

## Appendix 4D – Interim Financial

### Report for Half Year Ended

### 31 December 2017



ABN 54 079 845 855

Name of Entity: **ADVANCE NANOTEK LIMITED**  
 ABN: **54 079 845 855**  
 Current period: **1 July 2017 to 31 December 2017**  
 Previous corresponding period: **1 July 2016 to 31 December 2016**

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

##### Key Information

					\$'000
Revenue from ordinary activities	up by	12.80%	to		2,854
Profit after tax from continuing activities attributable to members	up by	374.22%	to		607
Net Profit attributable to members	up by	374.22%	to		607

##### Dividends Paid and Proposed

The Board considers that no interim dividend will be paid

#### NET TANGIBLE ASSETS PER SHARE

	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
Net tangible assets per share	7.08 cents	0.64 cents

#### EARNINGS PER SHARE

Basic earnings per share	1.05 cents	0.02 cents
Weighted average number of ordinary shares	57,374,329	

#### CONTROL GAINED OR LOST OVER ENTITIES IN THE HALF YEAR

##### Subsidiaries

No changes to control over subsidiaries during the half year

##### Associates and joint venture entities

The Group has no associates or joint ventures

# **Advance NanoTek Limited**

ACN 079 845 855

## **Interim Financial Statements**

**For the Half Year Ended 31 December 2017**

# **Advance NanoTek Limited**

ACN 079 845 855

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## **Directors' Report**

### **For the Half Year Ended 31 December 2017**

Your directors present their report, together with the interim financial statements of the Group, being Advance NanoTek Limited (the Company) and its controlled entities, for the financial half year ended 31 December 2017.

#### **Directors**

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

<b>Names</b>	<b>Position</b>
Lev Mizikovsky	Non-executive Chairman
Rade Dudurovic	Audit Committee Chairman
Geoff Acton	Managing Director

#### **Principal activities**

During the half year the principal continuing activities of the Group consisted predominantly of the manufacture of aluminium oxide powder, zinc oxide dispersions and zinc oxide powder for the Personal Care Sector.

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

#### **Review of operations**

Advance NanoTek Limited's result for the half year ended 31 December 2017 was a net profit after tax of \$606,887. Revenue increased by 4.63%.

#### **Manufacturing in the US**

The US OEM manufacturing facility is making a new pilot production in the latter part of February and repairs to the second piece of dispersion equipment has taken longer than anticipated. This piece of equipment is now expected to be operational in May, upon which full scale production will commence.

#### **Transition of 112 Radium Street**

Work has commenced on the transition to 112 Radium Street, Welshpool. We have received the approval from council and the lease will be signed after minor amendments are approved. There has been a delay in the move to 112 Radium Street until 12 March 2018 and the expected two week closure will occur then.

#### **Review of financial position**

The net assets of the Group have decreased by \$70,197 to \$4,131,211 after the successful completion of the buy-back of shares from the University of Western Australia.

#### **Significant changes in state of affairs**

There have been no significant changes in the state of affairs of entities in the Group during the half year.

## **Directors' Report**

### **For the Half Year Ended 31 December 2017**

#### **Events after the reporting date**

No other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

#### **Dividends paid or recommended**

No dividends have been paid or declared during the financial half year.

#### **Future developments and results**

The Group has established a solid platform from which to grow sales, improve margins and deliver profitability.

#### **Auditor's independence declaration**

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2017 has been received and can be found on page 3 of the interim financial statements financial report.

This director's report is signed in accordance with a resolution of the Board of Directors.



Lev Mizikovskiy  
Non-Executive Chairman

Dated 28 February 2018

Level 19/144 Edward St  
Brisbane Qld 4000  
GPO Box 389  
Brisbane Qld 4001

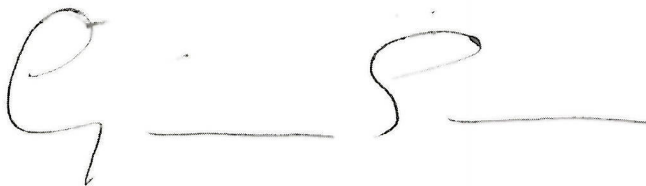
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hallchadwickassociation.com.au

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Advanced Nanotek Limited**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2017, there have been:

- i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Geoffrey Stephens  
Director

HALL CHADWICK QLD AUDIT

Signed at Brisbane 28<sup>th</sup> February 2018

## Advance NanoTek Limited

ACN 079 845 855

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 31 December 2017

		31 December 2017	31 December 2016
	Note	\$	\$
Revenue	2	2,649,498	2,529,781
Other income	2	204,237	-
Raw materials and consumables used		(972,522)	(1,076,287)
Loss on sale of old stock		-	(162,317)
Employee benefits expense		(376,735)	(297,621)
Patent renewals - IP Trademarks		(61,550)	(96,837)
Depreciation expense		(131,640)	(117,889)
Legal expense		(81,899)	(24,139)
Directors fees		(101,700)	(82,000)
Insurance fees		(37,062)	(76,482)
Rent expense		(148,187)	(151,147)
Rates and Electricity		(71,099)	(72,822)
Corporate and Accounting costs		(69,956)	(76,997)
Logistics		(54,000)	-
Other expenses		(140,498)	(167,213)
<b>Profit before income taxes</b>		<b>606,887</b>	128,030
Income tax expense		-	-
<b>Profit for the half year</b>		<b>606,887</b>	128,030
Other comprehensive income for the half year		-	-
<b>Total comprehensive income for the half year</b>		<b>606,887</b>	128,030
Profit attributable to:			
Members of the parent entity		606,887	128,030
		<b>606,887</b>	128,030
Total comprehensive income attributable to:			
<b>Earnings per share</b>			
Basic earnings per share (cents)		1.05	0.02
Diluted earnings per share (cents)		1.05	0.02

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Advance NanoTek Limited

ACN 079 845 855

## Consolidated Statement of Financial Position As At 31 December 2017

		31 December 2017	30 June 2017
	Note	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		844,964	908,287
Trade and other receivables	3	1,538,260	1,936,080
Inventories	4	907,128	746,708
Other assets		339,831	154,037
<b>Total Current Assets</b>		<b>3,630,183</b>	<b>3,745,112</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		1,949,876	1,956,361
Intangible assets		166,962	72,153
<b>Total Non-Current Assets</b>		<b>2,116,838</b>	<b>2,028,514</b>
<b>TOTAL ASSETS</b>		<b>5,747,021</b>	<b>5,773,626</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		424,532	324,943
Provisions		106,915	103,383
Unearned income		160,039	160,039
<b>Total Current Liabilities</b>		<b>691,486</b>	<b>588,365</b>
<b>Non-Current Liabilities</b>			
Provisions		127,945	106,797
Unearned income		796,379	877,056
<b>Total Non-Current Liabilities</b>		<b>924,324</b>	<b>983,853</b>
<b>TOTAL LIABILITIES</b>		<b>1,615,810</b>	<b>1,572,218</b>
<b>NET ASSETS</b>		<b>4,131,211</b>	<b>4,201,408</b>
<b>EQUITY</b>			
Issued capital		39,339,003	40,016,087
Reserves		1,116,155	1,116,155
Accumulated losses		(36,323,947)	(36,930,834)
<b>TOTAL EQUITY</b>		<b>4,131,211</b>	<b>4,201,408</b>

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Advance NanoTek Limited

ACN 079 845 855

### Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2017

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	<b>40,016,087</b>	<b>(36,930,834)</b>	<b>15,940</b>	<b>1,100,215</b>	<b>4,201,408</b>
Comprehensive income for the year					
Profit/(loss) for the half year	-	606,887	-	-	606,887
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>606,887</b>	<b>-</b>	<b>-</b>	<b>606,887</b>
Share buy-back	(677,084)	-	-	-	(677,084)
<b>Balance at 31 December 2017</b>	<b>39,339,003</b>	<b>(36,323,947)</b>	<b>15,940</b>	<b>1,100,215</b>	<b>4,131,211</b>

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>40,016,087</b>	<b>(37,492,008)</b>	<b>15,940</b>	<b>1,100,215</b>	<b>3,640,234</b>
Comprehensive income for the half year					
Profit/(loss) for the half year	-	128,030	-	-	128,030
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>128,030</b>	<b>-</b>	<b>-</b>	<b>128,030</b>
<b>Balance at 31 December 2016</b>	<b>40,016,087</b>	<b>(37,363,978)</b>	<b>15,940</b>	<b>1,100,215</b>	<b>3,768,264</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Advance NanoTek Limited

ACN 079 845 855

### Consolidated Statement of Cash Flows For the Half Year Ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	3,231,591	2,170,048
Payments to suppliers and employees	(2,393,683)	(1,863,712)
Interest received	91	65
Net cash provided by/(used in) operating activities	<u>837,999</u>	<u>306,401</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(113,650)	(3,579)
Payments for capitalised development costs	(110,588)	-
Net cash provided by/(used in) investing activities	<u>(224,238)</u>	<u>(3,579)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Share buy-back payment	(677,084)	-
Net cash provided by/(used in) financing activities	<u>(677,084)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held	(63,323)	302,822
Cash and cash equivalents at beginning of year	908,287	1,196,195
Exchange rate adjustment	-	(20,676)
Cash and cash equivalents at end of the half year	<u>844,964</u>	<u>1,478,341</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 1 Summary of Significant Accounting Policies

##### (a) Basis of preparation

This condensed interim financial report for the half year reporting period ended 31 December 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Advance NanoTek Limited and controlled entities ("the Group"). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half year.

##### Accounting Policies

Except as described below in Note (b), the same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements

##### (b) Adoption of new and revised accounting standards

The Group has not adopted any new and revised standards and interpretations issued by the Australian Accounting Standard Board (AASB) for the current period as they are not relevant to their operations.

##### (c) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments	30 June 2019	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value.	
AASB 15 Revenue from Contracts with Customers	30 June 2019	This standard provides guidance on the recognition of revenue from customers.	
AASB 16 Leases	30 June 2020	Significant revisions to accounting for operational leases on balance sheet by Lessees of property and high value equipment. However, exemptions for short-term leases and leases of low value assets will reduce the impact.	

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 1 Summary of Significant Accounting Policies

##### (c) New Accounting Standards and Interpretations

Standard Name	Effective date for entity	Requirements	Impact
AASB 2014-10 Amendments to Accounting Standards - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	30 June 2019	The amendment addresses an inconsistency between the requirements in AASB 128 Investment in Associates and Joint Ventures and AASB 10 Consolidated Financial Statements and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the asset sold or contributed constitutes a business.	This will only have impact to the entity if there has been a sale or contribution of assets between the entity and its associate or joint venture.
Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	30 June 2020	Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 where there is uncertainty over the appropriate income tax treatment of a transaction or class of transactions, and about whether a tax treatment will be accepted by a tax authority.	The basis for recognising tax liabilities and associated disclosures may change based on the assessment of the likelihood that the proposed tax treatment in the entity's tax return would be accepted by the tax authorities.

#### 2 Revenue and Other Income

##### Revenue from continuing operations

	31 December 2017	31 December 2016
	\$	\$
Sales revenue		
- Sale of ZinClear	1,946,618	2,189,281
- Sale of Alusion	555,970	157,329
Other revenue		
- Licence income	80,677	80,677
- Interest income	91	65
- Miscellaneous income	66,142	102,429
<b>Total Revenue</b>	<b>2,649,498</b>	<b>2,529,781</b>
Other income		
- Research & development	204,237	-
<b>Total Other Income</b>	<b>204,237</b>	<b>-</b>

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 3 Trade and Other Receivables

	31 December 2017	30 June 2017
	\$	\$
CURRENT		
Trade receivables	1,518,914	1,924,854
Other receivables	19,346	11,226
<b>Total current trade and other receivables</b>	<b>1,538,260</b>	<b>1,936,080</b>

#### 4 Inventories

	31 December 2017	30 June 2017
	\$	\$
CURRENT		
At cost:		
Raw materials and consumables	574,305	568,931
Work in progress	213,468	207,917
Finished goods	181,565	174,387
Goods in transit	-	1,778
Provision for impairment	(62,210)	(206,305)
	<b>907,128</b>	<b>746,708</b>

#### 5 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2017 (2016: None).

#### 6 Operating Segments

##### Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Board considers the business from a market perspective and has identified one reportable segment, the Personal Care segment, which produces and distributes dispersions of mineral-only UV filters in cosmetic formulations used for sunscreen, skincare and pharmaceutical formulations, as well as alumina plate-like powders used for cosmetic applications.

##### (a) Revenue by geographical region

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 6 Operating Segments

##### (a) Revenue by geographical region

	31 December 2017	31 December 2016
	\$	\$
Australia	872,918	627,338
United States of America	819,446	1,103,183
Europe	680,975	334,197
Rest of the world	119,249	281,892
	<b>2,492,588</b>	<b>2,346,610</b>

#### 7 Related Parties

Amounts receivable from related parties for the sale and purchase of goods and services are unsecured and interest free and are included in the balances of trade and other receivables. Balances are settled within normal trading terms or as per agreement with the Board. No provisions for doubtful debts has been recognised on these outstanding balances, nor have any bad debt expenses been incurred.

##### (a) The Group's main related parties are as follows:

###### (i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

Tamawood Limited is deemed to be related party by virtue of Mr L Mizikovsky, Non-executive Chairman having a controlling interest in the Company.

Transactions with KMP and their related entities, excluding remuneration are shown below.

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017

#### 7 Related Parties

##### (b) Transactions with related parties

The following transactions occurred with related parties:

##### *Sales of Good and Services*

	31 December 2017	31 December 2016
	\$	\$
<i>Related Parties:</i>		
<b>Astivita Limited</b>		
Administration Services	6,432	-
<b>Senterprisys Limited</b>		
Administration Services	7,404	-
<i>Purchases of goods and services:</i>		
<b>Astivita Limited</b>		
Administration and Logistics	68,632	-
<b>Tamawood Limited</b>		
Accounting Services	8,141	7,673
IT Support Services	202	-
<b>CyberguardAU Pty Ltd</b>		
Cybersecurity Services	8,140	-
<b>Senterprisys Limited</b>		
IT Services	45	-
<b>G&amp;S Quality Systems Pty Ltd and Mr G Acton</b>		
Administration, payroll and company secretarial services	24,454	44,120
Director Fees	61,700	-
<b>Sequent Corporation Pty Ltd and Mr R Dudurovic</b>		
Director Fees	40,000	-

##### (c) Outstanding balances

<i>Amounts Payable</i>		
Astivita Limited	7,938	-
Dixonbuild Pty Ltd	477	-
G&S Quality Systems Pty Ltd	352	-
Senterprisys Limited	7403	-
<i>Amounts Receivable</i>		
Astivita Limited	2,466	-

## **Notes to the Financial Statements**

### **For the Half Year Ended 31 December 2017**

#### **8 Events Occurring After the Reporting Date**

No other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## **Directors' Declaration**

The directors of the Company declare that:

1. The interim financial statements and notes as set out on pages 4-12 are in accordance with the *Corporations Act 2001*, including
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and the Corporations Regulations 2001; and
  - b. give a true and fair view of the consolidated group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Lev Mizikovsky  
Non-Executive Chairman

Dated 28 February 2018

## Independent Auditor's Review Report

To the members of Advanced Nanotek Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Advanced Nanotek Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Advanced Nanotek Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

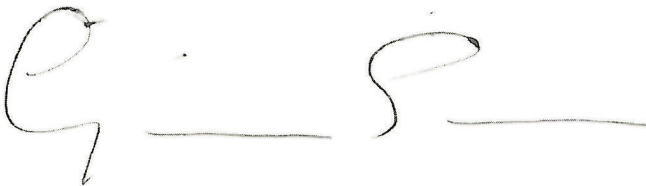
## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Advanced Nanotek Limited, would be in the same terms if given to the Directors as at the time of this auditor's review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Advanced Nanotek Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

A handwritten signature in dark ink, appearing to read 'G. Stephens', with a horizontal line extending to the right.

Geoffrey Stephens  
Director

HALL CHADWICK QLD AUDIT

Signed at Brisbane 28<sup>th</sup> February 2018