Trajan Holdings Pty Ltd

ABN 38 152 617 706

Annual Financial Report

for the year ended 30 June 2020

Contents

Corporate Information

ABN

38 152 617 706

DIRECTORS

S.A. Tomisich, Chief Executive Officer
A.S. Tomisich, Non-Executive Director
A.A. Gooley
R.J. Lyon

COMPANY SECRETARY

A.J. Hodges

REGISTERED OFFICE

7 Argent Place Ringwood
Victoria, Australia

PRINCIPAL PLACE OF BUSINESS

7 Argent Place Ringwood
Victoria, Australia

SOLICITORS

Michael Trumble Legal
404 Albert Street, East Melbourne
Victoria, Australia

BANKERS

HSBC Bank Australia Limited
Level 10, 333 Collins Street Melbourne
Victoria, Australia

AUDITORS

RSM Australia Pty Ltd
Level 21, 55 Collins Street, Melbourne
Victoria, Australia

Directors' Report

The Directors of Trajan Holdings Pty Ltd (Trajan) submit their report for the year ended 30 June 2020.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Stephen Andrew Tomisich
Angela Santina Tomisich
Andrew Arthur Gooley
Robert John Lyon

Company Secretary

Alister J. Hodges

PRINCIPAL ACTIVITIES

The principal activity of the Company for the period was the continued development, manufacture and sale of products for the Analytical, Pathology and Chromatography markets, with continuing emphasis on commercialisation of pre-analytical technologies and workflow automation in LC/GC-MS.

LOCATIONS

Trajan's corporate head office is located in Ringwood Victoria, Australia. The premises house the Trajan corporate team along with manufacturing for the Analytical and Life business segments, R&D and warehouse operations and ANZ warehousing and distribution. Trajan also has customer service located in Sydney New South Wales. During the year Trajan terminated its occupation at the University of Adelaide.

Trajan has international operations and sales offices in USA, Europe and Japan. Four locations in the USA include; Austin Texas housing manufacturing, warehouse, operations management, San Diego housing manufacturing and product development, Morrisville North Carolina housing research and development, sales, servicing, distribution and warehousing, and Bethel, Connecticut housing manufacturing, warehouse, operations management. In Milton Keynes (UK) Trajan houses sales, warehousing and distribution. Trajan exited the Chester facility during the year. In Europe Trajan also has in field employees in France and Germany. Yokohama Japan houses sales, warehouse and distribution. A new office was opened in December 2016 in Penang Malaysia. The purpose of this location is initially to manufacture Gas Chromatography products, manufacturing to be transferred progressively from Australia.

OPERATING AND FINANCIAL REVIEW

The Company Annual Financial Report includes results for the twelve months ending 30 June 2020 with comparative values for the period ending 30 June 2019. For the twelve months ended 30 June 2020, the Company generated sales of $71.9 million (2019: $67.8 million), Gross Profit on sales of 33.9% (2019: 37.2%) or $24.4 million (2019: $25.2 million). Total costs are $21.4 million (2019: $22.2 million). Net profit before tax is $3.0 million (2019: $3.0 million). Cash at 30 June 2020 totalled $4.8 million (2019: $4.0 million); refer to the Statement of Cash Flow. As at 30 June 2020 Shareholders' Equity totalled $17.7 million (2019: $16.0 million); refer to the Statement of Changes in Equity.

In the last two months of the fiscal year the company experienced a revenue drop of circa 20% compared to the same period the prior year due to the COVID-19 pandemic. In line with plans developed and led by a senior COVID-19 response team, cost reductions were immediately put in place. Revenues have recovered since that time, the senior team remains in place meeting weekly, and the business is confident in meeting any further challenges that may arise. Production activities in Malaysia and Austin Texas have developed further strengthening our global footprint. Revenues of new technologies are continuing to build in our Automation group, in precision fluidics and at an early stage in the micro-sampling arena. Impressive "fast-tracked" progress has been made with our modular separation science platform; "Hummingbird" with ticks of approval coming from major US Pharmaceutical accounts.

Progress in the integration of Soltec Inc in Bethel Connecticut has been slower than planned. Key tasks ahead include the globalisation of the customer base and securing the return of its key OEM customer.

The broader underlying business and key customer relationships remain strong and the company has been achieving increased head room in its funding facilities.

The number of employees plus agency casuals at 30 June 2020 is 400 (2019: 449), FTE of 386.6 (2019: 438.2).

DIVIDENDS

During the financial year ended 30 June 2020, the directors of Trajan did not declare or pay a dividend on ordinary shares in respect of the 2020 financial year (2019: Nil).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The entity holds licences issued by the relevant authorities relating to the storage and use of chemicals and products associated with the manufacturing of products.

There have been no significant known breaches of any environmental regulations to which the entity is subject.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid $14,411 (2019: $11,890) in premiums in respect of a contract insuring all the directors of Trajan against legal costs incurred in defending proceedings for conduct other than:
(a) A wilful breach of duty
(b) A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Australia Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify RSM Australia Pty Ltd during or since the financial year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period to 30 June 2020 there was no significant change in the state of affairs of the entity other than that referred to in the annual financial report or notes thereto.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There has not been any matter or circumstance, other than that referred to in the annual financial report and notes thereto, that has arisen since the end of the previous financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Disclosure of information regarding likely developments in the operations of the entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the entity. Accordingly, this information has not been disclosed in this report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless stated otherwise).

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 proceedings 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. Trajan was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is set out on page 6.

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

Stephen Andrew Tomisich

Stephen Andrew Tomisich
Chairman

Dated this 29th day of October 2020

RSM Australia Pty Ltd

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PO Box 248 Collins Street West VIC 8007

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www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Trajan Holdings Pty Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Australian professional accounting bodies; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PTY LTD

B Y CHAN
Director

Dated: 29 October 2020
Melbourne, Victoria

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

		Consolidated	
	Notes	30 June 2020 $'000	30 June 2019 $'000
Revenue			
Sale of goods		71,852	67,766
Cost of sales		(47,500)	(42,588)
Gross Profit		24,352	25,178
Other income	2a	2,178	635
Selling expenses		-	-
Advertising expenses	2b	(439)	(382)
Employee and Directors benefits expenses	2c	(17,322)	(16,436)
Occupancy expenses		(532)	(940)
Operational expenses		(331)	(300)
Communication expenses		(361)	(355)
Travel & Entertainment expenses		(1,061)	(1,355)
Professional and Licence Fees		(1,670)	(1,409)
Finance expenses	2d	(655)	(609)
Depreciation and Amortisation	2e	(1,167)	(1,050)
Other expenses		-	-
Profit/(Loss) before income tax		**2,992**	**2,977**
Income tax benefit/(expense)	3	(384)	(835)
Profit/(Loss) for the year after income tax		**2,608**	**2,142**
Other Comprehensive Income for the year		(563)	251
Total Other Comprehensive Income for the Year		**2,045**	**2,393**
Attributable to:			
Equity holders of the parent		2,057	2,396
Minority interests		(12)	(3)
		2,045	**2,393**

The above Statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2020

	Notes	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	4,786	3,982
Trade and other receivables	5	6,794	9,059
Inventories	6	14,078	13,990
Contract assets	7	567	560
Other current assets	8	2,765	1,313
Total Current Assets		**28,990**	**28,904**
Non-current assets			
Financial assets	9	2,819	2,826
Property, plant and equipment	10	4,943	5,916
Right-of-use assets	11	4,294	-
Goodwill and Intangibles	13	765	765
Deferred tax assets	18	2,269	2,584
Total Non-Current Assets		**15,090**	**12,091**
TOTAL ASSETS		**44,080**	**40,995**
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,767	6,044
Contract liabilities	15	1,685	1,192
Lease liabilities	16	1,388	-
Provisions	17	5,278	5,218
Tax liabilities/(asset)	18	(49)	1,308
Interest bearing loans and borrowings	19	5,940	5,014
Total Current Liabilities		**18,009**	**18,776**
Non Current liabilities			
Lease liabilities	16	3,357	-
Provisions	17	688	1,699
Interest bearing loans and borrowings	19	4,286	4,500
Total Non Current Liabilities		**8,331**	**6,199**
TOTAL LIABILITIES		**26,340**	**24,975**
NET ASSETS		**17,740**	**16,020**
EQUITY			
Contributed equity		3	3
Retained Earnings		17,093	14,810
Foreign Currency Translation Reserve		644	1,207
TOTAL EQUITY		**17,740**	**16,020**

The above Statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2020

		Consolidated	
	Notes	30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers		74,876	67,272
Payments to employees		(39,568)	(36,272)
Income tax (paid)/received		(1,880)	(94)
Interest income		179	179
Finance expenses		(322)	(389)
Payments to suppliers		(31,524)	(27,857)
Net cash flows from operating activities	**22**	**1,761**	**2,839**
Cash flows from investing activities			
Purchase of property plant and equipment		(797)	(2,675)
Proceeds from disposal of property plant and equipment		-	30
Purchase of investment		-	(411)
Net cash flows from / (used in) investing activities		**(797)**	**(3,056)**
Cash flows from financing activities			
Proceeds from borrowings		2,666	1,442
Repayment of borrowings		(1,295)	(1,046)
Repayment of lease liabilities		(1,607)	-
Net cash flows from / (used in) financing activities		**(236)**	**396**
Net increase/(decrease) in cash and cash equivalents		728	179
Net foreign exchange difference		76	257
Cash and cash equivalents at beginning of the period		3,982	3,546
Cash and cash equivalents at end of the period	**4**	**4,786**	**3,982**

The above Statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2020

2020	Entity Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 01 July 2019	**3**	**1,207**	**14,810**	**16,020**
Adjustment for change in accounting policy (note 1)	-	-	(325)	(325)
Balance at 1 July 2019 - restated	**3**	**1,207**	**14,485**	**15,695**
Profit for the period	-	-	2,608	2,608
Other comprehensive income	-	(563)	-	(563)
Total comprehensive income for the year	**3**	**644**	**17,093**	**17,740**
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Dividends paid	-	-	-	-
Balance at 30 June 2020	**3**	**644**	**17,093**	**17,740**

2019	Entity Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 01 July 2018	**3**	**956**	**12,668**	**13,627**
Profit for the period	-	-	2,142	2,142
Other comprehensive income	-	251	-	251
Total comprehensive income for the year	**3**	**1,207**	**14,810**	**16,020**
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Dividends paid	-	-	-	-
Balance at 30 June 2019	**3**	**1,207**	**14,810**	**16,020**

The above Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2020

1 Corporate Information

The consolidated financial statements of Trajan Holdings Pty Ltd and its subsidiaries (collectively, Trajan or the Group) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 29th October 2020.

Trajan is a company limited by shares incorporated in Australia. The nature of the operations and principal activities of the company are described in the directors' report.

Basis of preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the members. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Trajan Holdings Pty Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Trajan Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'company'.

Subsidiaries are all those entities over which the company has control. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the company are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the company. Losses incurred by the company are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The company recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the Financial Statements
for the year ended 30 June 2020

(a) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant rate of change in value.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of financial position.

(c) Provisions and employee benefits

General
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
When the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Warranty provisions
Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions
Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

for the year ended 30 June 2020

Employee leave benefits

Short-term employee benefits
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service.

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

Obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period, in which case the obligations are presented as current provisions.

(d) Income Tax and other taxes

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current Income Tax
Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred Tax
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to terms that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Notes to the Financial Statements

for the year ended 30 June 2020

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement of simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

a) a legally enforceable right of set-off exists; and

b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liability are expected to be recovered or settled.

(e) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over Trajan’s interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit(s) that is expected to benefit from the synergies of the combination. Trajan is viewed as a single cash-generation unit.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Trajan performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets acquired both separately and from a business combination

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure was incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss when the asset is derecognised.

Research and development
Trajan invests in research and development activities directly and partners with industry experts to help accelerate new product development. Partnering is an important priority for Trajan as it significantly increases the quantum, breadth of experience and scale of resources focussed on research and development of new technologies and products for target markets globally, driving future revenue growth.

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Patents and trademarks
Costs associated with patents and trademarks are expensed in the period in which they are incurred.

(g) Impairment of non- financial assets other than goodwill

The company conducts an annual review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets other than goodwill that have previously been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(h) Trade and other payables

Trade payables and other payables are carried at amortised costs and are not discounted due to their short term nature. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are not secured and are usually paid within 30 days of recognition.

(i) Contract liabilities

Contract liabilities represent the company’s obligation to transfer goods or services to a customer but where the company is yet to establish an unconditional right to consideration.

Notes to the Financial Statements

for the year ended 30 June 2020

(j) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(k) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(l) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges
Cash flow hedges are used to cover the company's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(m) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials
Purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work-in-progress
Cost comprises of direct materials, labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements

for the year ended 30 June 2020

(n) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

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.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(o) Investments and other financial assets

Investments and other financial assets, other than interests in subsidiaries or associates, 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 assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
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.

Notes to the Financial Statements

for the year ended 30 June 2020

(p) Property, Plant and Equipment

Property, Plant and Equipment
Freehold land and buildings, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over useful life commencing from the time the asset is held ready for use as follows:

Leasehold Improvements – 5 to 30 years.	Plant and equipment – 3 to 15 years.
Motor Vehicles – 4 to 6 years.	Furniture and Fittings – 5 to 20 years.
Computer Software – 2 to 5 years.	Computer Equipment – 2 to 10 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting period. When no future economic benefits are expected to arise from the continued use of an item of property, plant and equipment, it is derecognised. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings

(q) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(r) Contract Assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Notes to the Financial Statements

for the year ended 30 June 2020

(s) Revenue recognition (cont.)

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods
Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods and the costs in respect of the transaction can be reliably measured. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Provision of services
Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Dividends
Revenue is recognised when Trajan's right to receive the payment is established.

Interest income
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset) to the net carrying amount of the financial asset.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Foreign currency translation

Functional and presentation currency
Both the functional and presentation currency of Trajan is Australian dollars ($).

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2020

(v) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(w) Financial Assets

Investments in subsidiaries held by Trajan are accounted for at cost in the separate financial statements of Trajan less any impairment charges.

Dividends received from subsidiaries are recorded as a component of other income in the income statement and do not impact the recorded cost of the investment.

Upon receipt of dividend payments from related parties, Trajan will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

(x) Business Combinations

Business combinations occur where an acquirer obtains control over one or more Businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of Goodwill or a Net Purchase Consideration.

(y) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes in accounting policy.

(z) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments 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.

Notes to the Financial Statements
for the year ended 30 June 2020

(aa) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	30 June 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	3,411
Finance lease commitments as at 1 July 2019 (AASB 117)	49
Additional commitments not subject to AASB 117	2,899
Operating lease commitments discount based on the weighted average incremental borrowing rate of 6% (AASB 16)	(1,497)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(119)
Right-of-use assets (AASB 16)	4,743
Lease liabilities - current (AASB 16)	(1,145)
Lease liabilities - non-current (AASB 16)	(3,969)
Tax effect on the above adjustments	46
Reduction in opening retained profits as at 1 July 2019	(325)

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:
- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease;
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Notes to the Financial Statements

for the year ended 30 June 2020

(ab) New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
These standards are applicable to annual reporting periods beginning on or after 1 July 2021. AASB 2020-2 will prohibit certain for-profit entities from preparing special purpose financial statements and AASB 1060 provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. Given that the consolidated entity will be moving to general purpose financial statements in the future, there is likely to be increased disclosure for areas such as key management personnel, related parties, tax and financial instruments; and some disclosures will be removed. If the consolidated entity adopts the standards prior to the mandatory application date it will be able to take advantage of certain special transitional disclosure relief relating to comparative information in the first year of adoption.

2. REVENUES AND EXPENSES

	30 June 2020 $'000	30 June 2019 $'000
a) Other Income		
Realised/Unrealised foreign currency gains/(losses)	638	6
Management Fees (Trajan Property Pty Ltd)	139	139
Government Grants	430	200
Interest (Trajan Property Pty Ltd)	179	179
Insurance claim recovery	113	58
Adjustment to purchase price of Business Combinations	672	-
Sundry income	7	53
Total other income	**2,178**	**635**
b) Advertising Expenses		
Advertising & Promotion	(93)	(114)
Exhibitions & trade shows	(221)	(218)
Advertising allocated to cost of goods sold	12	9
Other Advertising expenses	(137)	(59)
Total Advertising expense	**(439)**	**(382)**
c) Employee and Directors benefits expense		
Salaries and wages	(33,028)	(30,615)
Superannuation	(2,869)	(2,599)
Provision for Long Term Incentive Plan	1,152	(877)
Salaries and wages, Superannuation & Taxes allocated to cost of goods sold	21,680	21,417
Taxes, Insurance & Amenities	(4,257)	(3,762)
Total salaries and employee benefits expense	**(17,322)**	**(16,436)**
d) Finance expenses		
Bank & sundry charges	(192)	(212)
Interest and finance charges paid/payable on borrowings	(322)	(389)
Interest and finance charges paid/payable on lease liabilities	(298)	-
Finance expenses allocated to cost of goods sold	200	-
Bad Debt provisions & Impairments	(43)	(8)
Total Finance expenses	**(655)**	**(609)**
e) Depreciation and amortisation		
Depreciation	(1,794)	(1,245)
Depreciation on assets allocated to cost of sales	1,061	726
Depreciation on right-of-use assets	(1,388)	-
Depreciation on right of use assets allocated to cost of sales	959	-
Depreciation on assets acquired from Business Combinations [(1)]	-	(255)
Amortisation	-	(255)
Minor assets expensed	(5)	(21)
Total Depreciation and amortisation expense	**(1,167)**	**(1,050)**

[(1)] Depreciation resulting from Business Combinations during the reporting period, Note 11

3. INCOME TAX EXPENSE

	30 June 2020 $'000	30 June 2019 $'000
Income tax benefit /(expense) reported in the Income Statement	(384)	(835)
A reconciliation between tax expense and the product of accounting profit multiplied by Australia's domestic tax rate as follows:		
Accounting Profit/(Loss) before income tax	2,992	2,977
At Australia's income tax rate of 30% (2019: 30%)	(898)	(893)
Tax effect of;		
Research & Development Tax Benefit	392	343
Effect of different tax rates in overseas entities	(203)	74
Movement in Provision for Long Term Incentive Plan	346	(263)
Other	(21)	(96)
Income Tax Benefit / (Expense)	**(384)**	**(835)**

4. CASH AND CASH EQUIVALENTS

	30 June 2020 $'000	30 June 2019 $'000
For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	3,940	3,021
Cash equivalents (1)	846	961
Total Cash and Cash Equivalents	**4,786**	**3,982**

(1) Cash equivalents are bank drafts and DENSAI receivable by Trajan Scientific Japan Inc

5. TRADE AND OTHER RECEIVABLES

	30 June 2020 $'000	30 June 2019 $'000
Trade Receivables	6,794	9,059
Total Trade and Other Receivables	**6,794**	**9,059**

Trade receivables are non-interest bearing and are generally on 30 to 90-day terms.

6. INVENTORIES

	30 June 2020 $'000	30 June 2019 $'000
Raw Materials [(1)]	4,979	4,123
Work in Progress [(1)]	4,605	4,071
Finished Goods [(1)]	6,558	7,532
Provision for Stock Obsolescence	(2,064)	(1,736)
Total Inventories	**14,078**	**13,990**

[(1)] Includes assets acquired during the year from Business Combinations, Note 11

7. CONTRACT ASSETS

	30 June 2020 $'000	30 June 2019 $'000
Contract assets [(1)]	567	560
Total Contract assets	**567**	**560**

[(1)] Contract assets relating to the Automation business

8. OTHER CURRENT ASSETS

	30 June 2020 $'000	30 June 2019 $'000
Prepayments	516	663
Prepaid insurance on retirement - Japan	745	634
Foreign exchange contracts	992	-
Income tax refund	496	-
Deposits on Purchases	16	16
Total Other Current Assets	**2,765**	**1,313**

9. FINANCIAL ASSETS

	30 June 2020 $'000	30 June 2019 $'000
Shares in LBPR Pty Ltd	137	137
Shares in Healthier Delivery Pty Ltd	69	69
Loan to Directors	-	7
Loan to Trajan Property Pty Ltd (related party)	2,613	2,613
Total Financial Assets	**2,819**	**2,826**

10. PLANT & EQUIPMENT

2020 2019 Movements	Plant & Equipment $'000	Furniture & Fittings $'000	Computer Software & Equipment $'000	Motor Vehicles $'000	Leasehold Improvement $'000	Capital in Progress $'000	Total $'000
Cost at 1 July 2019	6,276	580	1,880	72	1,319	234	10,361
Exchange rate impact	41	2	2	-	7	1	53
Additions	541	9	112	-	306	-	968
Transfers in/(out)	208	-	2	-	25	(235)	-
Disposals	(243)	-	(4)	-	(83)	-	(330)
Balance at 30 June 2020	**6,823**	**591**	**1,992**	**72**	**1,574**	**-**	**11,052**
Depreciation & Impairment at 1 July 2019	(2,476)	(241)	(1,003)	(47)	(678)	-	(4,445)
Exchange rate impact	(1)	-	-	-	2	-	1
Depreciation charge	(1,045)	(80)	(405)	(14)	(250)	-	(1,794)
Disposals	84	-	-	-	45	-	129
Balance at 30 June 2020	**(3,438)**	**(321)**	**(1,408)**	**(61)**	**(881)**	**-**	**(6,109)**
Cost at 30 June 2020	6,823	591	1,992	72	1,574	-	11,052
Accumulated depreciation and impairment	(3,438)	(321)	(1,408)	(61)	(881)	-	(6,109)
Net carrying value at 30 June 2020	**3,385**	**270**	**584**	**11**	**693**	**-**	**4,943**

2019 2019 Movements	Plant & Equipment $'000	Furniture & Fittings $'000	Computer Software & Equipment $'000	Motor Vehicles $'000	Leasehold Improvement $'000	Capital in Progress $'000	Total $'000
Cost at 1 July 2018	4,409	509	1,563	75	1,252	-	7,808
Exchange rate impact	49	10	9	-	39	-	107
Business Combinations	1,364	48	52	-	-	-	1,464
Additions	521	21	307	4	28	234	1,115
Disposals	(67)	(8)	(51)	(7)	-	-	(133)
Balance at 30 June 2019	**6,276**	**580**	**1,880**	**72**	**1,319**	**234**	**10,361**
Depreciation and Impairment at 1 July 2018	(1,655)	(174)	(700)	(35)	(442)	-	(3,006)
Exchange rate impact	(15)	(4)	(6)	-	(16)	-	(41)
Depreciation on Business Combinations	(239)	(6)	(10)	-	-	-	(255)
Depreciation charge	(613)	(65)	(339)	(8)	(220)	-	(1,245)
Disposals	46	8	52	(4)	-	-	102
Balance at 30 June 2019	**(2,476)**	**(241)**	**(1,003)**	**(47)**	**(678)**	**-**	**(4,445)**
Cost at 30 June 2019	6,276	580	1,880	72	1,319	234	10,361
Accumulated depreciation and impairment	(2,476)	(241)	(1,003)	(47)	(678)	-	(4,445)
Net carrying value at 30 June 2019	**3,800**	**339**	**877**	**25**	**641**	**234**	**5,916**

11. RIGHT OF USE ASSETS

	30 June 2020 $'000	30 June 2019 $'000
Land and buildings - right-of-use	5,491	-
Less: Accumulated depreciation	(1,292)	-
	4,199	**-**
Plant and equipment - right-of-use	177	-
Less: Accumulated depreciation	(82)	-
	95	**-**
Total Right of use assets	**4,294**	**-**

12. BUSINESS COMBINATIONS

On 30 November 2018 Trajan Scientific America Inc acquired the business assets of Soltec Inc, which manufactures Septa within the analytical laboratory environment. Details of the purchase consideration, reporting the net assets acquired are as follows:

	30 June 2020 $'000	30 June 2019 $'000
Trade Receivables	-	426
Inventory	-	444
Property, plant and equipment	-	1,464
Trade and other payables	-	(193)
Purchase Consideration	**-**	**2,141**
Cash Consideration	-	1,034
Deferred Consideration (1)	-	1,107
Purchase Consideration	**-**	**2,141**

(1) Deferred Consideration payable on the 1st, 2nd and 3rd anniversaries of the acquisition based on incremental sales growth.

13. GOODWILL AND INTANGIBLES

	30 June 2020 $'000	30 June 2019 $'000
Goodwill on acquisition of Grale business	765	765
hemaPEN development costs	-	-
Total Goodwill and Intangibles	**765**	**765**

14. TRADE AND OTHER PAYABLES

	30 June 2020 $'000	30 June 2019 $'000
Trade Payables	3,767	6,037
Forward Exchange Contracts	-	7
Total Trade and Other Payables	**3,767**	**6,044**

15. CONTRACT LIABILITIES

	30 June 2020 $'000	30 June 2019 $'000
Contract liabilities (1)	1,685	1,192
Total Contract liabilities	**1,685**	**1,192**

(1) Contract assets relating to the Automation business

16. LEASE LIABILITIES

	30 June 2020 $'000	30 June 2019 $'000
Current Liability		
Lease liability	1,388	-
Current Lease liability	1,388	-
Non Current Liability		
Lease liability	3,357	-
Non-Current Lease liability	3,357	-
Total Lease liabilities	**4,745**	**-**

17. PROVISIONS

	30 June 2020 $'000	30 June 2019 $'000
Current Liability		
Annual Leave	2,234	2,193
Long Service Leave - Australia	3,044	3,025
Current Provisions	5,278	5,218
Non Current Liability		
Long Term Employee Incentive Plan	-	1,152
Long Service Leave - Australia	688	547
Non-Current Provisions	688	1,699
Total Provisions	**5,966**	**6,917**

18. TAX

	30 June 2020 $'000	30 June 2019 $'000
Liabilities/(Assets)		
Provision for income tax	**(49)**	**1,308**
Asset		
Deferred Tax Asset	2,441	2,961
Deferred Tax Liability	(172)	(377)
Total Net Deferred Tax Asset Balance	**2,269**	**2,584**

19. INTEREST BEARING LOANS AND BORROWINGS

	30 June 2020 $’000	30 June 2019 $’000
Current Liability		
Lease Unsecured	-	48
Loan HSBC – secured (1)	5,940	4,966
Total Current Liabilities	**5,940**	**4,966**
Non Current Liability		
Loan HSBC - secured (1)	2,520	3,466
Deferred Consideration (2)	375	1,034
Unsecured PPP funding (3)	1,391	-
Total Non Current Liabilities	**4,286**	**4,500**
Total Interest Bearing Loans and Borrowings	**10,226**	**9,514**

(1) HSBC loan is a series of rolling bills within longer term funding facility. Loans are secured by a charge over business assets.
(2) Deferred consideration on the acquisition of the business assets of Soltec Inc on 30 November 2018.
(3) Unsecured PPP COVID support funding extended to Trajan Scientific Americas Inc from the US government CARES Act.

20. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Grale Scientific Pty Ltd	Australia	100%	100%
Scientific Glass Manufacturing (UK) Ltd	United Kingdom	100%	100%
Trajan Accelerator Pty Ltd	Australia	100%	100%
Trajan Holdings Pty Ltd	Australia	100%	100%
Trajan Nutrition Pty Ltd [1]	Australia	50%	50%
Trajan Scientific Americas Inc	United States	100%	100%
Trajan Scientific and Medical Pty Ltd	Australia	100%	100%
Trajan Scientific Australia Pty Ltd	Australia	100%	100%
Trajan Scientific Europe Ltd [2]	United Kingdom	100%	100%
Trajan Scientific Germany GmbH	Germany	100%	100%
Trajan Scientific Japan Inc	Japan	100%	100%
Trajan Scientific Malaysia Sdn Bhd	Malaysia	100%	100%
Trajan Scientific Switzerland Sarl	Switzerland	100%	100%

[1] Trajan Nutrition Pty Ltd was incorporated on 3rd November 2017. Trajan Holdings Pty Ltd has effective control over Trajan Nutrition Pty Ltd due to its control of the board and management. Trajan directors hold the key positions of Chairman and CEO which indicates the capacity to determine the outcome of decisions.

[2] Trajan Scientific Europe Ltd includes a branch in France, Trajan Scientific France.

21. COMMITMENTS AND CONTINGENCIES

Trajan has entered into commercial leases on certain premises and computer equipment. At inception these leases have an average life of between three and five years with renewal options applicable to some premises leases. There are no restrictions placed upon Trajan by entering into these leases.

Premises Lease Commitments
7 Argent Place Ringwood Victoria, Australia
Location of global corporate head office and utilized for research and development, manufacturing, warehousing office administration and sales activities. Lease commenced in January 2018 for an initial term of three years with an additional three year option.

University of Adelaide, South Australia
Utilised as a research and development, and manufacturing node in South Australia. Lease commenced May 2016, for a term of 5 years with a further 5 year option.

1421 W Wells Branch Pkwy Pflugerville, TX USA
Utilised by Trajan Scientific Americas Inc for office administration, warehousing, sales and manufacturing activities. Lease commenced March 2016 for a term of seventy-six (76) months.

7716 Arjons Drice, San Diego, CA USA
Utilised by Trajan Scientific Americas Inc for R&D and manufacturing activities. Lease commenced November 2016 for a term of sixty one (61) months ending December 2021.

Southport Business Park, 101 South Centre Court, Morrisville, NC USA
Utilised by Trajan Scientific Americas Inc for office administration, warehousing, sales, R&D, and assembly activities. Lease commenced March 2017 for a term of sixty two (62) months, expiring May 2022.

21 Berkshire Boulevard, Bethel, CT USA
Utilised by Trajan Scientific Americas Inc for office administration, warehousing, sales and manufacturing activities. Lease commenced December 2018 for a term of thirty-six (36) months.

14 Vincent Avenue, Crownhill, Milton Keynes, United Kingdom
Utilised by Trajan Scientific Europe Ltd for office administration, warehousing and sales activities. Lease commenced January 2014 for an initial term of five years with option to extend for a further term of five years, exercised in January 2019.

Suite 3A, Merchants House, Hamilton Place, Chester, United Kingdom
Utilised by Trajan Scientific Europe Ltd for global marketing activities. Lease commenced September 2015 for an initial term of three years with option to extend for a further term of two years.

3F RK Cube Building Otamachi. Nakaku, Yokohama-shi, Kanagawa, Japan
Utilised by Trajan Scientific Japan for office administration, warehousing and sales activities. Lease commenced May 2000, requires six months notice to terminate.

No 314A, 1stFloor, Jalan Perindustrian Bukit Minyak 18, Penang Science Park, Seberbang Perai Tengah, Penang
Office utilized for manufacturing, warehousing office administration and sales activities. Lease commenced in December 2016 for an initial term of three years with an additional three year option. This lease was terminated in November 2019.

No 1899, Lorong Industri 2, Kawasan Industri Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang, Malaysia
Office utilized for manufacturing, warehousing office administration and sales activities. Lease commenced in November 2019 for an initial term of three years with an additional two year option.

Total Operating Lease Commitments

Non-cancellable operating leases relating to premises contracted for but not recognized in the financial statements.

	30 June 2020 $'000	30 June 2019 $'000
Payable – minimum lease payments:		
- Not later than 12 months	-	1,597
- Between 12 months and five years	-	1,813
- Later than five years	-	-
	-	**3,410**

Computer Equipment Financing Lease Commitments

Pronto Software
During the years ending 30 June 2016 and 30 June 2017 Trajan entered into seven (7) separate financing lease contracts for expenses associated with the acquisition and implementation of the Pronto Software System. The new Pronto system was commissioned on 1st November 2016.

Total Financing Lease Commitments

Non-cancellable finance leases relating to software contracted for but not recognized in the financial statements.

	30 June 2020 $'000	30 June 2019 $'000
Payable – minimum lease payments:		
- Not later than 12 months	-	49
- Between 12 months and five years	-	-
- Later than five years	-	-
	-	**49**

22. CASH FLOW INFORMATION

(a) Reconciliation of cashflow from operations, with profit after income tax.

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Profit after income tax	**2,608**	**2,182**
Non Cash flows in profit:		
- Depreciation & Amortisation	1,794	1,755
- Net loss/(gain) on disposal of assets	52	1
- Foreign exchange contracts	(992)	7
Net (increase) / decrease in operating assets		
- Trade and other receivables	2,265	(945)
- Inventory	(88)	(4,378)
- Deferred tax assets	315	(552)
- Contract assets	(7)	(560)
- Other assets	(94)	(331)
Net increase / (decrease) in operating liabilities		
- Trade and other payables	(2,277)	1,840
- Provisions	(951)	1,273
- Contract liabilities	493	1,192
- Income tax payable	(1,357)	1,355
Net cash provided by/(used in) operating activities	**1,761**	**2,839**

23. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	30 June 2020 $'000	30 June 2019 $'000
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	496	1,393
Non-current assets	2,055	2,000
Total Assets	**2,551**	**3,393**
Liabilities		
Current liabilities	411	1,253
Non-current liabilities	2,000	2,000
Total Liabilities	**2,411**	**3,253**
Equity		
Contributed equity	140	140
Total Equity	**140**	**140**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total comprehensive income for the year	**140**	**140**

24. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred between the balance sheet date and the date when these financial statements were authorised for issue.

25. DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid to related parties during the year ended 30 June 2020 (2019: $Nil).

Directors' Declaration

In accordance with a resolution of the directors of Trajan Holdings Pty Ltd, we state that:

In the opinion of the directors:

(a) the financial statements and notes, give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date in accordance with the accounting policies as described in Note 1 to the financial statements.

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Stephen Andrew Tomisich

Stephen Tomisich
Chairman

Melbourne
This 29th day of October 2020.

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INDEPENDENT AUDITOR'S REPORT
To the Members of Trajan Holdings Pty Ltd

Opinion

We have audited the financial report of Trajan Holdings Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 presents fairly, in all material respects the financial position of the Group as at 30 June 2020, and its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

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 Group in accordance with the auditor independence 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.

Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to meet the requirements of the members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the accounting policies described in Note 1 to the financial statements and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that 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 Group 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 Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

RSM AUSTRALIA PTY LTD

B Y CHAN
Director

Dated: 29 October 2020
Melbourne, Victoria