the assessment of antimicrobial resistance (AMR).

With the uncertainty in global markets from the COVID-19 pandemic, the Company has focused on prudent capital management. In May 2020, the Company completed the final draw down of $1.5 million of its South Australian Government loan facility and in June, initiated a 4 day working week and introduced an Incentive Plan where eligible employees could elect to revert to their standard hours and receive 20% of their standard salary through the issue of fully paid shares. The Company finished the year with a cash balance of $7.1 million at 30 June 2020.

Following the Financial Year, on 15 July 2020, the Company strengthened its cash position with the completion of an $8 million private placement which included support of existing shareholders and also new institutional investors.

For the coming year, the focus will be on increasing the sales pipeline with Beckman Coulter, conversion of sales opportunities to revenues and increasing access in key markets with new analysis modules and regulatory approvals.

Financial Overview

The Company's net loss for the Financial Year was $5.64 million, comprising a loss before income tax of $7.42 million less an income tax benefit of $1.78 million. The tax benefit includes a net R&D tax refund receivable of $0.73 million.

The net loss before income tax of $7.42 million is comprised of:

- $2.43 million of depreciation and amortisation expenses. $2.30 million relates to amortisation of the APAS® development costs;
- $1.76 million for LBT's 50% share of the loss of CCS which includes $1.27 million for the amortisation of its capitalised APAS® development costs. Consistent with LBT, amortisation was commenced following the first sale of an APAS® instrument in August 2018;
- $2.76 million for total employee, and consulting expenses, net of employee costs recharged to CCS;
- $1.06 million general administration, finance and other expenses; and
- $0.59 million other income, largely interest and grant income.

Financial Position

Net assets of the Company decreased by $5.41 million from $29.52 million at 30 June 2019 to $24.11 million at 30 June 2020.

Cash on hand and at the bank decreased to $7.10 million at 30 June 2020 ($10.18 million at 30 June 2019).

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

On 7 July 2020, LBT announced that its joint venture company, CCS had executed a Marketing Agent Agreement with Beckman Coulter, Inc. (Beckman Coulter), a global leader in clinical diagnostics, for the marketing of the APAS® Independence in Europe. Initially, the agreement will focus on the territories of Germany, the United Kingdom and France. Utilising its brand and sales reach within these territories, Beckman Coulter will seek to make qualified customer introductions to CCS for the potential purchase of the APAS® Independence.

On 13 July 2020, LBT announced that CCS had executed an agreement with oneservice AG to provide customers with installation, customer support and annual scheduled maintenance services for the APAS® Independence. Services will be provided in the EU and in the US.

On 15 July 2020, LBT announced the completion and allotment of shares under an $8m Private Placement, before costs, to sophisticated and professional investors at $0.16 per share. The funds will be deployed to expand the Company's commercialisation activities in Europe, in support of the appointment of Beckman Coulter. The Placement will also support ongoing commercialisation activities in the United States, continued APAS® analysis module development and working capital.

On 16 July 2020, LBT announced that CCS had installed an APAS® Independence at the Health Services Laboratory (HSL), a state-of-the-art facility located within the Halo building, part of London's life sciences hub, Medcity. HSL will undertake a clinical evaluation of the APAS® Independence to assess the utility of the instrument and its potential for integration as part of their automated culture plate workflow.

On 7 August 2020, LBT announced the completion of the Share Purchase Plan (SPP) which had been offered to eligible LBT shareholders to provide the opportunity to subscribe for up to $30,000 worth of LBT shares at $0.16 per share, being the same price as the Placement announced 9 July 2020. The SPP closed with valid applications for 2,296,250 shares, raising a total of $367,400 before costs. The shares were issued on 17 August 2020.

About LBT Innovations

LBT aims to improve patient outcomes by making healthcare more efficient. Based in Adelaide, South Australia, the Company has a history of developing world leading products in microbiology automation. Its first product, MicroStreak®, was a global first in the automation of the culture plate streaking process. The Company's second product, the Automated Plate Assessment System (APAS®) is being commercialised through LBT's 50% owned joint venture company Clever Culture Systems AG (CCS) with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. The APAS® instrument is based upon LBT's intelligent imaging and machine learning software and remains the only US FDA-cleared artificial intelligence technology for automated imaging, analysis and interpretation of microbiology culture plates following incubation.

Environmental Issues

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

Information on Directors

Information on Directors as at the date of this report is as follows.

Catherine Costello
Chairman

Qualifications

Law Degree (University of Melbourne)

Experience

Kate Costello is qualified in law and an expert in corporate governance, board performance and strategy.

She is a professional, Non-Executive Director having sold her consultancy, Governance Matters, in 2017. Prior to establishing Governance Matters, Kate earned a law degree from the University of Melbourne, worked in management at a commercial law firm and is an expert in strategy, governance and commercial law.

Kate's board experience has spanned commercial, statutory and not-for-profit entities across diverse sectors: banking and finance; engineering; defence; biotech; entertainment; gaming; software; education; employment; housing and accommodation and professional services.

She currently Chairs LBT Innovations Ltd (ASX LBT) and the Adelaide Fringe, is a Director of Whittles Management Services Pty Ltd, a trustee of Adelaide Workers' Homes and a member of the Diocesan Finance Council of the Adelaide Archdiocese of the Catholic Church.

Kate is a Fellow of the Australian Institute of Company Directors.

Interest in Shares	1,290,272	Ordinary Shares
Interest in Options	Nil	
Third Party Holdings		
• Costello Consulting Pty Ltd as Director	1,393,004	Ordinary Shares
• HSBC Custody Nominees (Australia) Limited	666,667	Ordinary Shares
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

Brenton Barnes
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

Brent is a global business Executive and medical technology enthusiast. He has broad experience in regulated Class I, Class II and Class III medical devices (implantable devices and Artificial Intelligence automation in healthcare), and in 2016 became CEO and Managing Director of LBT.

Prior to this, Brent spent 11 years as a Senior Executive in a variety of roles at Cochlear Limited (ASX:COH), the global leader in implantable hearing devices. During his tenure with the company, he lived in the US, Singapore and Sydney, overseeing a range of global business functions. During this time, he was the Director Asia Growth Markets and Operations for Asia Pacific, growing the implantable hearing market across 12 countries in Asia over five years.

In addition to his roles with LBT, Brent is a Non-Executive Director of Connek Pty Ltd, a telecommunications company that sub-contracts specialist services to leading blue chip telecommunications companies working on the national rollout of Australia's National Broadband Network.

Interest in Shares	203,389	Ordinary Shares
Interest in Options	1,500,000	Options Expiring 7 August 2026
Third Party Holdings		
• Barnes' Love Work Live	713,606	Ordinary Shares
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

Caroline Popper
Non-Executive Director

Qualifications

Bachelor of Medicine (University of the Witwatersrand, Johannesburg)

Master of Public Health – Health Policy and Health Economics (Johns Hopkins University, Baltimore)

Experience

Caroline is a US-based pathologist and business consultant with more than 25 years' operational experience in the international diagnostics, medical devices and drug discovery fields. After 10 years in senior management and marketing roles at Becton, Dickinson and Company, Caroline established her own consultancy company to provide strategic corporate and advisory services to businesses across the life sciences spectrum.

A qualified health economist, Caroline has served in senior managerial and advisory positions with numerous global diagnostics and medical research companies, including bioMérieux and MDS Proteomics, where she was Chief Business Officer from 2000 to 2002. In addition to her extensive corporate experience, Caroline enjoys a hands-on clinical perspective from her years as an attending physician at the Department of Emergency Medicine at Baltimore's Johns Hopkins Hospital, where she completed residencies in internal medicine and pathology.

In 2003, Caroline founded Popper and Company, a strategy and M&A advisory firm focused on diagnostics, medical devices, life science tools, and digital health applications. Her other Directorships include Anizome, Agilex, Avance and Microba.

Interest in Shares	300,000	Ordinary Shares
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	

Simon Arkell
Non-Executive Director

Qualifications

MBA (Orfalea College of Business at Cal Poly San Luis Obispo)

Bachelor's degree in Economics (University of New Mexico)

Experience

Simon is currently co-founder and President of Deep Lens, a US based AI company focused on the deployment of a well known digital pathology platform to pathology labs worldwide with a focus on the identification of patients to clinical oncology trials. Deep Lens is backed by Northpoint Ventures, Sierra Ventures, Rev1 Ventures and Tamarind Hill Partners.

Prior to Deep Lens, Simon was the GM of software platforms and analytics at Greenwave Systems, Inc. which acquired Predixion Software, the company Simon founded in 2009 and ran as CEO until its exit in September 2016. Predixion raised over $46 million from strategic and venture investors and was named a visionary for advanced analytics by Gartner in 2016.

Prior to Predixion, Simon was an operating partner with Triton Pacific Capital Partners, was President and COO of an Oracle consulting company with 600 employees in 10 countries, was a principal with boutique investment banking firm, and in 1998 he co-founded Versifi Technologies, Inc. in Newport Beach, California, a venture backed leader in the enterprise content management space.

Simon is program Chairman for Megan's Wings, a children's cancer charity and serves on the boards of the President's Council and the Dean's Advisory Council for the Orfalea College of Business at Cal Poly San Luis Obispo where he holds an MBA. He also holds a Bachelor's degree in Economics from the University of New Mexico. Originally from Adelaide, South Australia, Simon is also a two-time Olympian for Australia in the pole vault, and from 1990-1996 broke nine Australian and two Commonwealth records while also winning the gold medal at the 1990 Commonwealth Games.

In 2015, Simon received the award for outstanding CEO for mid-sized companies at the Orange County Tech Alliance awards.

Interest in Shares	Nil	
Interest in Options	500,000	Options Expiring 28 November 2029
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

Damian Lismore
Non-Executive Director

Qualifications

GAICD (Graduate Member of Australian Institute of Company Directors)

CA ANZ (Member of Chartered Accountants, Australia and New Zealand)

FCA (Fellow of Chartered Accountants in Ireland)

BA (Honours) Accountancy

Experience

Damian has held a number of Directorships and has extensive commercial, international and listed company experience (both ASX and NASDAQ), covering many industries including healthcare and technology. In his Executive career, he held CEO, CFO and Company Secretarial roles and continues to act as an advisor to CEOs, boards and business owners.

With a background in M&A, licensing and business financing, Damian has a track record in helping businesses grow. Damian is CFO of Scout Bio Inc, a Frazier Healthcare backed company, commercialising gene therapy products. Previously Damian was CFO at Nexvet Biophama plc, which attracted significant US institutional backing and listed on NASDAQ in 2015. The business evolved to have research capabilities in Australia, clinical operations in the US and manufacturing operations in Ireland. In 2017, following the successful completion of clinical trials for its lead program the business was acquired by Zoetis Inc. Damian was also CFO at Biota and was instrumental in securing and managing major licences with global pharmaceutical companies and securing a major US grant that allowed the business to transition from the ASX to NASDAQ.

Damian broadens the board skillset with his global outlook, networks and strong commercial acumen.

Interest in Shares	203,716	Ordinary Shares
Interest in Options	500,000	Options Expiring 28 November 2029
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Raymond Ridge (appointed 10 February 2020)

Qualifications
Bachelor's Degree, Accounting and Finance at the University of South Australia, Member of the Institute of Chartered Accountants Australia and New Zealand, and a Certificated Member of the Governance Institute of Australia.

Experience
Ray has held senior management positions in finance, compliance and commerce across a range of industries. More recently Ray was CFO and Company Secretary for ASX listed RHS Ltd and is currently Company Secretary for two other ASX listed companies.

Remuneration Report (Audited)

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

Remuneration Policy

The Remuneration Policy of LBT 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.

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 ensure alignment between management and shareholder interests through:

- 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 preset KPIs that are expected to align with shareholder expectations. 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), available cash 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 $0.075 and a high of $0.25.

	2020	2019	2018	2017	2016
Revenue	$2.01m	$2.90m	$5.96m	$5.92m	$7.73m
Net Profit / (Loss) for the Year	($5.64m)	($4.35m)	($2.69m)	($5.13m)	$3.58m
Available Cash	$7.10m	$10.18m	$7.57m	$3.50m	$4.68m
Year-End Share Price	$0.23	$0.115	$0.115	$0.25	$0.145

In addition to the above financial metrics, the Board also considers the achievement of non-financial milestones or KPIs. In the current year, ended 30 June 2020, the following milestones were considered relevant in assessing the Company's performance:

- Completion of the first sale in both of the key geographies of the EU and the US.
- Development of the MRSA Analysis Module, including regulatory clearance in the EU, and submission to the US FDA.
- Progress a Marketing Agent Agreement with Beckman Coulter Inc, to cover Germany, UK and France. This process was finalised with an executed contract in July 2020, despite delays caused by the COVID-19 pandemic.
- Negotiations with oneservice AG, to provide installation, customer support and scheduled maintenance services in the EU and the US. A contract was executed in July 2020.
- In July 2020, LBT completed a placement to raise $8 million before costs, ensuring the Company is appropriately resourced and funded, to support the business for at least the next 18 to 24 months.

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

Executive Terms and 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 which include employee option arrangements 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.

Key Performance Indicators (KPIs):

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;
- To target areas the Board believes hold greater potential for business expansion and profit;
- To cover financial and non-financial as well as short and long-term goals; and
- Are usually 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

Non-Executive Directors and Executives receive a superannuation guarantee contribution required by the government, which was 9.5% in the 2019/20 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.

Over the period 1 May 2020 to 31 July 2020, the Directors elected to reduce Directors' fees by 20%.

Shares and Options

Shares provided to Directors and Executives are valued at their fair value on the date granted based on market prices. Options granted to Directors and Executives are valued at their fair value using the Binomial option-pricing model.

Key Management Personnel Remuneration

2020	Cash Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares	Options	Total
	$000	$000	$000	$000	$000	$000
Directors						
Mr B Barnes (8) (9)	338	14	25	43	0	420
Mrs C Costello	61	0	20	0	0	81
Mr S Mathwin (1)	3	0	13	0	0	16
Dr C Popper	47	0	0	0	0	47
Mr S Arkell (10)	44	0	0	0	37	81
Mr D Lismore (10)	43	0	4	0	36	83
Other Key Management Personnel						
Mr P Bradley (9) (11)	215	0	21	2	8	246
Mr D Hill (2)	6	0	0	0	0	6
Mr R Ridge (9) (11)	170	0	4	2	8	184
Total	**927**	**14**	**87**	**47**	**89**	**1,164**

2019	Cash Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares	Options	Total
	$000	$000	$000	$000	$000	$000
Directors						
Mr B Barnes (3)	288	50	27	0	36	401
Mrs C Costello	63	0	20	0	0	83
Mr S Mathwin	34	0	20	0	0	54
Dr C Popper	47	0	0	0	0	47
Mr S Arkell (4)	19	0	0	0	0	19
Mr D Lismore (5)	6	0	6	0	0	12
Dr G Haifer (6)	29	0	3	0	(37)	(5)
Mr M Michalewicz (7)	12	0	1	0	(37)	(24)
Other Key Management Personnel						
Mr P Bradley	209	0	20	0	0	229
Mr D Hill	12	0	0	0	0	12
Mr R Ridge	175	0	0	0	0	175
Total	**894**	**50**	**97**	**0**	**(38)**	**1,003**

1. Mr S Mathwin retired on 30 October 2019.
2. Mr D Hill retired on 10 February 2020.
3. Mr Barnes received 1,500,000 options on 18 November 2016, following shareholder approval. The option value was expensed over the two year vesting period from commencement of employment on 8 August 2016.
4. Mr Arkell commenced as a Non-Executive Director on 30 January 2019.
5. Mr Lismore commenced as a Non-Executive Director on 25 March 2019.
6. Dr Haifer retired on 1 March 2019, before the options vested, therefore the amount previously expensed in the 2018 year was reversed through the Statement of Comprehensive Income / (Loss) in the 2019 year.
7. Mr Michalewicz retired on 22 October 2019, before the options vested, therefore the amount previously expensed in the 2018 year was reversed through the Statement of Comprehensive Income / (Loss) in the 2019 year.
8. The CEO bonus payment is to be settled by $13,770 cash and $44,064 in LBT shares comprising 275,400 shares at an agreed price per share of $0.16. The cash and shares have been recognised as an expense in the year ended 30 June 2020. The expense related to the shares component was recognised at the market value of the 275,400 shares at the closing price of $0.15 for LBT shares traded on the ASX the day prior to Board approval of the bonus. The shares component is subject to shareholder approval at this year's AGM.
9. The Company reduced all eligible employees to a 4 day working week under the COVID-19 JobKeeper directive, effective from Monday 1st June 2020. As an alternative, employees who wished to revert to their normal working hours were offered LBT shares in lieu of payment for 1 day per week from 1 June 2020 to 25 September 2020. The issue price has been set at $0.10 (10 cents). The shares will be issued in 2 tranches being 31 July and 2 October respectively and will be subject to an 8 week escrow period. Messrs Barnes, Bradley and Ridge all elected to participated in the offer. Mr Barnes' participation remains subject to shareholder approval at the upcoming AGM.
10. The fair value of options issued to newly appointed Directors, following shareholder approval on 27 November 2020. The fair value of the options are expensed over the two year vesting periods.
11. Eligible employees received options via LBT's ESOP at an exercise price of $0.237 per share. These options will expire on 18 November 2024.

This concludes the remuneration report, which has been audited.

Meetings of Directors

During the financial year to 30 June 2020, eleven meetings of Directors were held. Attendances by each Director during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr B Barnes	11	11
Mrs C Costello	11	11
Dr C Popper	11	10
Mr S Arkell	11	9
Mr D Lismore	11	11
Mr S Mathwin (retired)	4	4

During the financial year to 30 June 2020, six meetings of the Audit Committee were held. Attendances by each member during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr D Lismore (Chair)	6	6
Mr S Arkell	6	6
Mr S Mathwin (retired)	1	1

During the financial year to 30 June 2020, 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
Dr C Popper (Chair)	1	1
Mrs C Costello	1	1

Indemnifying Officers or Auditor

The Company has paid a premium to insure each of the 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.

Option Details

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

Date of Expiry	Exercise Price	Number of Options	No of Shares due on Conversion
11/12/2023	$0.045	100,000	100,000
18/11/2024	$0.237	1,590,000	1,590,000
11/04/2026	$0.141	500,000	500,000
07/08/2026	$0.157	1,500,000	1,500,000
22/12/2026	$0.320	100,000	100,000
28/02/2027	$0.400	200,000	200,000
28/11/2029	$0.080	500,000	500,000
28/11/2029	$0.063	500,000	500,000
		4,990,000	4,990,000

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

There were no fees for non-audit services paid/payable to the external auditors during the years ended 30 June 2020 and 30 June 2019.

Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 15.

Rounding of Amounts

The Company has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest $1,000.

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

Catherine Costello	**Brenton Barnes**
Chairman	Chief Executive Officer

Dated at Adelaide this 27th day of August 2020.

HLB MANN JUDD

LBT INNOVATIONS LIMITED

ABN 95 107 670 673

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of LBT Innovations Limited for the year ended 30 June 2020, 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 Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
27 August 2020

Jon Colquhoun
Director

HLB Mann Judd Audit (SA) Pty. Ltd. ABN: 32 166 337 097
169 Fullarton Road, Dulwich SA 5065 I PO Box 377, Kent Town SA 5071
T: +61 (0)8 8133 5000 I F: +61 (0)8 8431 3502 I E: reception@hlbsa.com.au

Statement of Comprehensive Income/(Loss)

For the Year Ended 30 June 2020

	Note	2020 $000	2019 $000
Revenue	2	0	299
Cost of Goods Sold		0	(222)
Gross Profit		**0**	**77**
Revenue from Consulting Services to JV Company	2	1,162	1,017
Revenue from Other Services to JV Company	2	0	1,237
Other Revenue	2	589	350
Consulting Expense	3a	(251)	(205)
Employee Benefits Expense	3b	(3,675)	(1,598)
Depreciation and Amortisation Expense		(2,431)	(2,153)
General Administration Expenses		(364)	(434)
Finance Costs		(112)	(19)
Other Expenses	3c	(569)	(1,969)
Share of Loss of Joint Ventures Accounted For using the Equity Method	9	(1,764)	(2,297)
Loss Before Income Tax		**(7,415)**	**(5,994)**
Income Tax Benefit	4	1,779	1,644
Net Loss for the Year		**(5,636)**	**(4,350)**
Items that may be Reclassified subsequently to Profit or Loss			
Foreign Currency Translation		45	78
Total Comprehensive Loss for the Year		**(5,591)**	**(4,272)**
Basic Loss per Share (cents per share)	19	(2.39)	(2.15)
Diluted Loss per Share (cents per share)	19	(2.39)	(2.15)

The accompanying notes form part of the financial statements.

Statement of Financial Position

As at 30 June 2020

	Note	2020 $000	2019 $000
Assets			
Current Assets			
Cash and Cash Equivalents	5	7,096	10,175
Trade and Other Receivables	6a	111	302
Current Tax Asset		726	1,010
Total Current Assets		**7,933**	**11,487**
Non-Current Assets			
Trade and Other Receivables	6b	370	350
Plant and Equipment	7	66	89
Right of Use Assets	8	6	0
Investments Accounted For using the Equity Method	9	0	0
Financial Assets	10	7,293	7,115
Deferred Tax Assets	20	1,539	965
Intangible Assets	11	16,558	18,119
Total Non-Current Assets		**25,832**	**26,638**
Total Assets		**33,765**	**38,125**
Current Liabilities			
Trade and Other Payables	12a	678	698
Lease Liabilities	13	11	0
Financial Liabilities	14a	949	271
Total Current Liabilities		**1,638**	**969**
Non-Current Liabilities			
Trade and Other Payables	12b	279	250
Financial Liabilities	14b	2,973	2,263
Deferred Tax Liabilities	20	4,643	5,032
Provisions	15	120	93
Total Non-Current Liabilities		**8,015**	**7,638**
Total Liabilities		**9,653**	**8,607**
Net Assets		**24,112**	**29,518**
Equity			
Issued Capital	16	35,549	35,565
Reserves	17	1,276	1,087
Accumulated Losses		(12,713)	(7,134)
Total Equity		**24,112**	**29,518**

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2020

	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated Losses	Total
	\$000	**\$000**	**\$000**	**\$000**	**\$000**
Balance at 30 June 2018	**924**	**114**	**30,855**	**(2,784)**	**29,109**
New Shares Issued	0	0	4,990	0	4,990
Options Granted as Remuneration	45	0	0	0	45
Options Lapsed	(74)	0	0	0	(74)
Capital Raising Costs	0	0	(356)	0	(356)
Tax Effect Attributable to Capital Raising Costs	0	0	76	0	76
Other Comprehensive Income	0	78	0	0	78
Net Loss for the Year	0	0	0	(4,350)	(4,350)
Balance at 30 June 2019	**895**	**192**	**35,565**	**(7,134)**	**29,518**
New Shares Issued	0	0	13	0	13
Options Granted as Remuneration	209	0	0	0	209
Options Exercised	(57)	0	0	57	0
Options Lapsed	(8)	0	0	0	(8)
Capital Raising Costs	0	0	(38)	0	(38)
Tax Effect Attributable to Capital Raising Costs	0	0	9	0	9
Other Comprehensive Income	0	45	0	0	45
Net Loss for the Year	0	0	0	(5,636)	(5,636)
Balance at 30 June 2020	**1,039**	**237**	**35,549**	**(12,713)**	**24,112**

The accompanying notes form part of the financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 $000	2019 $000
Cash Flows from Operating Activities			
Revenue from Consulting Services to JV Company		1,247	1,024
Government Grants Received		247	45
Payments to Suppliers and Employees		(4,557)	(3,894)
Short Term Lease Payments		(37)	0
Research and Development Tax Concession		1,110	1,901
Interest Received		135	117
Net Cash provided by / (used in) Operating Activities	18	**(1,855)**	**(807)**
Cash Flows from Investing Activities			
Research and Development (intangible asset)		(735)	(2,230)
Payments for Plant and Equipment		(36)	(43)
Loan Provided to Joint Venture Company		(1,690)	(1,476)
Net Cash used in Investing Activities		**(2,461)**	**(3,749)**
Cash Flows from Financing Activities			
Cash Proceeds from New Shares Issued		13	4,990
Loans Received		1,500	2,500
Loan Repayments		(139)	0
Repayment of Lease Principal		(75)	0
Capital Raising Costs		(62)	(331)
Net Cash provided by Financing Activities		**1,237**	**7,159**
Net Increase (Decrease) in Cash and Cash Equivalents		(3,079)	2,603
Cash and Cash Equivalents at Beginning of Year		10,175	7,572
Cash and Cash Equivalents at End of Year	5	**7,096**	**10,175**

The accompanying notes form part of the financial statements.

1. Statement of Significant Accounting Policies

The financial report covers LBT Innovations Ltd (**LBT** or the **Company**), a public company incorporated and domiciled in Australia and were authorised for issue on the 27 August 2020 by the Directors of the Company.

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 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 of LBT complies with all International Financial Reporting Standards (IFRS) in their entirety and are presented in Australian dollars, which is LBT's functional and presentation currency.

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.

Going Concern basis of Accounting

The Company's financial statements have been prepared on the basis of continuity of operations, the realisation of assets and the satisfaction of liabilities in the ordinary course of business. The future viability of the Company is largely dependent on its ability to raise capital to finance its operations. The Company's failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies. If adequate funds are not available to the Company, the Company may be required to delay, reduce or eliminate research and development programs, reduce or eliminate commercialisation efforts, obtain funds through arrangements with collaborators or pursue merger or acquisition strategies. The Company believes that it has sufficient liquidity to prepare the financial statements on a going concern basis.

Accounting Policies

a. Income Tax

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

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

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

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

b. Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by 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.

1. Statement of Significant Accounting Policies cont.

Plant and Equipment cont.

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate Per Annum
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

APAS® Development Costs

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 costs can be reliably measured.

During the year ending 30 June 2019, the development was finalised for the APAS® Independence instrument together with the Urine Analysis module applicable to Australia.

Amortisation of the APAS® development costs have commenced from August 2018, being the month of the first sale of an APAS® Independence instrument. LBT have assessed the useful life of the instrument to be 8 years, based on a review of other similarly priced capital items involving new technology within the same culture plate process. The amortisation is calculated on a straight-line basis as being the most appropriate method to reflect the realisation of the future economic benefits arising from the development of the APAS® technology.

The APAS® Independence instrument will not function without the Analysis Module (AM) software. A separate AM needs to be developed for each particular specimen type and for the different particular type of culture plate media used. Different geographies globally utilise different culture plate media for the same specimen testing. A core group of AMs are required to ensure at least the two most common specimen tests are available on the most commonly used culture plate media used in each of the target markets. The development costs for these core group of AMs are required to realise the sales potential of the physical instrument. These development costs have been capitalised as a separate asset from August 2018 onwards.

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.

d. Financial Instruments

Financial instruments are initially measured at fair value 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.

1. Statement of Significant Accounting Policies cont.

d. Financial Instruments cont.

Impairment - Financial Instruments

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Financial Assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial Liabilities

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

e. Investment Accounted for Using the Equity Method

Investment in Joint Venture

LBT established a joint venture company, Clever Culture Systems AG (**JV Company**), with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. LBT has a 50% interest in the JV Company into which it has contributed CHF25,000 share capital and granted a licence to use its APAS® technology. Hettich Holding Beteiligungs- und Verwaltungs-GmbH (**Hettich**) also holds a 50% interest in the JV Company into which it has contributed CHF25,000 share capital and an initial shareholder loan of $4 million. Subsequent funding is being provided by LBT and Hettich equally as shareholder loans.

The investment in the JV Company is accounted for using the equity method in accordance with AASB 128. Under the equity method, the investment in the JV Company 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 Company. The initial cost of the investment into the JV Company comprised the CHF25,000 share capital contribution together with the fair value of the licence granted to the JV Company to use its APAS® technology, being $1.51 million.

The continued adjustments to the investment value from applying LBT's share of the reducing net assets in the JV Company, resulted in the investment value being reduced to nil during the year ended 30 June 2019. Consistent with Accounting Standard AASB 128, once the investment value was reduced to nil, LBT's share of further reductions in the net assets of the JV Company are recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of those shareholder loans are more in the nature of an 'equity' style risk.

Financial statements of the JV Company are aligned to the same reporting period as LBT and have been amended where the JV Company's accounting policies are inconsistent with that of LBT.

During the period ending 30 June 2020, LBT's 50% share of the change in net assets of the JV Company over that period was a loss of $1,764,000 (2019: $2,297,000). A further amount of $45,000 (2019: $78,000) was included in comprehensive income relating to the positive impact on LBT's share of net assets due to the movement in exchange rates over the period. The equity accounted loss, net of the foreign exchange impact, of $1,719,000 (2019: $2,219,000) was applied to reduce the carrying amount of LBT's investment and shareholder loans as follows:

- Investment $nil (2019: $151,000, being the reduction in the carry value of the investment to $nil) - refer note 9.
- Shareholder loans $1,719,000 (2019: $2,068,000 being the remainder of the equity accounted loss after the Investment had been reduced to $nil) - refer note 10.

As at 30 June 2020, the total carrying value of the investment in, and the loan to, the JV company is $7.3 million (2019: $7.1 million).

1. Statement of Significant Accounting Policies cont.

f. Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset. An impairment test is also performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

An impairment test compares the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the profit or loss.

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

Critical Accounting Estimates and Judgements

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

Key Estimates – Impairment

The carrying amount of $23.9 million (2019: $25.2 million) for the following assets are dependent on sufficient future cash flows generated through sales of the APAS® instrument and ongoing licence fees, received through LBT's 50% owned joint venture company, CCS, together with LBT's expected direct earnings through a share of the ongoing licence fees globally and distribution fees for sales in Australia and New Zealand:

- $7.3 million (2019: $7.1 million) loan to CCS, including accrued interest - refer note 10;
- $16.6 million (2019: $18.1 million) intangible assets, being the capitalised development costs for the APAS® instrument and development modules - refer note 11.

The Company first assesses the $7.3 million (2019: $7.1 million) loan to CCS as a financial asset pursuant to the requirements of Accounting Standard AASB 9 Financial Instruments (refer Note 1(d)). There has been no recognition of a credit loss provision on the basis of the assessed ability for CCS to repay the full value of the loan based on expected future profitability of CCS though sales of the APAS® instrument.

Following the assessment of the financial asset, the total carrying amount of the APAS® related assets of $23.9 million (2019: $25.2 million) are formally assessed against their estimated recoverable amount, consistent with Accounting Standard AASB 136 Impairment of Assets. The recoverable amount is assessed using a value-in-use calculation, comprising a forecast of cash flows associated with future sales of the APAS® instrument, discounted to net present value. The forecast incorporates various key assumptions outlined further below. For the purpose of the cash flow forecasts, the cash generating unit has been identified as comprising the Company in its entirety, including its 50% share of forecast cash flows in its joint venture company, CCS. The discounted cash flow forecast indicates a recoverable amount of $38.7 million (2019: $42.1 million). The assessed recoverable amount remains in excess of the carrying value of the APAS® related assets by $14.8 million (2019: $16.9 million). On this basis, Directors have concluded an impairment of the APAS® related assets is not required.

COVID-19 Impact
In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. Many countries and localities have announced aggressive actions to reduce the spread of the disease, including limiting non-essential gatherings of people, suspending all non-essential travel, ordering certain businesses and government agencies to cease non-essential operations at physical locations and issuing quarantine requirements. The estimated sales underlying the forecast cash flows for the recoverable amount estimate have been impacted by the COVID-19 pandemic.

For the first six months to 31 December 2019, progress of sales activities were consistent with the forecast, with the Company announcing that its joint venture company, CCS, had executed a contract for its first APAS® instrument supplied into Europe. However, during the second six months of the financial year, COVID-19 impacted the target market for the APAS® instrument, being pathology laboratories and hospitals. The finalisation of near-term sales opportunities have been delayed, with potential customers being heavily focused on COVID-19 testing, reduced conventional testing and in many cases, implementing temporary expenditure restrictions. In addition, the restrictions on travel have impacted the ability to progress identified sales leads and to undertake new installations for customer evaluations. At this stage, LBT believes the estimated sales growth rates are achievable, although it is estimated that the timing may be delayed by up to 12 months. The period of sales modelled has been maintained at 7 years, now through to 30 June 2027. This results in the level of total sales over the forecast period, reducing from 700 instruments to 600 instruments.

1. Statement of Significant Accounting Policies cont.

f. Impairment of Non-Financial Assets cont.

Key Estimates – Impairment cont.

However, despite these impacts from COVID-19, a number of key milestones have been completed subsequent to 30 June 2020. These include the execution of a Marketing Agent Agreement with Beckman Coulter Inc, execution of a contract with a oneservice AG to provide end to end service and maintenance solution for customers, and the first installation of an instrument at the Halo facility in London by oneservice AG staff with assistance provided remotely by LBT and CCS staff (refer Note 26 for further details).

The extent to which COVID-19 will impact our business, financial position and operating results cannot be predicted with certainty. The Company has implemented plans intended to temporarily reduce operating costs to assist to manage cashflows through this period of increased uncertainty and will continue to monitor the impact of COVID-19 on all aspects of the business.

While the Directors are satisfied that management's cash flow forecast is achievable, there remains uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are significantly less than forecast, this could materially impair the $23.9 million (2019: $25.2 million) APAS® related assets recognised in the financial statements.

Assumptions

A description of the assumptions underlying the forecast cash flows is described below.

Sales Projections
Sales projections are based on a unit sales price of CHF300,000 ($459,137) per instrument and CHF30,000 ($45,914) per annum ongoing licence fee with an expected minimum physical useful life of seven years per instrument, less distributor fees ranging from 30% to 35%. The unit sales are based upon the targeted markets and prior experience in bringing a new medical device technology to the market, together with historical market knowledge for other devices in the culture plate process, involving new technology at a similar price per unit.

The forecast period is 7 years through to June 2027. Accounting Standard AASB136 Impairment of Assets, clause 33(b) prescribes that "Projections based on budgets/forecasts shall cover a maximum period of five years, unless a longer period can be justified". The Directors believe that a 7 year period for the cash flow projections is considered appropriate on the basis of the following estimated timelines:

- By June 2022. Distributors are targeted to have been appointed and trained in all key geographies by the end of calendar year 2021. Estimated sales potential will only be achieved through distributors. The length of time anticipated to appoint distributors and achieve anticipated sales growth reflects that:
  - the APAS® instrument is a new technology. The near-term focus is to raise awareness of the instrument. There is only a modest amount of sales forecast in this period, with potential customers taking time to perform their own validations of this new technology;
  - it is anticipated that early sales will be aided by the Marketing Agent Agreement with Beckman Coulter Inc, initially targeting the markets of Germany, the UK and France (refer ASX Announcement 7 July 2020);
  - even after marketing agent or distributor appointments in the key geographies, sales will initially be subject to the typical 12 month sales cycle of the APAS® instrument;
  - although the APAS® instrument is physically complete, the achievement of sales potential will require regulatory cleared Analysis Modules to support testing by the instrument of at least two specimen types, using the culture plates most commonly used in each of the US and the EU for those specimen types. Additional Analysis Modules will continue to be developed beyond 2020, which further increases the clinical utility of the instrument and increases the global market opportunity; and
  - no major ongoing impacts of COVID-19 that restricts access to potential pathology customers.
- By June 2027. Beyond the first year of appointment of distributors in the key geographies, , sales are assumed to significantly grow through the appointment of distributors in the key geographies to a peak of approximately 180 instrument sale per annum in the final year of the forecast period.

Terminal Value
The terminal value is calculated based on a reduced ongoing sales projection of 15% of the year seven peak sales, or 27 instruments per annum, with the installed base reducing over time to 160 units. A price earnings multiple of three times earning has been used, reflecting that the instrument would be late in its product life cycle at that point. Terminal value also includes the annual licence fee 'run-off' for the installed base at June 2027, assuming an average of five annual licence renewals per instrument following the year of sale.

Discount Rate
A nominal pre-tax discount rate of 20% has been used in the discounted cash flow modelling. This is unchanged from the prior reporting period ended 30 June 2019. This is based on the average Price-Earnings ratio of ASX listed entities, adjusted for management's view of a risk premium appropriate for LBT as a pre-revenue listed entity, at the current stage of commercialisation of the APAS® instrument.

1. Statement of Significant Accounting Policies cont.

f. Impairment of Non-Financial Assets cont.

Key Estimates – Impairment cont.

Sensitivity of Assumptions

Sensitivity of the discounted cash flow forecast to separate changes in the above assumptions is provided as follows:

- the pre-tax nominal discount rate can be increased to 27% (2019: 27%) before the discounted cash flow forecast approximates the carrying value of $23.9 million (2019: $25.2 million); or
- the number of units sold can be reduced by 26 % (2019: 27%) across the forecast period before the discounted cash flow forecast approximates the carrying value of $23.9 million (2019: $25.2 million); or
- the average sales price per instrument together with the ongoing licence fee can be reduced by 19 % (2019: 20%) before the discounted cash flow forecast approximates the carrying value of $23.9 million (2019: $25.2 million); or
- AUD:CHF exchange rate could increase to 0. 89 (2019: 0.83) before the discounted cash flow forecast approximates the carrying value of $23.9 million (2019: $25.2 million).

g. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions.

h. Revenue Recognition

Revenue from Contracts with Customers

LBT recognised its first sale of an APAS® instrument in the prior year, ended 30 June 2019. LBT sold the instrument, as the appointed Australia and New Zealand distributor of the APAS® Independence for its Joint Venture company, CCS.

In accordance with AASB 15, the sales contract was divided into two performance obligations, each being a promise to transfer to the customer a good or service that is distinct. Revenue is then recognised when (or as) the Company satisfies each performance obligation by transferring a promised good or service (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset. The performance obligations are as follows:

- One year maintenance and support. Part of the total contracted sale price is attributed to this service based on the list price of $40,000 per annum for annual maintenance and support following the one-year 'free' maintenance and support included in the contract price. This first year of maintenance and support will commence from when the customer has integrated the instrument into its Laboratory Information System. The present value of these services was recorded as a contract liability for the provision of the one-year maintenance and support services in the future.
- The remainder of the contracted sales price is attributed to the sale of the instrument. The instrument was delivered, tested and handed over to the customer in August 2018. The contract provides for a payment plan over three years, and consistent with AASB 15, the sale price attributed to the sale of the instrument has been discounted to net present value.

Once the customer has integrated the instrument with its Laboratory Information System, they will need to enter into an annual software licence agreement, prior to the instrument being used for routine clinical purposes.

Revenue from Consulting Services provided to CCS

LBT's staff provide a number of services to CCS, such as general management of the joint venture company, management of the design and development of the APAS® instrument, management of the supplier of the instrument clinical trials, regulatory submissions, and some sales related activities outside of Australia including installation and support at potential customer sites and key opinion leader sites.

The costs of staff time are invoiced by LBT on a cost plus a standard mark-up for oncosts. The invoicing from the provision of services is recognised as revenue in the month the services are provided.

Revenue from Other Services provided to CCS

Costs incurred by LBT in the course of the provision of the above Consulting Services are invoiced to CCS at cost, on a monthly basis. Revenue is recognised in the month the costs are incurred.

Interest Revenue

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

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

1. Statement of Significant Accounting Policies cont.

i. Share-Based Payments

Equity Settled Transactions

The Company currently has a Directors and Employee Share 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 or in the case of options subject to shareholder approval, then fair value at the date of shareholder approval. 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.

j. 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.

k. 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.

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.

l. Comparative Figures

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

m. Government Grants

Government grants, including JobKeeper payments, 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.

n. Adoption of New and Revised Accounting Standards

Effective 1 July 2019, the Company has adopted the new accounting standard AASB 16: Leases. The Company has adopted the transition provisions available in AASB 16, Appendix C paragraph 5(b) and therefore the changes in the Company's accounting policies have not impacted the prior year financial statements.

The impact of the adoption of this Standard and the respective accounting policies is disclosed further below.

This note describes the nature and effect of the adoption of AASB 16: Leases on the Company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

The Company as Lessee

At the inception of a contract, the Company assesses if the contract is a lease or contains a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.
Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Company as Lessor

As the Company has no contracts as a lessor, the provisions of AASB 16 relating accounting for lease contracts as a lessor are not applicable.

Initial Application of AASB 16 Leases

The Company has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 Leases, where the Company is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for the leases have been measured and recognised in the statement of financial position as at 1 July 2019 at the same amount as the lease liability.

The following practical expedients have been used by the Company in applying AASB 16 for the first time:

- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same was as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.

The difference of $105,000 between the lease liability of $86,000 as at 1 July 2019 and the discounted operating lease commitments as at 30 June 2019 of $191,000 represents short-term leases which are expensed on a straight-line basis.

The Company's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4.58%.

1. Statement of Significant Accounting Policies cont.

n. Adoption of New and Revised Accounting Standards cont.

The $9,000 difference between the undiscounted amount of operating lease commitments at 30 June 2019 of $200,000 and the discounted operating lease commitments as at 1 July 2019 of $191,000 is due the discounting of the operating lease commitments at the Company's incremental borrowing rate.

2. Revenue

	2020 $000	2019 $000
Revenue		
• Revenue from Contracts with Customers	0	299
• Revenue from Consulting Services to JV company	1,162	1,017
• Revenue from Other Services provided to JV company (1)	0	1,237
Revenue	**1,162**	**2,553**
Other Revenue		
• Interest from Joint Venture CCS	202	171
• Other Interest	146	134
• Grant Income	247	45
• Unrealised Foreign Exchange Gain (Loss)	(6)	0
Other Revenue	**589**	**350**
Total Revenue	**1,751**	**2,903**

(1) The prior year, ended 30 June 2019, included $1.24 million invoiced by LBT, under contract to LBT's 50% owned joint venture company CCS, for services associated with finalisation of the physical APAS® instrument. Corresponding expenses of $1.42 million were incurred by LBT in the provision of these services in the prior Year ended 30 June 2019 (refer Other expenses, Note 3(c)). As the engineering design and development of the physical APAS® instrument was completed by 30 June 2019, there is no comparable services income or expenses in the current year ended 30 June 2020.

3. Loss for the Year

Loss Before Income Tax Benefit from Continuing Operations includes the following Items:

	2020 $000	2019 $000
(a) Consulting Expense Consulting Expense include Fees for International Market Research, Scientific and Professional Consulting.	**251**	**205**
(b) Employee Benefits Expense / (Income) Cash Based Employee Benefits Expense includes Directors' Fees, Salaries and Wages, including Executive Bonuses.	3,474	1,627
Share Based Payments (refer note 23)	201	(29)
Total Employee Benefits Expense	**3,675**	**1,598**
(c) Other Expenses		
Rent	77	87
Travel and Accommodation	132	172
External Research and Development (1)	0	1,423
Sundry	360	287
Total Other Expenses	**569**	**1,969**
(d) Auditors' Remuneration Auditors' Remuneration is included in General Administration Expenses. The Auditor did not provide any Non-Audit Services to the Company during the Year.	**62**	**46**

(1) The prior year, ended 30 June 2019, included $1.42 million incurred by LBT in the course of providing services to LBT's joint venture company CCS, associated with finalisation of the physical APAS® instrument. Corresponding income of $1.24 million was invoiced to CCS for the provision of these services in the prior year ended 30 June 2019 (refer Revenue from other services to JV Company, Note 2). As the engineering design and development of the physical APAS® instrument was completed by 30 June 2019, there Is no comparable services income or expenses in the current Year ended 30 June 2020.

4. Income Tax

		2020	2019
		$000	$000
(a)	**The Components of Tax Benefit Comprise:**		
	Current Tax	756	1,187
	Deferred Tax - Origination and Reversal of Temporary Differences	1,023	457
	Income Tax Benefit	**1,779**	**1,644**
(b)	**The Prima Facie Income Tax Benefit on the Pre-Tax Accounting Loss is Reconciled to the Income Tax as follows:**		
	Prima Facie Income Tax Benefit on the Pre-Tax Accounting Loss at 27.5%	2,039	1,648
	Adjusted for the Tax Effect of:		
	R&D Concession Claim	268	459
	Capital Raising Costs	70	64
	Non-Deductible Expenses	(612)	(691)
	Other	14	164
	Income Tax Benefit	**1,779**	**1,644**

5. Cash and Cash Equivalents

Cash on Hand and at Bank	478	757
Cash on Deposit	6,618	9,418
Total Cash and Cash Equivalents	**7,096**	**10,175**

6. Trade and Other Receivables

(a)	**Current**		
	Trade Debtors	6	87
	Other Receivables	89	145
	GST Refundable	16	70
	Total Current Receivables	**111**	**302**
(b)	**Non-Current**		
	Trade Debtors	**370**	**350**
	Total Non-Current Receivables	**370**	**350**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days, unless otherwise disclosed.

Non-current debtors represent the funds due from the sale of the APAS® instrument in Australia (with LBT as distributor for CCS) as a result of a payment plan (see note 1(h)).

6. Trade and Other Receivables cont.

Credit Risk

All receivables are within agreed payment terms. 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.

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 and mentioned within Note 6 and Note 10. The class of assets described as "Trade and Other Receivables" (Note 6) and "Financial Assets" (Note 10) are considered to be the main sources of credit risk related to the Company,

On a geographical basis, the Group has credit risk exposures in Australia only.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date. As at 30 June 2020, the Company has determined that no credit loss provision is required.

7. Plant and Equipment

	2020 $000	2019 $000
Plant and Equipment at Cost	376	342
Less: Accumulated Depreciation	(310)	(253)
Total Plant and Equipment	**66**	**89**

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	89	90
Additions	34	43
Disposals	0	0
Depreciation Expense	(57)	(44)
Closing Balance	**66**	**89**

8. Right of Use Assets

The Company's right of use assets comprise the lease of office space. This lease had a remaining term of 13 months from the date of initial application of AASB 16 on 1 July 2019.

Included within the right of use assets calculation is a signed property lease 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 increases on an annual basis by 3% or CPI whichever is the greater. An option exists to renew the lease at the end of the 3-year term for an additional term of 2 years.

Excluded from the right of use assets calculation was a short-term property lease signed 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 increases on an annual basis by 3% or CPI whichever is the greater. It was considered at short term lease as the remaining lease term was less than 12 months at the time of adopting the new accounting standard on 1 July 2019 and it was not reasonably certain as to whether the option to extend the lease term for a further 3 years would be exercised. In May 2020, the term was extended until 30 September 2020 under the same terms and conditions, and as such, the option to renew the lease at the end of the lease term for an additional term of 3 years, remains.

Options to extend or terminate
The Company's lease contains an option to extend. The extension option is only exercisable by the Company. The extension option is included in the calculation of the lease liability and right to use asset only to the extent management are reasonably certain to exercise that option.

8. Right of Use Assets cont.

Variable Lease Payments
The company does not have any variable lease payments.

	2020
	$000
(i) AASB 16 related amounts recognised in the Statement of Financial Position	
Leased Building	86
Less: Accumulated Depreciation	(80)
Right of Use Assets	**6**

Movements in Carrying Amount Movements in carrying amounts of Right of Use Assets between the beginning and the end of the year were as follows:	
Opening Balance	0
Recognised on initial application of AASB 16 (previously classified as an operating lease under AASB 117)	86
Depreciation Expense	(80)
Closing Balance	**6**

(ii) AASB 16 related amounts recognised in the Statement of Statement of Comprehensive Income/(Loss)	
Depreciation Charge related to Right of Use Assets	80
Interest Expense on Lease Liabilities (under Finance Costs)	2
Short Term Leases Expense	(37)
Low Value Assets Expense	0
(iii) Total Year Cash Outflows for Leases	(75)

9. Investments Accounted for Using the Equity Method

(a) Recognition of Carrying Amounts	**2020**	**2019**
	$000	**$000**
Investment in Joint Venture at Cost (Note 1 (e))	1,539	1,539
Foreign Currency Translation Reserve	192	192
Share of Cumulative Loss in Joint Venture	(1,731)	(1,731)
Closing Balance	**0**	**0**

LBT has a 50% interest in a joint venture company, CCS. The interest in the joint venture is held directly by LBT. The purpose of the joint venture is to finalise the development of LBT's APAS® technology, and subsequent manufacture, distribution and sales of that technology.

The voting power held by LBT is 50%.

Previous adjustments to the investment value from applying LBT's share of the reducing net assets in the JV Company, resulted in the investment value being reduced to nil. Consistent with Accounting Standard AASB 128, once the investment value was reduced to nil, LBT's share of further reductions in the net assets of the JV Company are recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans are more in the nature of an 'equity' style risk (refer to note 10).

Financial statements of JV Company are aligned to the same reporting period as LBT and have been amended where the JV Company's accounting policies are inconsistent with that of LBT.

9. 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

	2020 $000	2019 $000
Assets		
Current Assets		
Cash and Cash Equivalents	217	233
Trade and Other Receivables	449	297
Inventory	1,058	855
Total Current Assets	**1,724**	**1,385**
Non-Current Assets		
Intangible Assets	17,474	18,795
Total Non-Current Assets	**17,474**	**18,795**
Total Assets	**19,198**	**20,180**
Current Liabilities		
Trade and Other Payables	129	347
Total Current Liabilities	**129**	**347**
Non-Current Liabilities		
Non-Current Financial Liabilities (Loans from JV Shareholders)	26,643	23,968
Total Non-Current Liabilities	**26,643**	**23,968**
Total Liabilities	**26,772**	**24,315**
Net Liabilities	**(7,574)**	**(4,135)**
LBT's Share (%)	50%	50%
LBT's Share of Joint Venture Net Liabilities	**(3,787)**	**(2,068)**

9. Investments Accounted for Using the Equity Method cont.

Summarised Financial Information for CCS cont.

Summarised Financial Performance

	2020	2019
	$000	$000
Revenue	164	230
Depreciation and Amortisation	(2,532)	(2,517)
Interest Expense	(517)	(490)
Other Expenses	(643)	(1,673)
Loss After Tax from Continuing Operations	**(3,528)**	**(4,450)**
Other Comprehensive Income	0	12
Total Comprehensive Loss for the Year	**(3,528)**	**(4,438)**
Dividends Paid	0	0
LBT's Share of Joint Venture's Comprehensive Income/(Loss)	**(1,764)**	**(2,297)**
Foreign Currency Translation	**45**	**78**
Change in LBT's Share of Joint Venture Net Liabilities	**(1,719)**	**(2,219)**

10. Financial Assets

Interest on Loan to Joint Venture	514	312
Loan to Joint Venture	10,566	8,871
Provision of JV Loss against Loan Receivable	(3,787)	(2,068)
Total Financial Assets	**7,293**	**7,115**

LBT has a 50% interest in a joint venture company, CCS with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. The interest in the joint venture is held directly by LBT. The purpose of the joint venture is to finalise the development of LBT's APAS® technology, and subsequent manufacture, distribution and sales of that technology.

The above loan is LBT's 50% contribution of the additional funding required by the joint venture company, CCS, in order to fund bringing the APAS® based products to market. Future profits of CCS will be applied to repay the loans to both LBT and CCS' other JV shareholder, Hettich Holding Beteiligungs- und Verwaltungs-GmbH. Therefore, recoverability of the loan is dependent on sufficient future profitability of APAS® instruments sold through CCS.

Previous adjustments to the investment value from applying LBT's share of the reducing net assets in the JV Company, resulted in the investment value being reduced to nil (refer Note 9). Consistent with Accounting Standard AASB 128, once the investment value was reduced to nil, LBT's share of further reductions in the net assets of the JV Company are recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans are more in the nature of an 'equity' style risk.

11. Intangible Assets

	2020	2019
	$000	$000
APAS® Development Costs (Note 1 (c))	18,491	18,491
Less: Accumulated Amortisation	(4,527)	(2,233)
	13,964	16,258
APAS® Analysis Module Development (Note 1 (c))	2,594	1,861
Less: Accumulated Amortisation	0	0
	2,594	1,861
Total Intangible Assets	**16,558**	**18,119**

Movements in Carrying Amount

	AM Development Costs	APAS® Development Costs	Total Intangible Assets
	$000	$000	$000
Balance 30 June 2018	**0**	**18,122**	**18,122**
Additions	1,861	245	2,106
Disposals	0	0	0
Amortisation Expense	0	(2,109)	(2,109)
Impairment	0	0	0
Balance 30 June 2019	**1,861**	**16,258**	**18,119**
Additions	733	0	733
Disposals	0	0	0
Amortisation Expense	0	(2,294)	(2,294)
Impairment	0	0	0
Balance 30 June 2020	**2,594**	**13,964**	**16,558**

12. Trade and Other Payables

	2020	2019
	$000	$000
(a) Current		
Trade Creditors and Other Payables	678	698
	678	**698**
(b) Non-Current		
Trade Creditors and Other Payables	279	250
Total Non-Current Trade and Other Payables	**279**	**250**

The non-current liability relates to the transfer price payable by LBT to CCS for the purchase of the instrument sold by LBT, as the appointed distributor in Australia. CCS has granted LBT deferred payment terms, consistent with the deferred terms agreed between LBT and the end customer. The amount payable by LBT has been discounted to net present value. Refer note 1(h).

13. Lease Liability

The Company's Lease Liability comprises of the Company's the lease of office space. This lease had a remaining term of 13 months from the date of initial application of AASB 16 on 1 July 2019 (See note 8 for details).

	2020 $000
Current Lease Liability	11
Total Lease Liability	**11**

14. Financial Liabilities

	2020 $000	2019 $000
(a) Current		
Loan (1)	923	271
Share-Based Liability for Employees (2)	26	0
Total Current Financial Liabilities	**949**	**271**
(b) Non-Current		
Loan (1)	2,939	2,229
Unearned Income (3)	34	34
Total Non-Current Financial Liabilities	**2,973**	**2,263**

(1) On the 28 August 2018, LBT executed a loan facility agreement with the South Australian government. The $4 million facility provided LBT with the ability to drawdown three instalments of $1 million, $1.5 million and $1.5 million, subject to the achievement of operational milestones. The interest rate for the loan is a 2% margin above the South Australian Government cost of funds and the South Australian Government have received a first ranking general security over the Company and its assets. The first two instalments totalling $2.5 million were drawn down during the year ended 30 June 2019 and converted to a standard principal and interest loan in February 2020 and are being repaid through fixed quarterly repayments of $0.16 million through to February 2024. The final instalment of $1.5 million was drawn down on 25 May 2020 and immediately converted to a separate principal and interest loan, increasing the fixed quarterly repayments by a further $0.1 million through to February 2024.

(2) The Company reduced all employees to a 4 day working week under the COVID-19 JobKeeper directive, effective from Monday 1st June 2020. As an alternative employees who wished to revert to their normal working hours were offered LBT shares in lieu of payment for 1 day per week from 1 June 2020 to 25 September 2020. The issue price has been set at $0.10 (10 cents). The shares will be issued in 2 tranches being 3 August 2020 and 2 October 2020 and will be subject to an 8 week escrow period.

(3) Unearned income represents that portion of the contracted end customer price that is attributable to the first-year warranty period, including maintenance and support services, on the sale of the APAS® instrument. This part of the contracted price has been treated as a contract liability to provide these services in the future and will be recognised as revenue when these services have been provided (refer note 1(h)).

15. Provisions

	2020 $000	2019 $000
Non-Current		
Provision Long Service Leave	120	93
Total Non-Current Provisions	**120**	**93**

16. Issued Capital

	2020 $000	2019 $000
Issued and Paid Up Capital		
235,539,786 (2019: 235,339,786) Ordinary Shares Fully Paid	38,540	38,527
Less: Costs Associated with Capital Raising		
Opening Balance	(2,962)	(2,682)
Capital Raising Costs	(38)	(356)
Tax Effect of Capital Raising Costs	9	76
	35,549	**35,565**

Ordinary Shares	No.	No.
At the Beginning of the Reporting Period	235,339,786	200,927,025
New Shares Issued 14 November 2019 Pursuant to Options Exercised	200,000	0
New Shares Issued 11 June 2019	0	34,412,761
At Balance Date	**235,539,786**	**235,339,786**

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.

The Company has fully drawn-down its $4 million loan facility provided by the South Australian government (refer note 14). There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

17. Reserves

	2020	2019
	$000	$000
Option Reserve of Valuation of Share Options [(1)]	1,039	895
Foreign Currency Translation Reserve [(2)]	237	192
Total Reserves	**1,276**	**1,087**

[(1)] The option reserve represents the cumulative amortised value of share options issued as share based remuneration (refer Note 23).
[(2)] Exchange rate differences arising on the translation of LBT's 50% share of the net liabilities of CCS from CHF to AUD.

18. Cash Flow Information

	2020	2019
	$000	$000
Reconciliation of Cash Flow from Operations		
Net Loss for the Year	(5,636)	(4,350)
Add Back Non-Cash Items;		
Amortisation	2,294	2,109
Depreciation	137	44
Share Based Payments Expense / (Credit)	201	(29)
Share Based Liability for Employees	26	0
Unrealised Foreign Exchange (Gains) / Losses	6	0
Share of Joint Venture Loss using the Equity Method	1,764	2,297
Tax Effect Attributable to Capital Raising Costs	9	76
Interest Income on CCS Loan Income	(202)	(171)
Changes in Assets and Liabilities		
Decrease / (Increase) in Current Trade and Other Receivables	191	(51)
Decrease / (Increase) in Non-Current Trade and Other Receivables	(20)	(350)
Decrease / (Increase) in Deferred Tax Asset	(574)	(448)
Decrease / (Increase) in Current Tax Asset	284	651
(Decrease) / Increase in Current Trade and Other Payables	(20)	(1,166)
(Decrease) / Increase in Non-Current Trade and Other Payables	(29)	250
(Decrease) / Increase in Provisions	27	10
(Decrease) / Increase in Deferred Tax Liability	(389)	(21)
Decrease / (Increase) in the Above Related to Investing and Financing Activities	76	342
Cash Flow From / (Used In) Operations	**(1,855)**	**(807)**

19. Earnings Per Share

	2020 $000	2019 $000
Reconciliation of Earnings to Net Loss		
Net Loss	(5,636)	(4,350)
Earnings Used in the Calculation of Basic Earnings Per Share	(5,636)	(4,350)
Earnings Used in the Calculation of Diluted Earnings Per Share	(5,636)	(4,350)
Weighted Average Number of Ordinary Shares Outstanding Used in the Calculation of Basic Earnings Per Share	235,465,265	202,718,374
Weighted Average Number of Options Outstanding	2,656,164	2,600,000
Weighted Average Number of Ordinary Shares Outstanding Used in the Calculation of Diluted Earnings Per Share	238,121,429	203,018,374

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share in the year ended 30 June 2020 and the prior year ended 30 June 2019, as options are not considered dilutive as a loss was incurred in both years.

20. Tax

	2020 $000	2019 $000
(a) Assets		
Deferred Tax Assets Comprise:		
Accruals	28	36
Leave Entitlements	111	81
Capital Raising Costs	165	226
Lease Liabilities	3	0
Other	1,232	622
	1,539	**965**
(b) Liabilities		
Deferred Tax Liabilities Comprise:		
Deferred Income	11	28
Capitalised Development Expenditure	4,489	4,919
Lease Asset	2	0
Other	141	85
	4,643	**5,032**
(c) Reconciliations		
i Gross Movements		
The Overall Movement in the Deferred Tax Account is as follows:		
Opening Balance	(4,067)	(4,536)
Credit / (Charge) to Income Statement	1,023	457
Credit / (Charge) to Equity	(61)	12
Closing Balance - Net Deferred Tax Liability	**(3,105)**	**(4,067)**

20. Tax cont.

	2020 $000	2019 $000
c) Reconciliations cont.		
ii Deferred Tax Assets		
The Movement in Deferred Tax Assets for Each Temporary Difference During the Year is as follows:		
Non-Deductible Accrued Expenses		
Opening Balance	36	23
Credit / (Charge) to Income Statement	(8)	13
Closing Balance	**28**	**36**
Provision for Leave		
Opening Balance	81	72
Credit / (Charge) to Income Statement	30	9
Closing Balance	**111**	**81**
Capital Raising Costs		
Opening Balance	226	214
Credit / (Charge) to Equity	(61)	12
Closing Balance	**165**	**226**
Lease Liabilities		
Opening Balance	0	0
Credit / (Charge) to Income Statement	3	0
Closing Balance	**3**	**0**
Other		
Opening Balance	622	208
Credit / (Charge) to Income Statement	610	414
Closing Balance	**1,232**	**622**
iii Deferred Tax Liabilities		
The Movement in Deferred Tax Liabilities for Each Temporary Difference During the Year is as follows:		
Capitalised Development Expenditure		
Opening Balance	4,919	4,919
(Credit) / Charge to Income Statement	(430)	0
Closing Balance	**4,489**	**4,919**
Deferred Income		
Opening Balance	28	96
(Credit) / Charge to Income Statement	(17)	(68)
Closing Balance	**11**	**28**
Lease Asset		
Opening Balance	**0**	**0**
Credit / (Charge) to Income Statement	**2**	**0**
Closing Balance	**2**	**0**

20. Tax cont.

	2020 $000	2019 $000
Other		
Opening Balance	85	38
(Credit) / Charge to Income Statement	56	47
Closing Balance	**141**	**85**

21. 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 in office at any time during the financial year:

Directors

Mr B Barnes	Chief Executive Officer and Managing Director
Mrs C Costello	Independent Director – Non-Executive
Dr C Popper	Independent Director – Non-Executive
Mr S Arkell	Independent Director – Non-Executive
Mr D Lismore	Independent Director – Non-Executive
Mr S Mathwin	Independent Director – Non-Executive (retired 30 October 2019)

Key Management Personnel

Mr P Bradley	VP of Global Business Development (General Manager CCS)
Mr D Hill	Company Secretary (retired 10 February 2020)
Mr R Ridge	Chief Financial Officer and Company Secretary (appointed Company Secretary 10 February 2020)

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 during the year was as follows:

	2020 $000	2019 $000
Short-Term Employee Benefits	941	944
Post-Employment Benefits	87	97
Share-Based Payments (Shares)	47	0
Share-Based Payments (Options)	89	(38)
Total KMP Compensation	**1,164**	**1,003**

Short-Term Employee Benefits

These amounts include fees and benefits paid to the 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.

21. Related Party Transactions cont.

Share-Based Payments (Shares)

Mr Barnes' bonus payment is to be settled by $13,770 cash and 275,400 LBT shares (subject to shareholder approval) at an agreed price per share of $0.16, consistent with the recent placement and Share Purchase Plan. The cash and shares have been recognised as an expense in the year ended 30 June 2020. The expense related to the shares component was recognised at the market value of the 275,400 shares at the closing price for LBT shares traded on the ASX the day prior to Board approval of the bonus. The Company also reduced all eligible employees to a 4 day working week under the COVID-19 JobKeeper directive, effective from Monday 1st June 2020. As an alternative, employees who wished to revert to their normal working hours were offered LBT shares in lieu of payment for 1 day per week from 1 June 2020 to 25 September 2020. The issue price has been set at $0.10 (10 cents) per share which represents a 4% discount to the volume weighted average price for the 5 trading days prior to Board approval of the offer to employees The shares will be issued in 2 tranches, with the first tranche having occurred on 3 August 2020 and the second scheduled for the week commencing 2 October. Both tranches will be subject to an 8 week escrow period.

Share-Based Payments (Options)

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.

(b) Option Holdings

2020

Directors	Balance 01/07/19	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/20	Total Vested 30/06/20	Total Exercisable 30/06/20	Total Unexercisable 30/06/20
Mr B Barnes	1,500,000	0	0	0	1,500,000	1,500,000	1,500,000	0
Mrs C Costello	0	0	0	0	0	0	0	0
Dr C Popper	0	0	0	0	0	0	0	0
Mr S Arkell (1)	0	500,000	0	0	500,000	0	0	500,000
Mr D Lismore (1)	0	500,000	0	0	500,000	0	0	500,000
Mr S Mathwin (2)	0	0	0	0	0	0	0	0
Key Management Personnel								
Mr P Bradley (3)	600,000	100,000	0	0	700,000	700,000	700,000	0
Mr D Hill (3)	0	50,000	0	(50,000)	0	0	0	0
Mr R Ridge (3)	0	100,000	0	0	100,000	100,000	100,000	0
	2,100,000	**1,250,000**	**0**	**(50,000)**	**3,300,000**	**2,300,000**	**2,300,000**	**1,000,000**

21. Related Party Transactions cont.

2019

Directors	Balance 01/07/18	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/19	Total Vested 30/06/19	Total Exercisable 30/06/19	Total Unexercisable 30/06/19
Mr B Barnes (4)	1,661,290	0	0	(161,290)	1,500,000	1,500,000	1,500,000	0
Mrs C Costello (4)	161,290	0	0	(161,290)	0	0	0	0
Mr S Mathwin (4)	64,516	0	0	(64,516)	0	0	0	0
Dr C Popper	0	0	0	0	0	0	0	0
Dr G Haifer (5)	500,000	0	0	(500,000)	0	0	0	0
Mr M Michalewicz	500,000	0	0	(500,000)	0	0	0	0
Mr S Arkell	0	0	0	0	0	0	0	0
Mr D Lismore	0	0	0	0	0	0	0	0
Key Management Personnel								
Mr P Bradley	600,000	0	0	0	600,000	600,000	600,000	0
Mr D Hill	0	0	0	0	0	0	0	0
Mr R Ridge	0	0	0	0	0	0	0	0
	3,487,096	**0**	**0**	**(1,387,096)**	**2,100,000**	**2,100,000**	**2,100,000**	**0**

(1) Options issued to newly appointed Directors, following shareholder approval on 10 December 2019.

(2) Mr Mathwin retired on 30 October 2019.

(3) Eligible employees received options via LBT's ESOP at an exercise price of $0.237 per share. These options will expire on 18 November 2024.

(4) 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. These options lapsed on 10 December 2018.

(5) The ending balance for Mr M Michalewicz and Dr G Haifer for the 2019 year is as at the date of retirement, being 22 October 2018 and 1 March 2019 respectively. These options lapsed as the Directors retired before the options vested.

21. Related Party Transactions cont.

(c) Shareholdings

2020

Directors	Balance 01/07/19	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/20
Mr B Barnes [(3)]	916,995	0	0	0	916,995
Mrs C M Costello	3,349,943	0	0	0	3,349,943
Mr S P Mathwin [(2)]	3,367,492	0	0	102,000	3,469,492
Dr C Popper	300,000	0	0	0	300,000
Mr S Arkell	0	0	0	0	0
Mr D Lismore	203,716	0	0	0	203,716
Key Management Personnel					
Mr P Bradley	94,754	0	0	0	94,754
Mr D Hill	0	0	0	0	0
Mr R Ridge	66,667	0	0	0	66,667
Total	**8,299,567**	**0**	**0**	**102,000**	**8,401,567**

2019

Directors	Balance 01/07/18	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/19
Mr B Barnes	713,606	0	0	203,389	916,995
Mrs C M Costello	3,349,943	0	0	0	3,349,943
Mr S P Mathwin	3,367,492	0	0	0	3,367,492
Dr C Popper	300,000	0	0	0	300,000
Mr S Arkell	0	0	0	0	0
Mr D Lismore	0	0	0	203,716	203,716
Dr G Haifer [(1)]	1,666,667	0	0	0	1,666,667
Mr M Michalewicz [(1)]	333,334	0	0	0	333,334
Key Management Personnel					
Mr P Bradley	94,754	0	0	0	94,754
Mr D Hill	0	0	0	0	0
Mr R Ridge	66,667	0	0	0	66,667
Total	**9,892,463**	**0**	**0**	**407,105**	**10,299,568**

[(1)] The ending balance for Mr M Michalewicz and Dr G Haifer for the 2019 year is as at the date of their retirement, being 22 October 2018 and 1 March 2019 respectively. These did not form part of the opening balance as at 1 July 2019.

[(2)] The ending balance for Mr S Mathwin for the 2020 financial year is as at the date of his retirement, being 30 October 2019.

[(3)] The Board have approved a bonus for Mr Barnes relating to the year ended 30 June 2020, to be partially settled by 275,400 LBT shares at an agreed price of $0.16 per share (**Bonus Shares**). Mr Barnes also elected to receive 20% of his after-tax salary from 1 June 2020 to 25 September 2020, at a price of $0.10 per share on the same terms as offered to all employees (**Remuneration Shares**). The amount of Remuneration Shares earned to 30 June 2020 equates to 25,072 shares. Both the Bonus Shares and the Remuneration Shares are subject to Shareholder approval at the upcoming AGM. Further details can be found at page 41 under the heading " Share-based payments (shares)".

(d) Directors' Related Entity Transactions with the Company

There were no related entity transactions throughout the year.

21. Related Party Transactions cont.

(e) Joint Venture Related Entity Transactions with the Company

LBT has a 50% interest in a joint venture company, CCS. The interest in CCS is accounted for in these financial statements of the LBT using the equity method of accounting. For details of interests held in joint ventures, refer to Note 9.

Transactions with CCS during the year were as follows:

- Revenue for consulting services provided $1,162,000 (2019: $1,017,000);
- Revenue for other services provided $Nil (2019: $1,237,000);
- Additional funds provided to CCS as a loan to be repaid from future profitability $1,690,000 (2019: $1,267,000) - Refer Note 10; and
- Interest accrued on the loan to CCS of $202,000 (2019: $171,000) - Refer Note 10.

22. Financial Risk Management

(a) Financial Risk Management Policies

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

i) Treasury Risk Management

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

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.

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 short-term fixed and floating rate deposits. At 30 June 2020 $6.6 million (2019: $9.4 million) of the Company's cash was held in short term deposits with a fixed interest rate.

As at 30 June 2020, the Company had drawn down its $4 million loan facility provided by the South Australian government (refer note 14). The first two instalments under the Facility totalling $2.5 million converted to a standard principal and interest loan in February 2020 and are being repaid through fixed quarterly repayments of $0.16 million through to February 2024. The final $1.5 million instalment immediately converted to a separate principal and interest loan, increasing the fixed quarterly repayments by a further $0.1 million through to February 2024.

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's measurement currency. At balance date, the Company had exposure in one of the loans to Clever Culture Systems of €346,527 ($567,054) (2019: $561,541) with interest on these loans totaling €27,005 ($44,191) (2019: $31,744).

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash deposits are maintained.

Credit Risk

The Company manages credit risk by reviewing exposures and ensuring it maintains sufficient cash deposits to meet its operational needs and potential contributions of additional funding to its Joint Venture partner, CCS. 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.

LBT has a loan of $10,566,000 (2019: $8,871,000) to its 50% owned joint Venture company, and accrued interest of $514,000 (2019: $312,000) (refer Note 10). LBT may need to continue to contribute to fund the Joint Venture operations until the Joint Venture becomes profitable. 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. At balance date, the Board considers this amount 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.

22. Financial Risk Management cont.

(b) Financial Instrument Composition and Maturity Analysis

The tables below provides the amounts related to 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Financial Assets														
Cash and Cash Equivalents	0.9%	1.6%	7,091	10,077	0	0	0	0	0	0	5	98	7,096	10,175
Receivables	2.0%	2.0%	0	0	0	0	7,293	7,115	0	0	438	652	7,731	7,767
Total Financial Assets			7,091	10,077	0	0	7,293	7,115	0	0	443	750	14,827	17,942
Financial Liabilities														
Trade Payables	0%	0%	0	0	0	0	0	0	0	0	1,077	1,041	1,077	1,041
Employee Shares	0%	0%	0	0	0	0	0	0	0	0	26	0	26	0
Loan	2.8%	3.0%	0	0	923	271	2,939	2,229	0	0	0	0	3,862	2,500
Total Financial Liabilities			**0**	**0**	**923**	**271**	**2,939**	**2,229**	**0**	**0**	**1,103**	**1,041**	**4,965**	**3,541**

All Current Trade payables are expected to be paid within four months of balance date.

(c) Net Fair Values

The net fair values of all current financial 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 2020, 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:

	2020 $000	**2019 $000**
Change in Profit		
- Increase in Interest Rate by 1.5%	55	75
- Decrease in Interest Rate by 1.5%	(55)	(75)
Changes in Equity		
- Increase in Interest Rate by 1.5%	55	75
- Decrease in Interest Rate by 1.5%	(55)	(75)

23. Share-Based Payments

The following share-based payment arrangements, relating to options, existed at 30 June 2020:

- 100,000 share options were granted to an employee in 2014 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 to 11 December 2023.
- 500,000 share options were granted to an employee in 2016 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 to 11 April 2026.
- 100,000 share options were granted to an employee in 2016 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 to 22 December 2026.
- 200,000 share options were granted to an employee in 2017 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 to 28 February 2027.
- 1,500,000 share options were granted in 2017 to the CEO and Managing Director, Mr Barnes, to take up ordinary shares at an exercise price of $0.157 each. These options are exercisable to 7 August 2026. The option value was expensed over the two year vesting period from the commencement of employment on 8 August 2016.
- During 2020 the following options were granted, lapsed or exercised:
  - 500,000 share options were granted to Simon Arkell, following shareholder approval on 27 November 2019. The options have an exercise price to take up Ordinary shares at $0.08 each. These options are exercisable during the period 28 November 2021 to 28 November 2029.
  - 500,000 share options were granted to Damian Lismore, following shareholder approval on 27 November 2019. The options have an exercise price to take up Ordinary shares at $0.063 each. These options are exercisable during the period 28 November 2021 to 28 November 2029.
  - 1,590,000 share options comprising 1,690,000 options granted to employees less 100,000 of these options lapsed during the year upon cessation of employment. The options were granted in accordance with the Employee Share Option Plan to take up Ordinary shares at an exercise price of $0.237 each. These options are exercisable during the period 28 November 2019 to 18 November 2024.

The weighted average fair value of options granted during the year was $0.175 (2019: $0).

During 2020, 200,000 share options were exercised at an exercise price of $0.065 each. The options were originally issued in 2011.

Included under employee benefits expense in the Statement of Comprehensive Income is an expense of $201,000 which relates to the fair value of the 1,690,000 options issued to employees under the Employee Share Option Plan, offset by $8,000 being that part of the fair value relating to 100,000 options that subsequently lapsed before 30 June 2020 (2019: $29,000 credit being fair value of options issued of $45,000 offset by a credit of $74,000 for the reversal of the previously expensed options that were forfeited before the options vested).

	Number of Options 2020	Weighted Average Exercise Price $	Number of Options 2019	Weighted Average Exercise Price $
Outstanding at the Beginning of the Year	2,600,000	0.168	18,118,311	0.425
Granted	2,690,000	0.175	0	0
Forfeited	(100,000)	0.237	(1,000,000)	0.300
Exercised	(200,000)	0.065	0	0
Expired	0	0	(14,518,311)	0.433
Outstanding at Year End	**4,990,000**	**0.175**	**2,600,000**	**0.168**
Exercisable at Year End	**3,990,000**	**0.20**	**2,600,000**	**0.168**

The options outstanding at 30 June 2020 had a weighted average exercise price of $ 0.175 (2019: $0.168) and a weighted average remaining contractual life of 6.5 years (2019: 6.6 years). Exercise prices range from $0.045 to $0.40 (2019: $0.045 to $0.40).

Options issued to Directors upon commencement 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.

24. Segment Reporting

(a) The Company operates in one business segment, conducting researching, developing and commercialising innovative technologies.

(b) Revenue by Geographic Region

	2020	2019
	$000	$000
Australia	588	649
Switzerland	1,425	2,254
Total Revenue	**2,013**	**2,903**

(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 is $7.3 million (2019: $7.1 million) as represented by the balance of the loan account less a provision (refer note 10). The joint venture is based in Switzerland.

(d) Major Customers

LBT recognised $1,162,000 (2019: $1,017,000) service fees during the financial year from its joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. In the prior year ended 30 June 2019, LBT's income also included the reimbursement of APAS® related expenses of $1,237,000.

LBT recognised $202,000 (2019: $171,000) interest income accruing on the shareholder loans provided to CCS.

LBT recognised 50% of the joint venture losses of $1,764,000 (2019: $2,297,000).

Net Income (excluding JV losses) from Clever Culture Systems AG accounted for 78% (2019 84%) of external revenue.

25. Credit Standby Arrangements

The Company has a credit standby facility of $50,000. This facility was used to the extent of $7,317 at balance date.

26. Events After the Balance Sheet Date

On 7 July 2020, LBT announced that its joint venture company, CCS had executed a Marketing Agent Agreement with Beckman Coulter, Inc. (Beckman Coulter), a global leader in clinical diagnostics, for the marketing of the APAS® Independence in Europe. Initially, the agreement will focus on the territories of Germany, the United Kingdom and France. Utilising its market-leading brand and sales reach within these territories, Beckman Coulter will seek to make qualified customer introductions to CCS for the potential purchase of the APAS® Independence.

On 13 July 2020, LBT announced that CCS had executed an agreement with oneservice AG to provide customers with installation, customer support and annual scheduled maintenance services for the APAS® Independence. Services will be provided in the EU and in the US.

On 15 July 2020, LBT announced the completion and allotment of shares under an $8m Private Placement, before costs, to sophisticated and professional investors at $0.16 per share. The funds will be deployed to expand the Company's commercialisation activities in Europe, in support of the appointment of Beckman Coulter. The Placement will also support ongoing commercialisation activities in the United States, continued APAS® analysis module development and working capital.

On 16 July 2020, LBT announced that CCS had installed an APAS® Independence at the Health Services Laboratory (HSL), a state-of-the-art facility located within the Halo building, part of London's life sciences hub, Medcity. HSL will undertake a clinical evaluation of the APAS® Independence to assess the utility of the instrument and its potential for integration as part of their automated culture plate workflow.

On 7 August 2020, LBT announced the completion of the Share Purchase Plan (SPP) which had been offered to eligible LBT shareholders to provide the opportunity to subscribe for up to $30,000 worth of LBT shares at $0.16 per share, being the same price as the Placement announced 9 July 2020. The SPP closed with valid applications for 2,296,250 shares, raising a total of $367,400 before costs. The shares were issued on 17 August 2020.

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: www.lbtinnovations.com

Directors Declaration

The Directors of the Company declare that:

(1) The financial statements and notes 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 2020 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 CFO 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.

Brent Barnes

Director
Brenton Barnes

Kate Costello

Chairman
Catherine Costello

Dated at Adelaide this 27th day of August 2020.

HLB MANN JUDD

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 2020, the statement of comprehensive income/(loss), 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 2020 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.

Emphasis of Matter

We draw attention to Note 1(f) in the financial report, which states:

"While the Directors are satisfied that management's cash flow forecast is achievable, there remains uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are significantly less than forecast, this could materially impair the $23.9 million APAS® related assets recognised in the financial statements."

Our opinion is not modified in respect to this matter.

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.

hlb.com.au
HLB Mann Judd Audit (SA) Pty. Ltd. ABN: 32 166 337 097
169 Fullarton Road, Dulwich SA 5065 I PO Box 377, Kent Town SA 5071
T: +61 (0)8 8133 5000 I F: +61 (0)8 8431 3502 I E: reception@hlbsa.com.au

Key Audit Matter	How our audit addressed the key audit matter
Impairment of Intangible Assets and APAS Related Assets Refer Note 11 Intangible Assets ($16.6m), Note 10 Financial Assets ($7.3m) and Note 1(f) Impairment of Assets	

The impairment of Intangible Assets and APAS Related Assets is a Key Audit Matter as:
 	
• The Company's Intangible Assets and APAS Related Assets totalled $23.9m representing the capitalised development costs in respect of APAS.
• 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.
• As impairment indicators did exist during the reporting period the Company is required to test 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:
	
	• obtained the impairment assessment and impairment model prepared by management and approved by the Audit Committee, and performed the following;
	    • tested the mathematical accuracy of the model;
	    • evaluated and assessed the key assumptions and estimates used in the model;
	    • performed sensitivity analysis on the key assumptions and assessed the effect on the carrying value
	• gained an understanding of the marketing activities being undertaken in respect of APAS
	• considered the adequacy of the financial report disclosure regarding impairment and the carrying value for APAS

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 Director's Report for the year ended 30 June 2020, 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.

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.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of LBT Innovations Limited for the year ended 30 June 2020 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.

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Jon Colquhoun
Director

Adelaide, South Australia
27 August 2020