

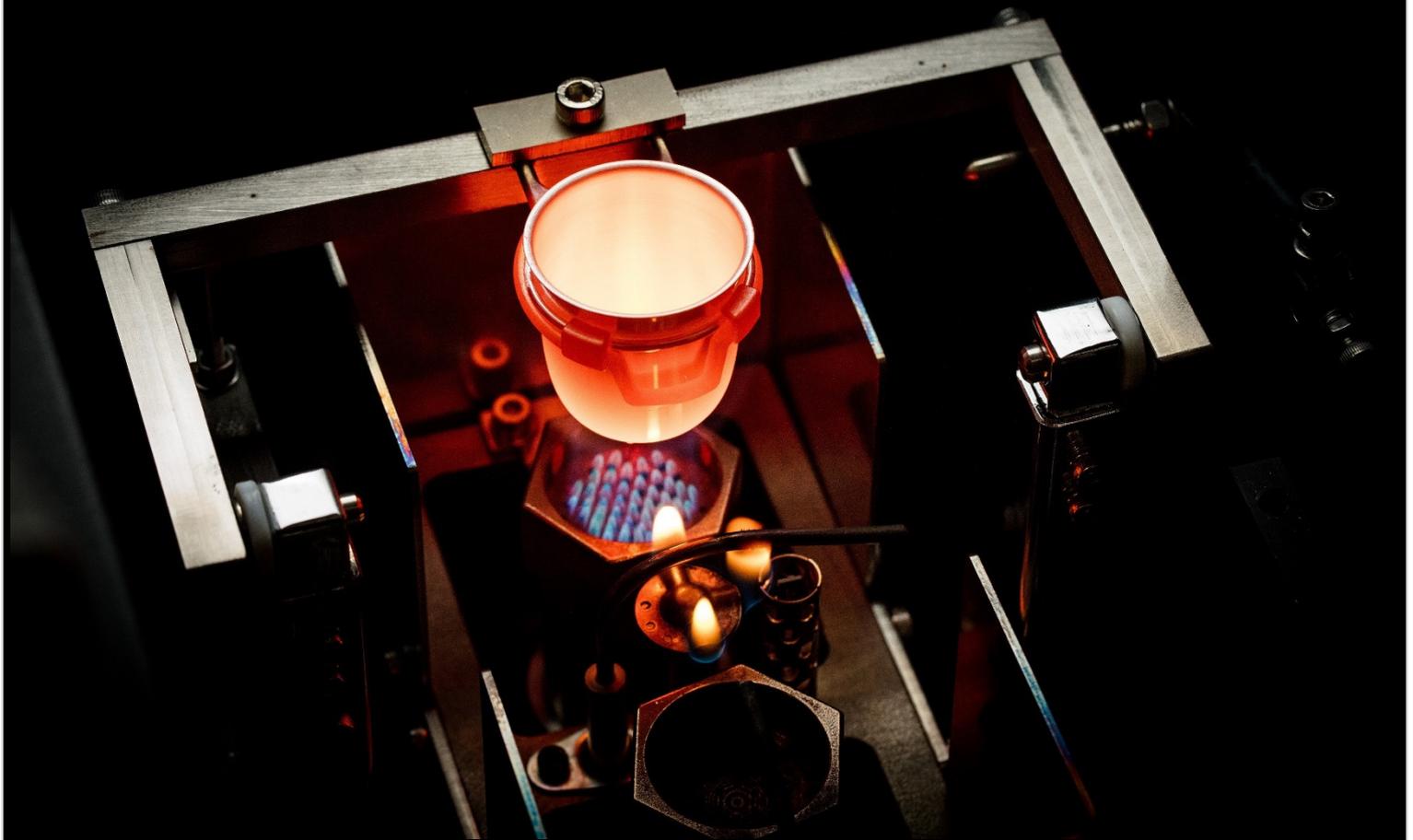
XRF SCIENTIFIC LIMITED

ABN 80 107 908 314

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

XRF
scientific

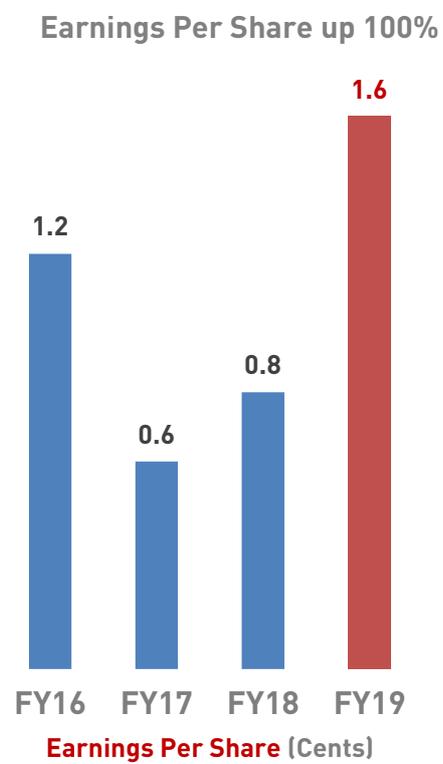
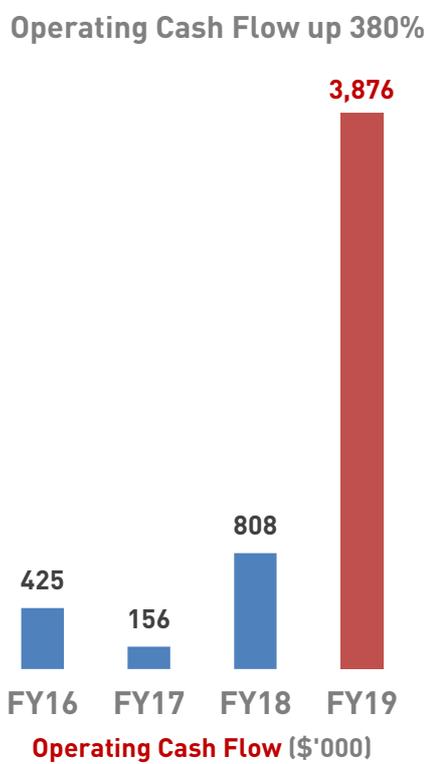
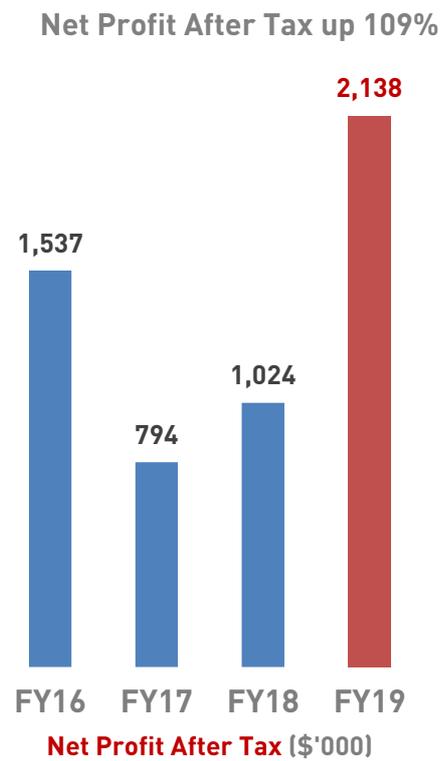
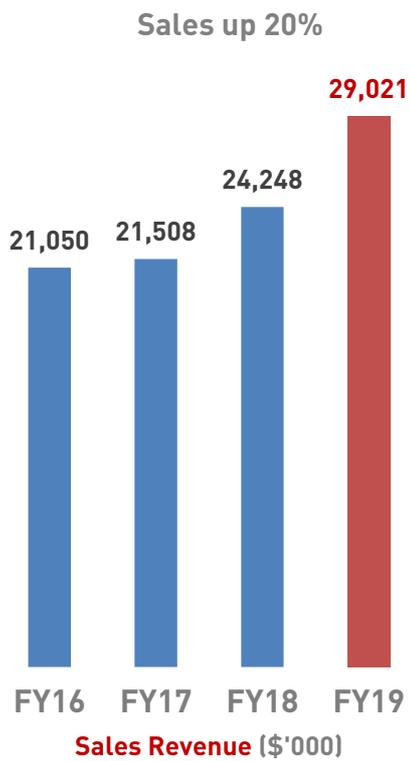




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FINANCIAL RESULTS SUMMARY





CHAIRMAN'S LETTER

Dear Fellow XRF Shareholder,

After some challenging years XRF's financial performance has improved significantly with all major businesses strengthening their operations, improving market share and generating better returns for our shareholders. Our substantial capital investment programme and a strong focus on management and consolidation of our laboratory services business in both Australia and overseas is beginning to generate the previously planned benefits which are expected to grow in the years ahead.

Our Consumables business has successfully consolidated and expanded its product range and is winning new business around the world due to its high product quality and excellent customer service. Despite current trade tensions this business is well placed to retain its position as a global market leader especially with a weaker Australian Dollar.

The expansion of our Precious Metals fabrication business is proceeding well with many achievements being made at our manufacturing plant in Melbourne through closer collaboration with our international sales force. In particular, our relatively new German operation has developed a strong pipeline of potentially new industrial platinum business which includes exciting opportunities in the aerospace, glass and other global industries. Significantly the German business achieved monthly break-even during the second half year and is working towards generating a consistent profit contribution going forward.

Our Capital Equipment business had an excellent result with strong sales across its product range which has been updated and expanded over recent years. A further exciting new product with wide reaching potential is under development and is expected to be in the market later this financial year.

XRF's improved financial performance has seen a lift in the value of our shares, reflected in our current share price, and has allowed us to increase dividends paid to shareholders. The Board believes that XRF's sound strategy, strong management and the recent substantial investment in developing our products and operations provides us with a very solid platform for growth and improved shareholder returns.

I would like to thank XRF's staff, ably led by our Managing Director, Vance Stazonelli, for their significant efforts in positioning the company well for the future during challenging times.

Finally in my first year as Chair I would like to thank my fellow directors and in particular former Chair, Ken Baxter, for their contribution, support and guidance. I am confident that XRF is well placed to grow strongly and deliver improved shareholder returns over coming years.

Fred S Grimwade
Chairman



DIRECTORS' REPORT

Your directors present their report on the company XRF Scientific Limited and its controlled entities for the financial year ended 30 June 2019.

DIRECTORS

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

Fred Grimwade
Vance Stazonelli
David Brown
David Kiggins
Ken Baxter (resigned 29 October 2018)

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

PRINCIPAL ACTIVITY

The principal activity of the economic entity during the financial year was the business of manufacturing and marketing precious metal products, specialised chemicals and instruments for the scientific, analytical and mining industries. No significant change in the nature of these activities occurred during the year.

DIVIDENDS – XRF SCIENTIFIC LIMITED AND CONTROLLED ENTITIES

Dividends paid to members during the financial year were as follows:

	2019	2018
	\$	\$
Final dividend for the year	401,476	321,181

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a fully franked final dividend of 1 cent per share to be paid on 18 October 2019 out of retained earnings at 30 June 2019.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

A review of the operations of the economic entity during the financial year and the results of those operations found that, during the year, the economic entity continued to engage in its principal activity and the results and financial position are disclosed in the attached financial statements.

The consolidated entity has produced a Net Profit After Tax (NPAT) of \$2,137,590 for the year ended 30 June 2019, compared with \$1,024,007 for the previous year.

Details of the results for the financial year ended 30 June 2019 are as follows:

	June 2019	June 2018	Increase / (decrease) over prior year
	\$	\$	%
Total revenue and other income	29,054,085	24,304,543	20
NPAT	2,137,590	1,024,007	109
Basic earnings per share – (cents per share)	1.6	0.8	109
Diluted earnings per share – (cents per share)	1.6	0.8	109
Underlying profit before tax ¹	3,625,045	2,463,669	47

¹ Non-IFRS financial information. Normalised for unusual amounts recorded in the P&L. Refer below for details:

	June 2019	June 2018
	\$	\$
Profit before tax	3,151,229	1,502,092
Precious metals division expansion costs	370,819	743,847
Bank refinancing costs	102,997	-
Acquisition related costs	-	217,730
Underlying profit before tax	3,625,045	2,463,669

OPERATING RESULTS

XRF Scientific Ltd ("XRF" or "Company") is pleased to report its June 2019 full-year results to shareholders. The Company has generated revenue of \$29m and a 109% increase in Net Profit After Tax to \$2.14m. Underlying profit before tax has increased to \$3.6m, before expensing costs associated with expansion of the Precious Metals division and debt refinancing.

The Board has declared a final fully franked dividend of 1 cent per share, increasing the payout ratio for the year to 63% of NPAT (FY18: 39%).

Net cash inflow from operating activities was strong at \$3.9m compared to \$808k in 2018. Cash at bank has grown to \$3.2m at 30 June 2019 compared to \$415k at 30 June 2018. The improvement in the cash position is a result of the increased profits and a slowdown in capital equipment acquisition from the precious metals expansion. Short-term debt has decreased from \$1.4m to \$698k after a building loan was reallocated to long-term debt after being renegotiated. During the year, \$103k in borrowing costs were expensed, relating to the refinancing and movement of the Company's debt and banking facilities to HSBC. HSBC's global reach allows XRF to utilise one core bank and provides precious metals inventory funding, which is critical to our expansion in the Precious Metals division.

DIRECTORS' REPORT

OPERATING RESULTS continued

The Consumables division had a strong year with profit increasing by 35% on the prior year to \$2.2m. A record level of revenue was generated at \$8m. During the year, several new customers were acquired as a result of the new product lines brought online from the Scancia acquisition. New mine site customers were also acquired during the period. Revenue in the June half was \$3.6m compared to \$3.4m in the Previous Corresponding Period (PCP). During the year ahead, we see opportunities to grow the division further through the acquisition of new customers.

The Capital Equipment division had an excellent year and delivered a profit before tax of \$625k which was a 244% increase on the previous year. Revenue increased by 29% to \$9.2m, as a record level order book was maintained for most of the year. The demand for new and replacement equipment has been strong in many sectors, both within Australia and internationally. A large proportion of the demand was driven by mining companies replacing older generation machines and new mine sites coming online.

The first of our new generation machines, the xrFuse 6, has been in the market now for almost five years. Our reputation for product reliability and the low cost of maintenance is assisting with sales. A new product, the Phoenix GO S, was launched in October, which is a one-position gas fusion machine and supersedes our Phoenix VFD 1000. This new machine is part of the recently launched Phoenix GO range, which uses gas only, reducing operating costs and installation complexity for customers. Product development remains a focus of the division, and we expect to launch new products during FY20.

The Precious Metals division delivered a huge improvement, increasing profit to \$925k from \$56k in the prior year. The result was driven by positive conditions in Australia, North America and Europe, as well as a large reduction in the loss from the German operations. Remanufacturing services were strong, as were new product sales, which is in line with the increased levels of fusion machines that were sold by the Capital Equipment division.

There were many advancements in the Melbourne production plant during the year. Our new equipment is being used to improve the manufacture of our existing products, as well as the development of more complicated items for customers of our German operations. Several complicated manufacturing capability projects came together in the last half of 2019, which opens up new revenue opportunities in the industrial platinum markets. Our primary goal in Melbourne is to continue to bring online new products into our industrial platinum portfolio, which can be achieved with our existing team and equipment.

The result from the German operations improved significantly, with the loss before tax decreasing to \$371k compared to \$788k in the prior year. There was a significant reduction in the loss through the year, with \$247k being incurred in the first half and \$124k in the second half. The second half included two months of profitability, including the maiden profit in January 2019. Revenue was \$2.82m compared to \$1.86m in the prior year. We are seeing success in the development of sales across all our product lines, including the primary target segment of industrial platinum products.

During the year the division increased its platinum metal inventory via a loan, which resulted in a \$1m increase to inventory and a corresponding increase to provisional liabilities. The new metal loan allows us to carry new platinum alloys in inventory, which is important to maintain short lead times for customers being acquired in the precision products group.

DIRECTORS' REPORT

OPERATING RESULTS continued

Moving into FY20 we are expecting to build upon the results that were achieved in FY19 with additional revenue and profit growth. Whilst the Precious Metals division expansion remains our main focus, we are also growing our international markets for our core sample preparation products.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A final dividend of 1 cent per share fully franked (FY18: 0.3 cents per share fully franked) was declared on 26 August 2019, with a record date of 4 October 2019 and payment date of 18 October 2019.

There were no other events subsequent to the reporting date which have significantly affected or may significantly affect the XRF Scientific Limited operations, results or state of affairs in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely results in the operations of the economic entity and the expected results of those operations in the future financial year have not been included in this report, as the disclosure of such information may lead to commercial prejudice to the economic entity.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the affairs of the Group.

ENVIRONMENTAL REGULATION

All companies within the Group continued to comply with all environmental requirements. Wherever possible, carbon emissions have been limited, and new production techniques adopted to reduce energy use.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report greenhouse gas emissions and energy use. For the measurement period 1 July 2018 to 30 June 2019 the directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future. The economic entity is also subject to the environmental regulations under the laws of the Commonwealth or of a State or Territory in which it operates. The Directors are not aware of any breaches of these regulations.

CORPORATE GOVERNANCE DISCLOSURE

The Group's Corporate Governance Statement for the year ended 30 June 2019 can be found at:

- <http://www.xrfscientific.com/corporate-governance/>

The statement also summarises the extent to which the Group has complied with the Corporate Governance Council's recommendations.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Fred Grimwade	Chairman (Non-Executive)
<i>Date of appointment:</i>	1 May 2012 (7 years)
<i>Qualifications:</i>	Bachelor of Commerce and Law, Master of Business Administration, Fellow of the Governance Institute of Australia, Fellow of the Australian Institute of Company Directors, and Life Member of the Financial Services Institute of Australasia
<i>Experience:</i>	Has held general management positions at Colonial Agricultural Company, the Colonial Group, Western Mining Corporation and Goldman, Sachs & Co. Currently a Principal and Director of Fawkner Capital.
<i>Other current directorships:</i>	Chairman of CPT Global Ltd; Non-Executive Director of Select Harvests Ltd, Australian United Investment Company Ltd and other private companies
<i>Former directorships in last 3 years:</i>	Chairman of Troy Resources Ltd; Non-Executive Director of NewSat Ltd and other private companies
<i>Special responsibilities:</i>	Chairman of the Remuneration Committee, member of the Audit & Governance Committee
<i>No. of shares:</i>	500,000 fully paid ordinary shares

David Brown	Director (Non-Executive)
<i>Date of appointment:</i>	7 June 2004 (15 years)
<i>Qualifications:</i>	Bachelor of Science, Bachelor of Economics
<i>Experience:</i>	Has over 45 years of experience in research and development and manufacturing of X-Ray Flux chemicals; formerly Chief Chemist for Swan Brewery Co. Ltd and Chairman of Scientific Industries Council of WA
<i>Other current directorships:</i>	Private companies only
<i>Former directorships in last 3 years:</i>	Private companies only
<i>Special responsibilities:</i>	Technical consultant to XRF Chemicals Pty Ltd
<i>No. of shares:</i>	8,800,000 fully paid ordinary shares

David Kiggins	Director (Non-Executive)
<i>Date of appointment:</i>	1 May 2012 (7 years)
<i>Qualifications:</i>	Bachelor of Science (Hons), Fellow of the Institute of Chartered Accountants of England and Wales, Fellow of the Institute of Chartered Secretaries and Administrators, and member of Australian Institute of Company Directors
<i>Experience:</i>	Ten years at Arthur Andersen, working in audit and business consulting in the UK, Australia, Africa and the Middle East. Formerly GM Business Development and Company Secretary at Automotive Holdings Group Ltd; Finance Director and Company Secretary at Global Construction Services Ltd; Chief Financial Officer at Heliwest. Currently the Chief Financial Officer at Stealth Global Holdings Ltd.
<i>Other current directorships:</i>	Private companies only
<i>Former directorships in last 3 years:</i>	Private companies only
<i>Special responsibilities:</i>	Chairman of the Audit & Governance Committee, member of the Remuneration Committee
<i>No. of shares:</i>	212,900 fully paid ordinary shares

Vance Stazzonelli	Managing Director (Executive)
<i>Date of appointment:</i>	22 February 2018 (1 year)
<i>Qualifications:</i>	Bachelor of Commerce (Professional Accounting)
<i>Experience:</i>	Vance joined XRF Scientific as Chief Financial Officer in October 2009. He was subsequently appointed to Chief Operating Officer in January 2011 and then Chief Executive Officer in August 2012. On 22 February 2018, he was appointed as Managing Director.
<i>Other current directorships:</i>	Private companies only
<i>Former directorships in last 3 years:</i>	Private companies only
<i>Special responsibilities:</i>	N/A
<i>No. of shares:</i>	520,000 fully paid ordinary shares

DIRECTORS' REPORT

COMPANY SECRETARIES

Vance Stazzonelli, B.Comm, CPA – Vance has held the role of Company Secretary since June 2008.

Andrew Watson, B.Comm, CA – Andrew was appointed Joint Company Secretary in August 2013.

OTHER KEY MANAGEMENT

Andrew Watson (Chief Financial Officer – XRF Scientific Limited)

Andrew joined XRF Scientific as Group Accountant in August 2012 and was promoted to Chief Financial Officer in July 2014. He is a member of the Chartered Accountants Australia and New Zealand and holds a Graduate Diploma of Applied Corporate Governance.

MEETINGS OF DIRECTORS

The number of meetings held by the Board of Directors including meetings of the committees of the Board and the number of meetings attended by each of the Directors during the financial year ended 30 June 2019 were as follows:

	Full meetings of Directors		Meetings of committees - Audit & Governance, Remuneration	
	A	B	A	B
Fred Grimwade	12	12	3	3
David Brown	12	12	*	*
David Kiggins	12	11	3	3
Vance Stazzonelli	12	12	*	*
Kenneth Baxter (resigned 29 October 2018)	4	4	2	2

A = Meetings held during the time the director held office or was a member of the Committee during the year.

B = Meetings attended.

***** = Not a member of the relevant Committee.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

(a) Principles used to determine the nature and amount of remuneration.

Remuneration governance

The Remuneration Committee is a committee of the Board. Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive director fees

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed periodically by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. The Chairman's remuneration is inclusive of committee fees. Non-executive directors may receive share options.

Managing director

No additional remuneration is paid to Mr Stazonelli as part of his appointment as Managing Director and his contracted terms of employment remain unchanged.

Directors' fees

Directors' remuneration was last reviewed in July 2019. The current fees are as follows:

Chairman	\$89,610
Non-Executive Directors	\$56,650
Committee Chairman	\$8,240

The maximum amount payable is capped at \$400,000 per annum and was approved by shareholders at the Annual General Meeting in November 2012.

Executive pay

The executive pay and reward framework has three components:

1. Base pay and benefits, including superannuation
2. Short-term performance incentives, and
3. Long-term incentives.

It is Board policy to review key management annually, and adjust such compensation taking into account the manager's performance, the performance of the entity which they manage, and the performance of the Group of companies.

Where appropriate, there is a direct link between financial performance (profit or growth) to key managers' compensation by way of bonus, which is assessed under a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. This method is accepted by the Board as being an appropriate incentive for encouraging key management personnel to reach targets that are in excess of budgeted growth.

(i) Base Pay

Executives are offered a competitive base pay that forms the fixed component of pay. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is reviewed on promotion.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) continued

(ii) Benefits

Executives may receive benefits including car/mileage allowance.

(iii) Superannuation

Retirement benefits of 9.5% of the base pay are delivered to the individual super fund of the executive's choice.

(iv) Short-term performance incentives

Bonuses may be paid on the performance of the individual entity based on full year performance for the financial year. In most instances bonus payments are based on the achievement of a percentage of that year's budget and targets/objectives being met. A short-term incentive (STI) pool is available for executives during the annual review, which is subject to caps that are in place. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. Specific details of key management personnel bonuses can be found under the service contracts section of this report.

(v) Long-term incentives

There are no specific long-term incentives in place, however the matter is currently being considered by the Remuneration Committee.

(vi) Assessing performance and claw-back of remuneration

The Company's current Executive Performance Reward Policy does not currently include any clawback provisions.

(b) Details of remuneration

(i) Non-Executive

Fred Grimwade	Chairman
David Brown	Director
David Kiggins	Director
Kenneth Baxter	Director (resigned 29 October 2019)

(ii) Executive

Vance Stazonelli	Managing Director
Andrew Watson	Chief Financial Officer

Fixed Remuneration

The level of fixed remuneration is set as to provide base level of remuneration which is both appropriate to the position and its competitive market. Fixed remuneration is reviewed annually by the Remuneration Committee based on market rates, as well as having regard to the Company and individual performance. The fixed remuneration of other key management personnel is contained in information that follows.

Variable Remuneration (Short-Term Incentive)

To assist in achieving the objective of retaining a high-quality executive team, the Remuneration Committee links the nature and amount of the executive emoluments to the Company's financial and operating performance. For the Managing Director, variable remuneration is calculated based on an assessment of key performance indicators using a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. The maximum amount payable to the Managing Director for 2019 is \$70,000. There were five categories of STI performance measure (plus a discretionary component) for the year ended 30 June 2019. Those measures were chosen to provide a balance between corporate, individual, operational, strategic, financial and behavioural aspects of performance. The weighting assigned to each of the performance measures was as follows:

- Group financial performance (30%)
- Leadership (10%)
- Stakeholder & associated business relations (5%)
- Execution of business growth strategy (30%)
- Compliance and risk management (5%)
- Discretionary (20%)

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

The Remuneration Committee considered the performance of the Managing Director against the performance measures outlined above. A range of financial, strategic and operational targets were met and internal expansion plans are on schedule. All compliance obligations were met throughout the year with no reported issues and relationships with internal and external stakeholders were well managed. It was decided that \$31,963 (plus superannuation of 9.5%) would be paid, which is approximately 50% of the maximum amount payable. Bonus payments to other key management personnel were 100% discretionary, based on a range of financial, strategic and operational factors. These amounts were accrued at 30 June 2019 and paid in August 2019.

Amounts of remuneration

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of XRF Scientific Limited are set out in the following:

2019	Short-term			Post-employment	Long-term		Total \$
	Cash Salary \$	Cash Bonuses \$	Other	Super-annuation \$	Long Service Leave \$	Termination benefits \$	
Non-executive directors							
Fred Grimwade	71,865	-	-	6,827	-	-	78,692
David Brown	50,228	-	*171,000	4,772	-	-	226,000
David Kiggins	57,534	-	-	5,466	-	-	63,000
Kenneth Baxter **	27,503	-	-	2,613	-	-	30,116
Sub-total non-executive directors	207,130	-	171,000	19,678	-	-	397,808
Executive directors							
Vance Stazonelli	270,000	31,963	-	28,687	5,663	-	336,313
Sub-total executive directors	270,000	31,963	-	28,687	5,663	-	336,313
Other key management personnel							
Andrew Watson	170,000	9,132	***7,846	17,763	3,844	-	208,585
Sub-total key management personnel	170,000	9,132	7,846	17,763	3,844	-	208,585
	647,130	41,095	178,846	66,128	9,507	-	942,706
2018	Short-term			Post-employment	Long-term		Total \$
	Cash Salary \$	Cash Bonuses \$	Other	Super-annuation \$	Long Service Leave \$	Termination benefits \$	
Non-executive directors							
Kenneth Baxter	79,452	-	-	7,548	-	-	87,000
David Brown	50,228	-	*171,000	4,772	-	-	226,000
David Kiggins	57,534	-	-	5,466	-	-	63,000
Fred Grimwade	57,534	-	-	5,466	-	-	63,000
Sub-total non-executive directors	244,748	-	171,000	23,252	-	-	439,000
Executive directors							
Vance Stazonelli ****	262,000	-	-	24,890	5,342	-	292,232
Sub-total executive directors	262,000	-	-	24,890	5,342	-	292,232
Other key management personnel							
Andrew Watson	159,650	-	-	15,167	3,036	-	177,853
Sub-total key management personnel	159,650	-	-	15,167	3,036	-	177,853
	666,398	-	171,000	63,309	8,378	-	909,085

* Technical services provided by consultancy (such as technical sales and support, analytical method development).

** Resigned on 29 October 2018.

*** Cash payment of annual leave accrued by the employee.

**** Appointed as Managing Director on 22 February 2018. There were no changes to remuneration or other contracted employment terms.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

Percentage of performance related compensation of total remuneration

Certain executive personnel are paid performance bonuses in addition to set remuneration amounts. The Board of Directors have set these bonuses to encourage growth and profitability. Bonuses are paid as per the conditions set out in page 11. The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Executive personnel</i>						
Vance Stazzonelli	90%	100%	10%	-	-	-
Andrew Watson	95%	100%	5%	-	-	-

Options issued as part of total remuneration

No options have been issued in 2018 or 2019 as part of total remuneration.

Voting and comments made at the company's 2018 Annual General Meeting

The company received validly appointed proxies of 99% of "yes" votes on its remuneration report for the 2018 financial year. The remuneration resolution was carried on a show of hands. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(c) Shareholder Wealth

The following is a summary of key shareholder wealth statistics for the Company over the past 5 years (listed since 2006).

	EBIT	Earnings Per Share	Dividends Declared Per Share	Share Price	Market Capitalisation
	\$	Cents	Cents	Cents	\$
2014/15	3,477,167	2.0	0.7	21	27,752,990
2015/16	2,318,737	1.2	0.5	18	24,088,645
2016/17	982,440	0.6	0.24	17	22,750,387
2017/18	1,598,268	0.8	0.3	16	22,081,257
2018/19	3,249,762	1.6	1.0	20	26,765,160

(d) Bonuses

Each individual Key Management Personnel performance bonus was discussed and reviewed against the requirements set out on page 11. It was agreed that the proposed performance bonuses met these conditions, specifically individual performance against agreed Key Performance Indicators.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) continued

(e) Shares held by key management personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Name	Balance at 1 July 2018	On-market trades	Balance at 30 June 2019
<i>Directors of XRF Scientific Limited</i>			
Fred Grimwade	400,000	100,000	500,000
David Brown	8,670,894	129,106	8,800,000
David Kiggins	212,900	-	212,900
Vance Stazzonelli	450,000	70,000	520,000
Kenneth Baxter (resigned 29 October 2019)	1,215,623	N/A	N/A

Securities Trading Policy

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act.

Option holdings

There were no options over ordinary shares in the company held during the financial year by directors of XRF Scientific Limited or other key management personnel of the Group.

Dividends received by key management personnel

Details of dividends received directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Name	2019	2018
<i>Directors of XRF Scientific Limited</i>		
Fred Grimwade	1,200	960
David Brown	26,013	20,160
David Kiggins	639	511
Vance Stazzonelli	1,350	1,080
Kenneth Baxter (resigned 29 October 2019)	3,647	2,917

(f) Service Agreements

Remuneration for the Managing Director and Chief Financial Officer is set out in service agreements, which are detailed below:

Vance Stazzonelli, Managing Director of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 1 July 2012. Base salary is \$278,100 per annum (effective 1 July 2019), plus superannuation benefits of 9.5%. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to six months full pay. Notice period by the employee of six months. Payment of bonuses is based on a range of strategic, financial, operational, personnel, and Board-related key performance indicators.

Andrew Watson, Chief Financial Officer of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 24 July 2014. Base salary is \$175,100 per annum (effective 1 July 2019), plus superannuation benefits of 9.5%. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay. Notice period by the employee of three months. Payment of bonuses is based on a range of strategic, financial, operational, personnel, and Board-related key performance indicators.

No other key management personnel are currently employed under service contracts.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) continued

(g) Share-based compensation

There was no share-based compensation to any Director or Key Management Personnel for the years ended 30 June 2018 and 2019. The Company has not adopted an employee share option scheme.

(h) Remuneration consultants

No remuneration consultants were used in the years ended 30 June 2019 and 30 June 2018.

(i) Other transactions with key management personnel

Premises were rented from a related entity of Director David Brown during the financial year. These properties were rented on normal commercial terms and conditions, totalling \$117,251 (2018: \$115,975). No amounts were outstanding at the end of the year.

(j) Loans to directors and executives

No loans were made to directors and executives during the financial years ended 30 June 2019 and 30 June 2018.

End of remuneration report (Audited).

NON-AUDIT SERVICES

Details of the non-audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd and its related practices during the year ended 30 June 2019 are outlined in the following table. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and the scope of each type of non-audit service provided means that auditor independence was not compromised.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2019	2018
	\$	\$
<i>BDO Audit (WA) Pty Ltd</i>		
Audit and review of financial reports	113,731	119,201
Taxation services	49,054	47,146
Other services	770	1,224
<i>BDO Réviseurs d'Entreprises Soc. Civ. SCRL (Belgium)</i>		
Audit and review of financial reports	7,821	30,791
Taxation services	7,240	6,611
<i>BDO Canada s.r.l. (Canada)</i>		
Taxation services	12,696	16,094
<i>BDO LLP (UK)</i>		
Audit and review of financial reports	9,434	8,609
Total remuneration for audit and other services	200,746	229,676

The Board is satisfied that the auditors of the Company, BDO Audit (WA) Pty Ltd remain independent.

DIRECTORS' REPORT

OPTIONS

No unissued ordinary shares of XRF Scientific Limited remain under option at the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the company paid insurance premiums to insure the directors and officers of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or some criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF OR INVOLVING THE ECONOMIC ENTITY

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave 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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors and signed for and on behalf of the Board by:



Fred S Grimwade

Chairman

Perth

26 August 2019

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF XRF SCIENTIFIC LIMITED

As lead auditor of XRF Scientific Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of XRF Scientific Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Consolidated	
		2019 \$	2018 \$
Revenue from continuing operations	5	29,028,642	24,250,362
Cost of sales		(17,673,013)	(14,595,450)
Gross profit		11,355,629	9,654,912
Other income		25,443	54,181
Administration expenses		(6,675,829)	(6,423,795)
Other expenses		(774,144)	(961,916)
Occupancy expenses		(674,026)	(722,718)
Finance costs		(105,844)	(98,572)
Profit before income tax		3,151,229	1,502,092
Income tax expense	7	(1,013,639)	(478,085)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited		2,137,590	1,024,007
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences	21(a)	350,763	258,567
Total comprehensive income for the year		2,488,353	1,282,574
Total comprehensive income attributable to equity holders of XRF Scientific Limited		2,488,353	1,282,574
Earnings per share for the year attributable to equity holders of XRF Scientific Limited			
Basic earnings per share (cents per share)	30	1.6	0.8
Diluted earnings per share (cents per share)	30	1.6	0.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated	
		2019	2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	3,238,297	415,374
Trade and other receivables	9	4,067,214	4,119,689
Inventories	10	8,699,219	7,611,983
Other assets	11	418,738	414,802
Total Current Assets		16,423,468	12,561,848
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,397,919	8,487,225
Intangible assets	13	15,973,269	15,964,438
Deferred tax asset	14	924,535	916,544
Total Non-Current Assets		25,295,723	25,368,207
Total Assets		41,719,191	37,930,055
CURRENT LIABILITIES			
Trade and other payables	15	2,090,278	1,519,838
Provisions	16	2,629,542	1,510,310
Short-term borrowings	17	697,854	1,385,922
Other current liabilities		195,685	166,793
Current income tax liability		419,248	366,158
Total Current Liabilities		6,032,607	4,949,021
NON-CURRENT LIABILITIES			
Long-term borrowings	17	1,561,072	883,409
Deferred tax liability	18	230,423	278,176
Provisions	19	83,722	94,959
Total Non-Current Liabilities		1,875,217	1,256,544
Total Liabilities		7,907,824	6,205,565
Net Assets		33,811,367	31,724,490
EQUITY			
Issued capital	20	18,584,489	18,584,489
Reserves	21(a)	1,288,121	937,358
Retained profits	21(b)	13,938,757	12,202,643
Total Equity		33,811,367	31,724,490

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

30 JUNE 2019 – CONSOLIDATED	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	18,584,489	759,243	178,115	12,202,643	31,724,490
Profit for the period	-	-	-	2,137,590	2,137,590
Other comprehensive income	-	-	350,763	-	350,763
Total comprehensive income for the period	-	-	350,763	2,137,590	2,488,353
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(401,476)	(401,476)
	-	-	-	(401,476)	(401,476)
Balance at 30 June 2019	18,584,489	759,243	528,878	13,938,757	33,811,367

30 JUNE 2018 – CONSOLIDATED	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	18,584,489	759,243	(80,452)	11,499,817	30,763,097
Profit for the year	-	-	-	1,024,007	1,024,007
Other comprehensive income / (loss)	-	-	258,567	-	258,567
Total comprehensive income / (loss) for the period	-	-	258,567	1,024,007	1,282,574
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(321,181)	(321,181)
	-	-	-	(321,181)	(321,181)
Balance at 30 June 2018	18,584,489	759,243	178,115	12,202,643	31,724,490

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

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2019

	Note	Consolidated	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		29,176,925	24,839,074
Payments to suppliers and employees (inclusive of GST)		(24,185,794)	(23,358,770)
Payment of expenses relating to business acquisitions		-	(202,730)
Finance costs		(105,844)	(98,572)
Income taxes paid		(1,016,292)	(373,616)
Interest received		7,311	2,397
Net cash inflow (outflow) from operating activities	28	<u>3,876,306</u>	<u>807,783</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(521,110)	(1,701,725)
Payments for research and development		(110,722)	(232,619)
Payments for intangible assets		(9,670)	-
Proceeds from sale of property, plant and equipment		-	13,616
Net cash inflow (outflow) from investing activities		<u>(641,502)</u>	<u>(1,920,728)</u>
Cash flows from financing activities			
Proceeds from borrowings	17	738,074	1,175,000
Repayment of borrowings	17	(748,479)	(158,905)
Dividends paid		(401,476)	(321,181)
Net cash inflow (outflow) from financing activities		<u>(411,881)</u>	<u>694,914</u>
Cash and cash equivalents at the beginning of the financial period		415,374	833,405
Net increase (decrease) in cash and cash equivalents		<u>2,822,923</u>	<u>(418,031)</u>
Cash and cash equivalents at the end of the financial period	8	<u>3,238,297</u>	<u>415,374</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

The financial report of XRF Scientific Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 26 August 2019 and covers XRF Scientific Limited as an individual entity as well as the consolidated entity consisting of XRF Scientific Limited and its subsidiaries.

These financial statements are presented in the Australian currency.

XRF Scientific Limited is a company limited by shares incorporated in Australia and is a for-profit entity whose shares are publicly traded on the Australian Stock Exchange.

These general purpose financial statements have been prepared in accordance with Australian Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial statements of XRF Scientific Limited also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Financial statement presentation

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XRF Scientific Limited ("company" or "parent company") as at 30 June 2019 and the results of all subsidiaries for the year then ended.

XRF Scientific Limited and its subsidiaries together are referred to in this report as the Group or the consolidated entity.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

All controlled entities have a 30 June financial year end.

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being the company (the parent company) and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the benefit is credited to profit or loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entities. All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(ii) Investments in associates and joint-ventures

Investment in associates is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The Group's share of the associate post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(iii) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(d) Foreign currency translation

Functional and presentation currency

The functional currency of each Group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge. The differences taken to equity are recognised in profit or loss on disposal of the net investment.

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 and are recognised in the profit or loss.

Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary currency economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows.

Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses for each profit or loss item are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised as follows:

(i) Revenue from contracts with customers

Group revenue is derived from the manufacture and sale of chemicals, equipment and accessories to production mines, construction material companies and commercial analytical laboratories, in Australia and overseas. These finished goods are primarily used in the preparation of samples for analysis. The Group also derives service revenue from the installation, maintenance and repair of goods sold to customers.

The group considers whether there are other promises in the contract that are separate performance obligations to which portion of the transaction price should be allocated (e.g. warranties). In determining the transaction price to be used in the recognition of revenue for the sale of goods, the group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any)

Sale of finished goods - Revenue is recognised at a point in time when control of the product has transferred to the customer, being when products are delivered. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the product in accordance with the agreed terms. Sales of goods are standalone transactions and do not involve ongoing contracts, nor the supply of additional goods and services.

Service revenue - When finished goods are bundled with installation services, they are listed separately on the sales invoice and there is a clear valuation assigned to each individual component. Installation is an optional service and could be performed by the customer or a third party, so it is considered to be a separate performance obligation. The performance of the service usually coincides with the delivery and installation of the goods, so both components can be recognised on the same date. Where there is a delay between the delivery of goods and the performance of services, the service components are allocated to the balance sheet as liabilities. This revenue will be recognised on the date that the service has been performed.

Maintenance and repair services fall into two main categories:

- Single services to be performed on a specified date in the future – If invoiced in advance, the revenue for these transactions remains on the balance sheet as a liability until the service is performed.
- Contracts to provide multiple services over a period of time – The revenue for these transactions is initially allocated to the balance sheet and then recognised on a monthly basis over the term of the contract (either 1 or 2 years), as the customer receives the benefit of the service on a simultaneous basis.

(ii) Contract balances

Contract assets - A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables - Trade receivables represent the group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities - A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the group transfers goods or services to the customer, a contract liability is recognised when payment is made or is due (whichever is earlier). Contract liabilities are recognised as revenue when the group performs under the contract.

(iii) Interest income

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

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current years taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

XRF Scientific Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, XRF Scientific Limited, and the controlled entities in the tax consolidated group account for their own deferred tax amounts. Current tax is accounted for by each subsidiary entity, which is then consolidated up into the tax consolidated group, as per the tax sharing agreement. In addition to its own share of current and deferred tax amounts, XRF Scientific Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Income tax is allocated under the separate taxpayer within group approach. Details about the tax funding agreement are disclosed in note 7.

(g) Leases

Leases of property, plant and equipment where the entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 24(a)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss. All purchase consideration is recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently re-measured through profit or loss. Acquisition-related costs are expensed as incurred.

Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The 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 which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses

Trade receivables are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off to the Statement of Profit or Loss and Other Comprehensive Income. From 1 July 2018, a provision for impairment of receivables is established based on the expected credit loss approach. For trade receivables the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Another indicator that determines the trade receivable is impaired is if the party is deemed to be bankrupt.

The amount of the provision is the difference between the present value of cash flows due under the contract and the present value of the future cash flows an entity expects to receive, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(l) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in trade and other financial assets, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Initial Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

(iii) Subsequent Measurement

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on trade and other financial assets that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- *Fair value through other comprehensive income (FVOCI):* Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a financial asset that is subsequently measured at FVOCI is recognised in other comprehensive income.
- *Fair value through profit or loss (FVPL):* Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. All equity investments are measured at FVPL unless the Group makes an irrevocable election to classify as FVOCI.

(iv) Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its trade and other financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using a mixture of the straight line and diminishing value methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and Equipment	2%-40%
Property Improvements	4%-25%
Motor Vehicles	15%-25%
Office Equipment	5%-66.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate/business at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to the consolidated entity's cash generating units identified according to business and geographical segments (note 13(a)).

(ii) Patents, trademarks and licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents, trademarks and licences over their estimated useful lives, which vary from 3 to 20 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 1 to 8 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(iv) Customer lists

The customer lists were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and subsequently amortised on a straight-line basis over the estimated useful lives, between 3 to 8 years.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

(t) Provisions

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 current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service. These amounts are not expected to be settled wholly within 12 months of the reporting date.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(iii) Retirement benefit obligations

The amount charged to profit or loss in respect of superannuation represents the contributions made by the Group to superannuation funds as nominated by the individual employee. Contributions made by the Company to employee superannuation funds are charged as expenses when incurred.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(v) 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 from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (GST), unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(z) New accounting standards and interpretations

Several new or amended standards became applicable for the current reporting period resulting in the adoption of the following standards:

(i) AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has applied AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements at the reporting date and on transition to the standard. Refer to note 1(e) for further details.

(ii) AASB 9 Financial Instruments – Impact of Adoption

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 from 1 July 2018 did not give rise to any material transitional adjustments but has changed the Group's accounting policies in relation to the adoption of AASB 9's new expected credit loss model.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments for a period greater than 120 days past due, unless there is reasonable evidence that payment will be received.

Critical accounting estimates and significant judgements - Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's recent history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Management have estimated the expected credit loss is immaterial for trade receivables held at 30 June 2019.

Certain new accounting Standards and Interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new Standards and Interpretations is set out below. In all cases the Group intends to apply these standards from the application date as indicated below.

(i) AASB 16 Leases (effective from 1 July 2019)

Lessee accounting - Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for leases.

Lessor accounting - AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

Management is currently assessing the impact of the new rules. At this stage, the Group is not in a position to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next 12 months.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, price risk, cash flow risk, fair value risk and interest rate risk); credit risk; and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides guidance for overall risk management and other specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Australian Dollar. The currencies giving rise to this risk are predominantly Euros, the US Dollar, and the Canadian Dollar.

Foreign currency risk arises where settlement of a trade receivable, payable or borrowings is denominated in a currency that is not the entity's functional currency, which may result in a foreign currency gain or loss. The Group seeks to mitigate this risk by engaging in a majority of commercial transactions that are generally in AUD. The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2019			30 June 2018		
	CAD	EUR	USD	CAD	EUR	USD
Trade receivables	109,588	624,179	397,291	113,528	566,277	482,665
Trade payables	5,412	104,791	112,047	1,692	79,569	52,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: FINANCIAL RISK MANAGEMENT continued

Group sensitivity

Based on the financial instruments held at 30 June 2019, had the Australian dollar strengthened / weakened by 10% (based on historical reasonableness movements) against the exchange rates in the above tables, with all other variables held constant, the Group's post-tax profit for the year would have been \$122,087 lower / \$149,218 higher (2018: \$135,214 lower / \$165,262 higher), mainly as a result of foreign currency exchange gains/losses on translation of foreign currency denominated financial instruments as detailed in the table above.

(ii) Price risk

As the Group does not have any investments in equities or commodities, its exposure to equities price risk and commodity price risk is minimal. The majority of precious metals held in stock (Note 10) are hedged against customer orders, therefore no price risk exists.

While the Group uses commodities in its operations, customer commitments to market rates purchased result in the Group's exposure to commodities price risk being immaterial.

(iii) Cash flow, fair value and interest rate risk

As at 30 June 2019 the Group had no variable interest rate debt, therefore consider fair value interest rate risk minimal.

Group sensitivity

At 30 June 2019, if interest rates had changed by +/- 100 basis points (based upon forward treasury rates) from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$7,144 higher / lower (2018: \$6,732 higher / lower), mainly as a result of higher/lower interest income from cash and cash equivalents. Cash and cash equivalent balances at 30 June 2019 would have been higher/lower by the same amount.

(b) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk arises from cash and cash equivalents, trade receivables and other receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Counterparties without external credit ratings are in majority existing customers (<6months) with no history of defaults (Group 2).

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, and trade and other receivables, the Group's exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

There are no significant concentrations of credit risk within the Group at the reporting date.

The following table represents the Group's exposure to credit risk:

	Consolidated	
	2019	2018
	\$	\$
Cash and cash equivalents (A+ rated)	3,238,297	415,374
Trade receivables, net of impairment provision (note 9) (Group 2)	3,978,683	4,117,736
Other receivables (external parties)	88,531	1,953
	7,305,511	4,535,063

Credit risk exposure is not significantly different for any of the segments of the Group.

Details of impaired trade receivables, and trade receivables overdue but not impaired can be found at note 9. An analysis of the Group's consolidated trade receivables is as follows:

	Current	Over 30 days	Over 60 days	Over 90 Days	Total
2019	3,078,822	554,819	141,081	203,961	3,978,683
2018	2,919,884	838,994	182,309	176,549	4,117,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: FINANCIAL RISK MANAGEMENT continued

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. The below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. There have been no breaches or defaults on the repayment of debt.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
As at 30 June 2019	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade and other payables	1,531,610	-	-	-	-	1,531,610	1,531,610
Property loan	71,375	70,510	138,427	835,081	-	1,115,393	1,047,138
Plant & equipment loans	163,791	133,500	267,000	400,500	-	964,791	883,409
Import Loans	333,400	-	-	-	-	333,400	328,380
Total non-derivatives	2,100,176	204,010	405,427	1,235,581	-	3,945,194	3,790,537
As at 30 June 2018							
Non-derivatives							
Trade and other payables	986,931	-	-	-	-	986,931	986,931
Property loan	1,127,733	-	-	-	-	1,127,733	1,111,500
Plant & equipment loans	163,791	163,791	297,291	667,500	-	1,292,373	1,157,831
Total non-derivatives	2,278,455	163,791	297,291	667,500	-	3,407,037	3,256,262

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2019	2018
	\$	\$
Bank overdraft facility	500,000	483,713
Bank guarantee facility (AUD denominated)	17,824	313,245
Bank guarantee facility (USD denominated)	874,985	-
Import facility	1,171,620	-
	2,564,429	796,958

(d) Fair value estimation

The fair value bases of financial assets and financial liabilities are outlined in note 1(n).

All financial assets and liabilities have carrying values that are reasonable approximates of their fair values, for the Consolidated Entity.

The fair values of current and non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Carrying value	\$2,258,927
Fair value	\$2,330,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). Please refer to note 13 for the details on impairment tests performed on goodwill.

(b) Capitalisation of development expenditures

The Group capitalises development costs where management considers it probable that the related projects will be commercially and technically feasible and successful, in accordance with the accounting policy stated in note 1(p)(iii).

(c) Tax

The determination of the Group's provision for income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the Group's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group has recognised a deferred tax asset relating to the start-up losses incurred during FY17 and FY18 by the new German division. The Group has concluded that the tax losses will be recovered against the estimated future taxable income based on the approved business plans and budgets of the German division.

(d) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

NOTE 4: SEGMENT INFORMATION

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used in previous periods.

Operating segments are reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Managing Director.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including those that relate to transactions with any of the Group's other components. Each operating segment's results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Managing Director monitors segment performance based on profit before income tax expense. Segment results that are reported to the Managing Director include results directly attributable to a segment as well as those allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The consolidated entity has determined that strategic decision making is facilitated by evaluation of operations on the customer segments of Capital Equipment, Precious Metals and Consumables. For each of the strategic operating segments, the Managing Director reviews internal management reports on a monthly basis.

(a) Description of segments

The following summary describes the operations in each of the Group's reportable segments:

Capital Equipment - Design, manufacture and service organisation, specialising in automated fusion equipment, high temperature test and production furnaces, as well as general laboratory equipment.

Precious Metals - Manufactures products for the laboratory, industrial and platinum alloy markets.

Consumables - Produces and distributes consumables, chemicals and other supplies for analytical laboratories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: SEGMENT INFORMATION continued

(b) Primary reporting format – business segments

Segment information provided to the Managing Director for the full-year ended 30 June 2019 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Full-year ended 30 June 2019	\$	\$	\$	\$
Total segment revenue	9,195,212	13,110,835	7,996,027	30,302,074
Inter segment sales	(667,446)	(613,285)	-	(1,280,731)
Revenue from external customers	8,527,766	12,497,550	7,996,027	29,021,343
Profit before income tax expense	625,166	925,188	2,157,984	3,708,338
Full-year ended 30 June 2018				
Total segment revenue	7,124,324	10,978,026	7,532,596	25,634,946
Inter segment sales	(600,266)	(786,643)	-	(1,386,909)
Revenue from external customers	6,524,058	10,191,383	7,532,596	24,248,037
Profit before income tax expense	181,496	55,590	*1,594,042	1,831,128
* Includes \$122k of acquisition costs expensed				
Segment assets				
At 30 June 2019	7,306,267	15,841,265	15,793,056	38,940,588
At 30 June 2018	7,361,785	14,147,410	15,622,313	37,131,508
Segment liabilities				
At 30 June 2019	937,531	4,899,742	617,137	6,454,410
At 30 June 2018	672,682	4,140,204	207,510	5,020,396
Depreciation and amortisation expense				
For the year ended 30 June 2019	260,590	336,713	165,731	763,034
For the year ended 30 June 2018	282,188	317,860	110,926	710,974
Capital expenditure				
For the year ended 30 June 2019	31,946	332,711	152,524	517,181
For the year ended 30 June 2018	170,111	1,264,934	389,832	1,824,877
			2019	2018
			\$	\$
Revenue from external customers – segments			29,021,343	24,248,037
Unallocated revenue			7,299	2,325
Revenue from external customers – total			29,028,642	24,250,362
Profit before income tax expense – segments			3,708,338	1,831,128
Loss incurred by parent entity			(557,109)	(329,036)
Profit before income tax expense from continuing operations			3,151,229	1,502,092
Total segment assets			38,940,588	37,131,508
Cash and cash equivalents			1,888,852	(180,558)
Deferred tax asset			924,534	916,544
Other corporate assets & eliminations			(34,783)	62,561
Total assets			41,719,191	37,930,055
Total segment liabilities			6,454,410	5,020,396
Deferred tax liability			230,423	278,176
Income tax provision			505,760	384,566
Trade & other payables			519,102	359,678
Other corporate liabilities			198,129	162,749
Total liabilities			7,907,824	6,205,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: REVENUE

	Consolidated	
	2019	2018
	\$	\$
<i>Revenue from continuing operations</i>		
<i>Revenue from external customers</i>		
Sale of goods	28,357,871	23,743,961
Service revenue (recognised at a point in time)	474,406	454,852
Service revenue (recognised over time)	189,066	49,224
<i>Total revenue from external customers</i>	<u>29,021,343</u>	<u>24,248,037</u>
Interest income	7,299	2,325
Total revenue from continuing operations	<u>29,028,642</u>	<u>24,250,362</u>

The Group derives revenue from external customers from the transfer of goods and services at a point in time and over time in the following major product lines and geographical regions (based on the location of the Group entity preparing the invoice):

	Capital Equipment	Precious Metals	Consumables	Total
Full-year ended 30 June 2019	\$	\$	\$	\$
Australia	7,138,559	4,877,782	6,733,538	18,749,879
Canada	209,522	3,776,446	608,350	4,594,318
Europe	1,179,685	3,843,322	654,139	5,677,146
Revenue from external customers (note 4)	<u>8,527,766</u>	<u>12,497,550</u>	<u>7,996,027</u>	<u>29,021,343</u>
Full-year ended 30 June 2018				
Australia	4,935,814	4,042,756	6,608,161	15,586,731
Canada	270,554	3,631,198	331,349	4,233,101
Europe	1,317,690	2,517,429	593,086	4,428,205
Revenue from external customers (note 4)	<u>6,524,058</u>	<u>10,191,383</u>	<u>7,532,596</u>	<u>24,248,037</u>

* There are no significant contract assets or contract liabilities on the balance sheet relating to the fulfilment of service contracts with external customers.

NOTE 6: EXPENSES

	Consolidated	
	2019	2018
	\$	\$
Profit/(loss) before income tax includes the following specific expenses		
Depreciation		
Depreciation (included in administration expenses)	246,711	317,055
Depreciation (included in cost of goods sold)	345,042	245,749
Total depreciation	<u>591,753</u>	<u>562,804</u>
Amortisation		
Patents, trademarks and acquired customer lists (included in administration expenses)	82,290	102,806
Research and development (included in administration expenses)	180,016	188,977
Total amortisation	<u>262,306</u>	<u>291,783</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6: EXPENSES continued

	Consolidated	
	2019	2018
	\$	\$
Other specific expenses		
Employee benefits expenses (included in administration expenses)	4,753,763	4,492,622
Rental expense relating to operating leases (included in occupancy expenses)	584,656	610,669
Bank refinancing costs (included in administration expenses)	102,997	-
Acquisition of business costs (included in other expenses)	-	217,730

NOTE 7: INCOME TAX EXPENSE

	Consolidated	
	2019	2018
	\$	\$
(a) Income tax expense		
Current tax	1,062,682	753,020
Deferred tax	(55,744)	(220,758)
Adjustments for current tax of prior periods	6,701	(54,177)
	<u>1,013,639</u>	<u>478,085</u>
Income tax expense is attributed to:		
Profit from continuing operations	1,013,639	478,085
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 14)	(7,991)	(216,360)
(Decrease) increase in deferred tax liabilities (note 18)	(47,753)	(4,398)
	<u>(55,744)</u>	<u>(220,758)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	3,151,229	1,502,092
	<u>3,151,229</u>	<u>1,502,092</u>
Tax at the Australian rate of 27.5% (2018: 27.5%)	866,588	413,075
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Research and development expenditure	(25,362)	(62,841)
German tax losses not claimed in current year	111,246	43,040
Acquisition of business costs	-	65,319
Sundry items	54,466	73,669
	<u>1,006,938</u>	<u>532,262</u>
Adjustments for current tax of prior periods	6,701	(54,177)
Income tax expense	<u>1,013,639</u>	<u>478,085</u>

(c) Tax consolidation legislation

XRF Scientific Limited and its wholly owned Australian controlled entities elected to enter into the tax consolidation regime from 1 July 2005. The accounting policy in relation to this legislation is set out in note 1(f). The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate XRF Scientific Limited for any current tax payable assumed and are compensated by XRF Scientific Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to XRF Scientific Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and on hand	1,805,139	370,022
Deposits at call	1,433,158	45,352
	<u>3,238,297</u>	<u>415,374</u>
Reconciliation to cash at the end of the year		
Balances as above	3,238,297	415,374
Balance per statements of cash flows	<u>3,238,297</u>	<u>415,374</u>

(a) Cash at bank and on hand

Cash at bank earns interest at floating rates based on daily bank deposit rates of between 0.01% to 0.30% pa (2018: 0.01% to 0.60% pa). Cash available for use is as reported above, with no restrictions applicable.

(b) Deposits at call

Short-term deposits are made for varying periods of between no set term and 4 months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates. Deposits at call are subject to an interest rate of 1.25% pa (2018: 2.35% pa).

(c) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	3,978,683	4,141,059
Allowance for impairment of receivables	-	(23,323)
Other receivables – From external parties	88,531	1,953
Total trade and other receivables	<u>4,067,214</u>	<u>4,119,689</u>
Past due but not impaired		
Up to 3 months	695,900	1,021,303
Up to 6 months	203,961	176,549
	<u>899,861</u>	<u>1,197,852</u>
Allowance for impairment of receivables		
Balance at 1 July	(23,323)	(34,921)
(Increase)/Decrease in allowance during the year	23,323	11,598
Balance at 30 June	<u>-</u>	<u>(23,323)</u>

(a) Impaired trade receivables

During the 2019 financial year, the allowance for impaired receivables reduced by \$23,323 (2018: \$11,598 reduction). This was due to the write-off of a debt which was impaired in a prior period.

(b) Past due but not impaired

As at 30 June 2019, trade receivables of the Group of \$899,861 (2017: \$1,197,852) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is in note 2. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES continued

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. All other receivables are subject to the same terms as trade receivables. Those terms have been described in note 1(k).

(d) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 2.

(e) Non-current receivables

There are no non-current receivables in the current year (2018: Nil).

NOTE 10: CURRENT ASSETS – INVENTORIES

	Consolidated	
	2019	2018
	\$	\$
Raw materials and spare parts	3,337,510	3,618,489
Finished goods	2,314,041	2,130,989
Precious metals (general)	1,069,713	875,634
Platinum on loan (refer to note 16)	1,977,955	986,871
	<u>8,699,219</u>	<u>7,611,983</u>

Raw materials, spare parts and finished goods have increased over the last 12 months to support production of a number of additions to the Capital Equipment division's product range.

Stock was valued at lower of cost and net realisable value on 30 June 2019 and 30 June 2018.

Inventory expense

Inventories recognised as expense during the year ended 30 June 2019 amounted to \$11,429,230 (2018: \$9,292,003). The cost of writing down inventories to net realisable value during the year ended 30 June 2019 was \$52,190 (2018: \$nil).

NOTE 11: OTHER CURRENT ASSETS

	Consolidated	
	2019	2018
	\$	\$
Prepayments (insurance policies, rates and other fees)	397,508	346,213
Other assets	21,230	68,589
	<u>418,738</u>	<u>414,802</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant & Equipment \$	Motor Vehicles \$	Property Improvements \$	Office Equipment \$	Land & Buildings \$	Total \$
At 30 June 2017						
Cost or fair value	6,017,173	215,798	1,470,095	904,711	1,823,217	10,430,994
Accumulated depreciation	(2,109,042)	(91,935)	(377,216)	(613,314)	-	(3,191,507)
Net book amount	3,908,131	123,863	1,092,879	291,397	1,823,217	7,239,487
Year ended 30 June 2018						
Opening net book amount	3,908,131	123,863	1,092,879	291,397	1,823,217	7,239,487
Additions	1,569,626	64,061	166,918	71,922	-	1,872,527
Foreign currency adjustment	19,511	-	(640)	(558)	-	18,313
Disposals	(49,477)	(17,923)	(11,850)	(1,048)	-	(80,298)
Depreciation charge	(292,118)	(32,741)	(98,489)	(139,456)	-	(562,804)
Closing net book amount	5,155,673	137,260	1,148,818	222,257	1,823,217	8,487,225
At 30 June 2018						
Cost or fair value	7,372,355	216,034	1,533,395	536,574	1,823,217	11,481,575
Accumulated depreciation	(2,216,682)	(78,774)	(384,577)	(314,317)	-	(2,994,350)
Net book amount	5,155,673	137,260	1,148,818	222,257	1,823,217	8,487,225
Year ended 30 June 2019						
Opening net book amount	5,155,673	137,260	1,148,818	222,257	1,823,217	8,487,225
Additions	421,810	-	74,459	24,841	-	521,110
Foreign currency adjustment	(5)	-	1,781	1,586	-	3,362
Disposals	(21,751)	-	-	(274)	-	(22,025)
Depreciation charge	(378,791)	(31,255)	(96,421)	(85,286)	-	(591,753)
Closing net book amount	5,176,936	106,005	1,128,637	163,124	1,823,217	8,397,919
At 30 June 2019						
Cost or fair value	7,047,584	216,034	1,522,114	497,550	1,823,217	11,106,499
Accumulated depreciation	(1,870,648)	(110,029)	(393,477)	(334,426)	-	(2,708,580)
Net book amount	5,176,936	106,005	1,128,637	163,124	1,823,217	8,397,919

All items of property, plant and equipment were recorded at cost as at 30 June 2019 and 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Research & Development \$	Goodwill \$	Patents trademarks & other rights \$	Total \$
At 30 June 2017				
Cost or fair value	1,220,412	14,458,374	940,249	16,619,035
Accumulated amortisation and impairment	(436,759)	-	(239,650)	(676,409)
Net book amount	<u>783,653</u>	<u>14,458,374</u>	<u>700,599</u>	<u>15,942,626</u>
Year ended 30 June 2018				
Opening net book amount	783,653	14,458,374	700,599	15,227,483
Additions	225,750	-	-	303,171
Disposals	-	-	-	-
Foreign currency adjustment	(1,967)	72,718	17,094	(51,300)
Amortisation charge	(188,977)	-	(102,806)	(248,957)
Closing net book amount	<u>818,459</u>	<u>14,531,092</u>	<u>614,887</u>	<u>15,942,626</u>
At 30 June 2018				
Cost or fair value	1,316,160	14,531,092	908,657	16,755,909
Accumulated amortisation and impairment	(497,701)	-	(293,770)	(791,471)
Net book amount	<u>818,459</u>	<u>14,531,092</u>	<u>614,887</u>	<u>15,964,438</u>
Year ended 30 June 2019				
Opening net book amount	818,459	14,531,092	614,887	15,964,438
Additions	110,721	-	9,670	120,391
Disposals	-	-	(9,242)	(9,242)
Foreign currency adjustment	-	131,462	28,526	159,988
Amortisation charge	(180,016)	-	(82,290)	(262,306)
Closing net book amount	<u>749,164</u>	<u>14,662,554</u>	<u>561,551</u>	<u>15,973,269</u>
At 30 June 2019				
Cost or fair value	1,426,882	14,662,554	889,177	16,978,613
Accumulated amortisation and impairment	(677,718)	-	(327,626)	(1,005,344)
Net book amount	<u>749,164</u>	<u>14,662,554</u>	<u>561,551</u>	<u>15,973,269</u>

All intangible assets were recorded at cost as at 30 June 2019 and 30 June 2018.

(a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash generating units (CGUs) identified according to business and geographical segments.

	Consolidated	
	2019 \$	2018 \$
Consumables CGU	8,640,425	8,621,063
Precious Metals CGU	3,965,226	3,863,684
Capital Equipment CGU	1,650,171	1,650,171
European Sales Office CGU	406,732	396,174
	<u>14,662,554</u>	<u>14,531,092</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: NON-CURRENT ASSETS – INTANGIBLE ASSETS continued

(b) Significant estimate: key assumptions used for value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The forecast cash flows for 2020 are based on the Board-approved budget. The cash flows for 2021 to 2024 have been based on extrapolating the 2020 forecast by using growth rates. Average growth rates of 3.20% (see below) used do not exceed the long-term average growth rates for the industries in which each CGU operates. Terminal values of 4x to 5x were used in calculating the value-in-use for each CGU, which equates to a long-term growth rate of the company. The pre-tax discount rate of 11.13% reflects specific risks relating to each CGU.

	Consumables	Precious Metals	Capital Equipment	European Sales Office (Belgium)
Net Profit (% average annual growth rate)	3.20%	3.20%	3.20%	3.20%

(c) Sensitivity to change in assumptions

Should the FY20 forecast cash flows for the European Sales Office CGU be 70% lower than the Board-approved forecast, this would result in a material impairment charge of \$205,000 against the carrying value of goodwill. This reasonably possible change in growth rates represent reasonably possible reductions in sales quantities of consumables, precious metals and capital equipment. Management believes that no other reasonably possible changes in any of the above key assumptions would cause the carrying values to materially exceed recoverable amounts.

(d) Impairment charge

No impairment charges have been deemed necessary for the current period.

NOTE 14: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
	2019	2018
	\$	\$
Amounts recognised directly in equity:		
Share issue expenses	368	804
Amounts recognised in profit or loss:		
Employee benefits	320,016	301,027
DTA recognised on FY17 and FY18 losses by German subsidiary	444,682	444,682
Business acquisition expenses	46,609	76,433
Depreciation of tangible assets	22,402	28,493
Accruals	83,216	48,979
Provisions	7,242	16,126
	<u>924,167</u>	<u>915,740</u>
Net deferred tax assets	<u>924,535</u>	<u>916,544</u>
Movements:		
Opening balance at 1 July	916,544	700,184
(Charged)/credited to profit or loss (note 7)	7,991	216,360
Closing balance at 30 June	<u>924,535</u>	<u>916,544</u>
Deferred tax assets expected to be recovered within 12 months	257,431	222,899
Deferred tax assets expected to be recovered after more than 12 months	667,104	693,645
	<u>924,535</u>	<u>916,544</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2019	2018
	\$	\$
Trade payables	976,387	674,123
Sundry creditors and accruals	555,223	312,808
Employee benefits – annual leave (a)	558,668	532,907
	<u>2,090,278</u>	<u>1,519,838</u>

Terms and conditions of trade payables vary between suppliers; however, terms of trade are generally 30 days.

(a) Amounts not expected to be settled within the next 12 months

The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2019	2018
	\$	\$
Annual leave obligations expected to be settled after 12 months	368,721	351,719

(b) Foreign exchange risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

NOTE 16: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2019	2018
	\$	\$
Provision for platinum loan (a)	1,977,955	986,871
Long service leave (b)	486,829	414,687
Dividends payable to ordinary shareholders	68,422	78,321
Making good of leases	15,000	15,000
Other provisions	81,336	15,431
	<u>2,629,542</u>	<u>1,510,310</u>

(a) Provision for platinum loan

XRF has borrowed (and has title to under a master contract) \$1,977,955 of platinum metal, which is inventoried to facilitate manufacturing processes and reduce lead times. This is funded by three loan facilities, which mature after 12 months. Interest is calculated at market rates and payable annually. At maturity, these facilities will be renewed for additional terms or the platinum will be returned. These liabilities are offset by an inventory asset of \$1,977,955.

(b) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. Based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be paid within the next 12 months:

	Consolidated	
	2019	2018
	\$	\$
Long service leave obligations expected to be settled after 12 months	205,429	311,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: CURRENT & NON-CURRENT LIABILITIES – LONG-TERM BORROWINGS

	Consolidated			
	2019		2018	
	Current	Non-Current	Current	Non-Current
	\$	\$	\$	\$
Property loan ¹	111,192	935,946	1,111,500	-
Plant & equipment loan ²	23,828	-	45,825	23,828
Motor vehicle loan ³	6,008	-	11,576	6,008
Plant & equipment loan ⁴	228,446	625,126	217,021	853,573
Import loans ⁵	328,380	-	-	-
	<u>697,854</u>	<u>1,561,072</u>	<u>1,385,922</u>	<u>883,409</u>

¹ Consists of a three-year, interest-bearing loan for \$1,112,000, used to fund the purchase of a property in Melbourne. Instalments are paid monthly (including principal and interest), at a rate of 3.11% per annum. As security for the loan facility, the lender holds a registered first mortgage over the acquired property, plus unlimited cross guarantees and indemnities by all subsidiaries within the XRF group (excluding subsidiaries in Canada and Germany). The fair value of the loan is estimated to be \$1,063,424, calculated using current market interest rates. The carrying value of the loan is \$1,047,138. Covenants applicable to the loan include: the loan to property value ratio must not exceed 65%; the interest cover ratio must not be less than 3.5x; the debt to tangible net worth ratio must not exceed 55%. The Group has met all covenant requirements to date.

² Consists of a three-year, interest-bearing loan for \$134,042, used to fund the purchase of plant and equipment. Instalments are paid monthly (including principal and interest), at a rate of 5.25% per annum. The lender holds first registered security over the plant and equipment acquired as security for the loan facility. The fair value of the loan is estimated to be \$24,195, calculated using current market interest rates. The carrying value of the loan is \$23,828. No specific covenants are applicable to this loan.

³ Consists of a three-year, interest-bearing loan for \$33,902, used to fund the purchase of a motor vehicle. Instalments are paid monthly (including principal and interest), at a rate of 4.99% per annum. The lender holds first registered security over the vehicle acquired as security for the loan facility. The fair value of the loan is estimated to be \$6,096, calculated using current market interest rates. The carrying value of the loan is \$6,008. No specific covenants are applicable to this loan.

⁴ Consists of a five-year, interest bearing loan for \$1,175,000, used to fund the purchase of equipment. Instalments are paid monthly (including principal and interest), at a rate of 5.14% per annum. The lender holds first registered security over the equipment acquired as security for the loan facility. The fair value of the loan is estimated to be \$903,733, calculated using current market interest rates. The carrying value of the loan is \$853,572. No specific covenants are applicable to this loan.

⁵ Consists of three short-term loans (less than 180 days) used to finance the importation of certain raw materials used to produce finished goods. Interest is payable on maturity, at an average rate of 4.06% per annum. No specific covenants are applicable to these loans.

	2019	2018
	\$	\$
Net debt reconciliation		
Total borrowings at 1 July	2,269,331	1,253,236
Proceeds from borrowings	738,074	1,175,000
Repayment of borrowings	(748,479)	(158,905)
Total borrowings at 30 June	<u>2,258,926</u>	<u>2,269,331</u>

NOTE 18: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2019	2018
	\$	\$
Amounts recognised in profit or loss		
Research and development	206,020	245,538
Depreciation	13,261	19,446
Other	11,142	13,192
Net deferred tax liabilities	<u>230,423</u>	<u>278,176</u>
Movements:		
Opening balance at 1 July	278,176	282,574
Charged/(credited) to profit or loss (note 7)	(47,753)	(4,398)
Closing balance 30 June	<u>230,423</u>	<u>278,176</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2019	2018
	\$	\$
Employee benefit – long service leave	83,722	94,959

NOTE 20: ISSUED CAPITAL

	Consolidated		Consolidated	
	2019	2018	2019	2018
	Shares	Shares	\$	\$
Issued capital				
Ordinary shares fully paid	133,825,803	133,825,803	18,584,489	18,584,489
Total issued capital	133,825,803	133,825,803	18,584,489	18,584,489

Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price	\$
1 July 2017	Opening balance	133,825,803		18,584,489
30 June 2018	Closing balance	133,825,803		18,584,489
1 July 2018	Opening balance	133,825,803		18,584,489
30 June 2019	Closing balance	133,825,803		18,584,489

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Dividend reinvestment plan

The parent entity does not have a dividend reinvestment plan in place.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	Consolidated	
	2019	2018
	\$	\$
<i>The gearing ratios at 30 June 2019 and 30 June 2018 were as follows:</i>		
Total borrowings	2,258,926	2,269,331
Less: cash and cash equivalents	(3,238,297)	(415,374)
Net debt / (positive cash position)	(979,371)	1,853,957
Total equity	33,811,367	31,724,490
Total equity plus net debt	32,831,996	33,578,447
Gearing ratio	Net debt	Net debt
	-2.98%	5.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21: RESERVES AND RETAINED PROFITS

	Consolidated	
	2019	2018
	\$	\$
(a) Reserves		
Foreign currency translation reserve	528,878	178,115
Share-based payments reserve	759,243	759,243
Balance 30 June	1,288,121	937,358
(b) Retained Profits		
Movements in retained profits were as follows:		
Balance 1 July	12,202,643	11,499,817
Net profit for the year	2,137,590	1,024,007
Dividends paid or provided for	(401,476)	(321,181)
Balance 30 June	13,938,757	12,202,643

(c) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise the unrealised gains and losses arising from the consolidation of subsidiaries denominated in currencies other than Australian dollars.

Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments.

NOTE 22: DIVIDENDS

	Consolidated	
	2019	2018
	\$	\$
Final dividend for the prior financial year, paid in the current financial year	401,476	321,181
Total dividends provided for or paid	401,476	321,181

A fully franked dividend of 1 cent per share has been declared on ordinary shares post 30 June 2019.

Franked Dividends

	Consolidated	
	2019	2018
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 27.5% (2018:27.5%)	5,727,724	4,920,196

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The franked portions of the final dividends recommended after 30 June 2019 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2019. The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$507,615 (2018: \$152,285).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 23: CONTINGENCIES

At 30 June 2019, the consolidated entity had no material contingent liabilities in respect of claims, contingent considerations, associates and joint ventures or any other matters.

NOTE 24: COMMITMENTS

(a) Lease commitments

	Consolidated	
	2019	2018
	\$	\$
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	308,987	431,063
Later than one year but not later than five years	396,082	579,575
	<u>705,069</u>	<u>1,010,638</u>

Operating leases have been taken out for a number of sites, office facilities and a fleet of light motor vehicles. Operating leases typically run for a period of between 3 and 5 years with an option to renew the lease after that date. Lease payments for sites and office facilities are generally increased on an annual basis in line with market related / consumer price index increases.

XRF Labware Pty Ltd has lease agreements with external suppliers for the provision of 162 kg of platinum and 1 kg of rhodium, which is used for working capital purposes. These lease agreements are renewed either quarterly or annually and fees are paid on the current market price of platinum. The current agreements will expire on various dates between July 2019 and January 2020 and will be renewed accordingly.

(b) Financing arrangements

The Group's undrawn borrowing facilities were as follows as at 30 June 2019:

	Consolidated	
	2019	2018
	\$	\$
Bank overdraft facility	500,000	483,713
Bank guarantee facility (AUD denominated)	17,824	313,245
Bank guarantee facility (USD denominated)	874,985	-
Import loan facilities	1,171,620	-
	<u>2,564,429</u>	<u>796,958</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 25: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	Consolidated	
	2019	2018
	\$	\$
<i>BDO Audit (WA) Pty Ltd</i>		
Audit and review of financial reports	113,731	119,201
Taxation services	49,054	47,146
Other services	770	1,224
<i>BDO Réviseurs d'Entreprises Soc. Civ. SCRL (Belgium)</i>		
Audit and review of financial reports	7,821	30,791
Taxation services	7,240	6,611
<i>BDO Canada s.r.l (Canada)</i>		
Taxation services	10,945	16,094
Other services	1,751	-
<i>BDO LLP (UK)</i>		
Audit and review of financial reports	9,434	8,609
	<u>200,746</u>	<u>229,676</u>

NOTE 26: RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent and controlling entity is XRF Scientific Limited which at 30 June 2019 owns 100% of all subsidiaries listed in note 27.

(b) Interests in subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Directors and key management compensation

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	867,071	837,398
Post-employment benefits	66,128	63,309
Long-term benefits	9,507	8,378
	<u>942,706</u>	<u>909,085</u>

No other post-employment or termination benefits have been provided. Detailed remuneration disclosures are available in the remuneration report from pages 10-15.

(d) Loans to key management personnel

There were no loans to any key management personnel during either of the years ended 30 June 2018 or 30 June 2019.

(e) Other transactions with key management personnel

Premises were rented from a related entity of Director David Brown during the financial year. These properties were rented on normal commercial terms and conditions, totaling \$117,251 (2018: \$115,975). No amounts were outstanding at the end of the year.

All directors of XRF Chemicals Pty Ltd are guarantors on a lease in Osborne Park. Vance Stazzonelli is currently the sole director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 27: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Class of shares	Entity holding	
			2019 %	2018 %
XRF Chemicals Pty Ltd	Australia	Ordinary	100	100
XRF Labware Pty Ltd	Australia	Ordinary	100	100
XRF Technology (WA) Pty Ltd	Australia	Ordinary	100	100
XRF Technology (VIC) Pty Ltd	Australia	Ordinary	100	100
XRF Scientific Americas Inc	Canada	Ordinary	100	100
XRF Scientific Europe SPRL	Belgium	Ordinary	100	100
XRF Scientific Europe GmbH	Germany	Ordinary	100	100
XRF Scientific UK Ltd	United Kingdom	Ordinary	100	100
Precious Metals Engineering (WA) Pty Ltd	Australia	Ordinary	100	100
XFlux Pty Ltd	Australia	Ordinary	100	100
Gestion Scancia Inc	Canada	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 28: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

	Consolidated	
	2019 \$	2018 \$
Profit for the year	2,137,590	1,024,007
Depreciation and amortisation	854,060	854,587
Net exchange differences	187,365	58,007
Net (gain) loss on sale of non-current assets	31,314	(2,850)
(Increase) decrease in trade and other debtors	51,259	515,177
(Increase) decrease in inventories	(1,086,020)	(2,736,200)
(Increase) decrease in other current assets	(3,936)	70,077
(Increase) decrease in deferred tax asset	(7,991)	(216,360)
(Decrease) increase in trade and other creditors	585,439	(128,021)
(Decrease) increase in provision for income taxes	53,091	325,227
(Decrease) increase in provision for deferred income tax	(47,753)	(4,398)
(Decrease) increase in other liabilities	28,893	(24,725)
(Decrease) increase in other provisions	1,092,995	1,073,255
Net cash inflow from operating activities	3,876,306	807,783

NOTE 29: SHARE-BASED PAYMENTS

There were no share-based payments during the year ended 30 June 2019 (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 30: EARNINGS PER SHARE

	Consolidated	
	2019 Cents	2018 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	1.6	0.8
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	1.6	0.8
	\$	\$
(c) Reconciliations of earnings used in calculation earnings per share		
Profit attributable to the ordinary equity holders of the company	2,137,590	1,024,007
	Number	Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	133,825,803	133,825,803

NOTE 31: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2019 \$	2018 \$
Statement of Financial Position		
Current assets	11,583,571	8,015,499
Total assets	24,935,739	21,357,808
Current liabilities	16,899,634	12,717,756
Total liabilities	17,162,804	13,021,474
<i>Shareholder's equity</i>		
Issued capital	18,584,489	18,584,489
Reserves	1,387,442	1,040,077
Retained earnings	(12,198,995)	(11,288,230)
	7,772,936	8,336,336
Total comprehensive income / (loss) for the year before tax	(627,108)	(246,036)
Tax benefit / (expense)	117,820	174,338
Total comprehensive income / (loss) for the year after tax	(509,288)	(71,698)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

NOTE 32: EVENTS OCCURRING AFTER THE REPORTING DATE

Dividend

A final dividend of 1 cent per share fully franked (FY18: 0.3 cents per share fully franked) was declared on 26 August 2019, with a record date of 4 October 2019 and payment date of 18 October 2019.

Other events

There were no other events subsequent to the reporting date which have significantly affected or may significantly affect the XRF Scientific Limited operations, results or state of affairs in future years.

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DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

XRF Scientific Limited and its controlled entities

ACN 107 908 314

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flow, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements after 2001; and
 - (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the 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.
3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A.
4. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by.



Fred S Grimwade

Chairman

Dated this 26th day of August 2019

INDEPENDENT AUDITOR'S REPORT

To the members of XRF Scientific Limited

Report on the Audit of the Financial Report

We have audited the financial report of XRF Scientific Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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 report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

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

Impairment Testing of Goodwill

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 13 of the financial report, goodwill represents a significant asset which the Group has recorded in the statement of financial position. Under the Australian Accounting Standards goodwill is required to be tested annually for impairment.</p> <p>This was determined to be a key audit matter due to the significance of goodwill to the Group's financial position and due to the determination of the "Value in Use" of each cash generating unit (CGU) and whether or not an impairment charge is necessary, involving estimates and judgements by management about the future growth rates of the business in each CGU, discount rates applied to future cash flow forecasts for each CGU and sensitivities of inputs and assumptions used in the cash flow models.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Evaluating the Group's categorisation of CGUs and the allocation of assets to the carrying value of CGU's; • Obtaining the group's value in use model and agreeing amounts to a combination of board approved budgets and committed future plans; • Evaluating management's ability to forecast cash flows by comparing prior period forecasts against actual outcomes; • Assessing the assumptions for the key inputs in the value in used model for the forecast revenue, discount rates, terminal value determination and growth rates; • Using our valuation specialist to assess management's discount rate based on external data were available; • Performing a sensitivity analysis on the key financial assumptions in the models. These included revenue forecasts, multipliers used in the terminal year of cash flows, and the discount rates applied; and • Evaluating the adequacy of the related disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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



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

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

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of XRF Scientific Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien'. Above the signature, the letters 'BDO' are written in a simple, hand-drawn style.

Glyn O'Brien

Director

Perth, 26 August 2019

SHAREHOLDER INFORMATION

Additional information (as at 31 July 2019) required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below:

SUBSTANTIAL SHAREHOLDINGS

The number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares ²
Private Portfolio Managers	13,935,850
Skye Alba Pty Ltd	13,316,641
Michael Karl Korber	11,319,503
D & GD Brown Nominees Pty Ltd 1	8,800,000

¹ D & GD Brown Nominees Pty Ltd is a company owned by David Brown and his wife. David Brown is a director of XRF Scientific Limited.

² Based on information available to the Company, including substantial holding announcements released to the market.

NUMBER OF OPTION HOLDERS

Class of Security	Number of Holders
Nil	-

VOTING RIGHTS

In accordance with the Constitution of the Company and the Corporations Act 2001 (Cth), every member present in person or by proxy at a general meeting of the members of the Company has:

- On a vote taken by a show of hands, one vote; and
- On a vote taken by a poll, one vote for every fully paid ordinary share held in the Company

A poll may be demanded at a general meeting of the members of the Company in the manner permitted by the Corporations Act 2001 (Cth).

DISTRIBUTION OF SHARE AND OPTION HOLDERS

Distribution of Shares & Options	Number of Holders of Ordinary Shares	Number of Holders of Options
1-1,000	52	-
1,000-5,000	111	-
5,001-10,000	112	-
10,001-100,000	382	-
100,001 and above	154	-
	811	-

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

No.	Holder name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	NATIONAL NOM LTD	13,935,850	10.45%
2	SKYE ALBA PL	13,316,641	9.98%
3	KORBER MICHAEL KARL	11,319,503	8.49%
4	D & GD BROWN NOM PL ¹	7,000,000	5.25%
5	EVELIN INV PL	6,300,000	4.72%
6	BNP PARIBAS NOMS PL	5,488,327	4.11%
7	TZELEPIS NOM PL	3,280,000	2.46%
8	PROSSOR STEPHEN W + F C	2,669,767	2.00%
9	GREAT WESTERN CAP PL	2,649,578	1.99%
10	JGH METZ PL	2,352,117	1.76%
11	BNP PARIBAS NOM PL	2,314,174	1.73%
12	BETA GAMMA PL	2,000,000	1.50%
13	BROWN DAVID + GLENYS D ¹	1,800,000	1.35%
14	DAVIDTS FREDERIC	1,668,706	1.25%
15	MUTUAL TRUST PL	1,426,847	1.07%
16	G & E PROPS PL	1,420,000	1.06%
17	BROWN JEFFREY D + P N	1,392,977	1.04%
18	SNYMAN MARINA	1,025,000	0.77%
19	DMX CAP PTNRS LTD	1,002,181	0.75%
20	IMAJ PL	1,000,000	0.75%
		<hr/>	
		83,361,668	62.48%

¹ D & GD Brown Nom PL is a company owned by David Brown and his wife. David Brown is a director of XRF Scientific Limited.

RESTRICTED SECURITIES

There are currently no restricted securities.

NON-MARKETABLE PARCELS

Class of Security	Number of Securities	Number of Holders
Ordinary shares	45,600	70

UNQUOTED SECURITIES

The Company does not have any unquoted securities.

ON-MARKET BUY BACK

The Company does not have a current on-market buy-back scheme.

CORPORATE DIRECTORY

DIRECTORS

Fred Grimwade (Non-Executive Chairman)
David Brown (Non-Executive Director)
David Kiggins (Non-Executive Director)
Vance Stazzonelli (Managing Director)

COMPANY SECRETARIES

Vance Stazzonelli
Andrew Watson

KEY MANAGEMENT PERSONNEL

Andrew Watson (Chief Financial Officer)

REGISTERED OFFICE

86 Guthrie Street
Osborne Park WA 6017
Tel: +61 8 9244 0600
Fax: +61 8 9244 9611

COMPANY AUDITOR

BDO
38 Station Street
Subiaco WA 6008

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Perth, WA 6000

SOLICITORS

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Perth WA 6000

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www.xrfscientific.com

ASX

Company Code: XRF