

# Appendix 4D Half-Year Report

**XRF Scientific Limited**  
**ABN 80 107 908 314**



**For the Half-Year ended 31 December 2015**

## **Results for Announcement to the Market**

Revenue from ordinary activities	down	9%	to	\$9,819,266	from	\$10,794,564
Earnings before interest and tax (EBIT)	down	38%	to	\$1,258,577	from	\$2,045,027
Profit from ordinary activities after tax	down	43%	to	\$906,004	from	\$1,585,950
Net profit attributable to members	down	43%	to	\$906,004	from	\$1,585,950

## **Dividends (distributions)**

	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend – this period	0.2c	0.2c
Interim dividend – previous corresponding period	0.5c	0.5c

<b>Net tangible assets per ordinary share</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
	\$	\$
	0.11	0.11

## **Earnings per share (EPS)**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Basic EPS – (cents per share)	0.7	1.2
Diluted EPS – (cents per share)	0.7	1.2
Weighted average of number of ordinary shares	132,430,655	132,157,097

## Commentary on the results for the half-year ended 31 December 2015

XRF Scientific Ltd ("XRF" or "Company") is pleased to report its December 2015 half-year results to shareholders. The Company has generated revenue of \$9.8m and underlying profits before tax of \$1.4m, before expensing \$94k in acquisition related costs.

Revenue in Q1 was \$4.3m, which significantly improved to \$5.5m in Q2, which generated underlying profits before tax of \$0.4m and \$1.0m respectively.

The reduced level of profit for the half-year was primarily due to the weaker than expected performance from the Capital Equipment division. The division generated a small loss before tax of \$112k as compared to a profit before tax of \$580k in the previous corresponding period ("PCP"). At the Company's AGM an update was provided that indicated capital equipment sales for October YTD were down by 39% on the PCP. Conditions improved towards the end of the half-year and a large order book is now being maintained, through to mid-March. Sales for January 2016 were \$428k, as compared to the monthly average in the first half of \$298k.

In March 2015 the Company launched its next-generation gas fusion machine, Phoenix II. Since then, sales levels have been pleasing. Numerous sales have been generated from existing Phoenix 1 customers, who have enjoyed extended product life from the robustness of the machine. Further new product releases are expected this calendar year, as the division continues with its aggressive product development plan.

The Consumables division generated a result that was steady, with profits before tax of \$1.01m, as compared to \$1.06m in the PCP. The small reduction in profitability was a result of the increased cost of raw materials that are purchased in USD. Despite reporting at the AGM that sales for October YTD were down by 12% on the PCP, sales improved considerably in the last two months of the half. Total sales for 1H16 were \$3.15m as compared to \$3.08m in the PCP.

The Precious Metals division generated a profit before tax of \$557k that was down on the PCP of \$842k. Total revenue generated was \$4.76m as compared to \$4.95m in the PCP. Accounting for some of the reduction in profitability are some timing issues with costs that will average out throughout the year, as well as R & D expenses in relation to manufacturing process improvements. Across the business, sales levels have remained relatively stable.

As announced in October 2015, XRF is upgrading its precious metals factory in Melbourne, initially to enhance current product quality, and to increase production capacity. The new factory was acquired in November and is currently undergoing the works required to allow for the production of precious metals products. It is expected that the works will be completed in the second half, allowing for manufacturing to be transferred from the current facility by June.

It was also recently announced that XRF will open a new sales office in Germany, with operations intended to commence in April 2016. The new team in Germany will provide the distribution mechanism for one of the key target markets that requires the enhanced products. Initially platinum labware products will be sold via the German office. It will also provide the base for the sale into Europe of a new range of platinum products that XRF will be manufacturing and marketing in the near future. Most of these highly specialised products will be for industries unrelated to mining, which will further reduce revenue exposure to the sector, and diversify the Company's product range.

During the half-year, the acquisition of Socachim SPRL was completed. Socachim was founded in 1994 by Mr Michel Davidts, and has been a distributor of XRF's products since 1998. The business is located in Brussels, Belgium and currently sells XRF's products throughout Europe and Northern Africa.

With the large majority of Socachim's revenue being derived from XRF's products, the business changed its name to XRF Scientific Europe. Alongside XRF Scientific Americas (formerly Kitco Labware), it now forms the Company's second international office, allowing XRF to provide customers and distributors with 24-hour direct support. The new European division is managed by Frederic Davidts, who is highly regarded in the industry and one of the world's leading experts in fusion sample preparation.

The acquisition of the new European office provides another platform to grow international revenue, which is key to the Company's growth strategy. Under XRF's ownership, additional resources can be deployed to grow fusion product sales throughout Europe. Additional high quality bolt-on acquisitions are currently under review, which there is a possibility of completing in 2016.

As at 31 January 2016, the Company's cash position was \$4.0m, which has decreased from \$6.76m as at 30 June 2015, following payments for acquisitions, the full-year 2015 dividend, product development costs and the

Precious Metals Division expansion. Long-term debt is currently \$1.1m, which was for partial funding of the new precious metals factory in Melbourne.

During the half-year, negative operating cash flow was recorded of \$446k, which is the result of increased working capital requirements from the sales activity in the November/December period of \$3.8m, as compared to the May/June period that only yielded \$3.2m. Excluding stock obtained from the Socachim acquisition, inventory balances grew from \$2.56m as at 30 June by \$0.49m. \$237k of this increase is attributed to increased capital equipment related inventory, from increased sales levels and new product lines. In addition, \$0.4m in income tax and sales tax refunds were owing as at 31 December, of which the majority was recently received in January and February.

The Directors have confirmed that an interim dividend of 0.2 cents per share, fully franked, will be payable with a record date of 19 February 2016 and payment date of 4 March 2016. At this stage, it remains unclear whether or not the performance in Q2 can be repeated into the second half of the year, because of the uncertainty in international commodity and financial markets. A conservative approach has therefore been taken, maintaining the interim dividend, whilst ensuring the Company has a strong cash position for current growth opportunities. Should the good performance of Q2 be repeated, the final dividend will be adjusted accordingly in the favour of shareholders. Whilst sentiment from the mining industry continues to remain weak, the focus of the Company will be on growing non-mining revenue.

## Details of controlled entities acquired or disposed of

The following acquisitions were completed by XRF during the period:

- Socachim SPRL, a distributor of sample preparation products, based in Brussels, Belgium; and
- Laval Lab: Fusion Machines and Flux business segments, based in Quebec, Canada

See note 11 of the attached financial statements for further details.

## Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates and joint venture entities:	31 December 2015	31 December 2014
	\$	\$
Profit (loss) from ordinary activities	3,909	(33,070)

## Compliance statement

1. This report, and the accounts upon which this report is based, have been prepared in accordance with AASB Standards.
2. This report, and the accounts upon which the report is based, use the same accounting policies.
3. This report gives a true and fair view of the matters disclosed.
4. This report is based upon accounts to which one of the following applies:

☐

The accounts have been audited.

☒

The accounts have been subject to review.

☐

The accounts are in the process of being audited or subject to review.

☐

The accounts have *not* yet been audited or reviewed.

5. The auditor's review report is attached.
6. The entity has a formally constituted audit committee.

Signed:



Date: 11 February 2016

Name:

Vance Stazzonelli (Company Secretary)



**XRF SCIENTIFIC LIMITED  
ABN 80 107 908 314  
AND CONTROLLED ENTITIES**

**INTERIM FINANCIAL STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

This interim financial report does not include all the notes of the type normally included in an annual financial statement. Accordingly, this statement is to be read in conjunction with the annual statement for the year ended 30 June 2015 and any public announcements made by XRF Scientific Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**COMPANY PARTICULARS**

**BOARD OF DIRECTORS**

Kenneth P. Baxter	(Chairman, Non-Executive)
David Brown	(Non-Executive)
David Kiggins	(Non-Executive)
Fred Grimwade	(Non-Executive)

**COMPANY SECRETARIES**

Vance Stazzonelli  
Andrew Watson

**REGISTERED OFFICE**

XRF Scientific Limited  
98 Guthrie Street  
Osborne Park WA 6017

**SHARE REGISTRY**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
Phone: (08) 9315 2333  
Fax: (08) 9315 2233

**AUDITOR**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

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## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of XRF Scientific Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

### Directors

The following persons were directors of XRF Scientific Limited during the whole of the half-year and up to the date of this report:

Kenneth Baxter (Chairman, Non-Executive)  
David Brown (Non-Executive)  
David Kiggins (Non-Executive)  
Fred Grimwade (Non-Executive)

### Review of operations

Please refer to the "Commentary on the results for the half-year ended 31 December 2015" section, which can be found at the start of the Appendix 4D.

### Business 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 and platinum alloy markets.

#### **Consumables**

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

### 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 5.

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



**Kenneth Baxter**  
Chairman

11 February 2016

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

As lead auditor for the review of XRF Scientific Limited for the half-year ended 31 December 2015, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 11 February 2016



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	31-Dec-15	31-Dec-14
	\$	\$
Revenue from continuing operations	9,819,266	10,794,564
Cost of sales	(5,881,362)	(6,016,597)
Gross profit	3,937,904	4,777,967
Other revenues	184,715	66,115
Share of net profit / (loss) of investments accounted for using the equity method	3,909	(33,070)
Administration expenses	(2,185,721)	(1,976,068)
Occupancy expenses	(336,895)	(318,916)
Finance costs	(4,490)	(943)
Other expenses	(289,079)	(389,953)
<b>Profit before income tax</b>	<b>1,310,343</b>	<b>2,125,132</b>
Income tax expense	(404,339)	(539,182)
<b>Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited</b>	<b>906,004</b>	<b>1,585,950</b>
<b>Other comprehensive income</b>		
<b>Items that will be classified to profit or loss</b>		
Foreign currency translation differences	(132,593)	138,648
<b>Other comprehensive income after income tax</b>	<b>(132,593)</b>	<b>138,648</b>
<b>Total comprehensive income for the half year</b>	<b>773,411</b>	<b>1,724,598</b>
<b>Total comprehensive income attributable to Equity holders of XRF Scientific Limited</b>	<b>773,411</b>	<b>1,724,598</b>
Basic earnings per share (cents per share)	0.7	1.2
Diluted earnings per share (cents per share)	0.7	1.2

*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 31 DECEMBER 2015**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31-Dec-15</b>	<b>30-June-15</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,610,706	6,759,893
Trade and other receivables		4,140,263	3,182,240
Inventories		3,311,370	2,560,227
Other assets		246,908	297,889
<b>TOTAL CURRENT ASSETS</b>		<b>11,309,247</b>	<b>12,800,249</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	5,529,490	3,400,626
Intangible assets	6	15,123,538	14,641,537
Investments accounted for using the equity method	7	559,051	555,142
Deferred tax asset		435,260	430,425
<b>TOTAL NON-CURRENT ASSETS</b>		<b>21,647,339</b>	<b>19,027,730</b>
<b>TOTAL ASSETS</b>		<b>32,956,586</b>	<b>31,827,979</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		864,555	961,649
Provisions		459,934	503,836
Other current liabilities		105,551	130,371
Current income tax liability		104,424	101,349
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,534,464</b>	<b>1,697,205</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	8	1,111,500	-
Deferred tax liability		226,560	233,073
Provisions		143,740	132,410
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,481,800</b>	<b>365,483</b>
<b>TOTAL LIABILITIES</b>		<b>3,016,264</b>	<b>2,062,688</b>
<b>NET ASSETS</b>		<b>29,940,322</b>	<b>29,765,291</b>
<b>EQUITY</b>			
Issued capital	9	18,584,489	18,257,772
Reserves		611,613	744,206
Retained profits		10,744,220	10,763,313
<b>TOTAL EQUITY</b>		<b>29,940,322</b>	<b>29,765,291</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	31-Dec-15	31-Dec-14
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	9,274,130	11,132,411
Payments to suppliers and employees (inclusive of GST)	(9,227,168)	(8,553,512)
Payment of expenses relating to business acquisitions	(94,042)	(156,273)
Interest received	50,470	81,049
Interest paid	(4,490)	(943)
Income taxes paid	(444,500)	(692,262)
<b>Net cash inflow (outflow) from operating activities</b>	<u>(445,600)</u>	<u>1,810,470</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(2,350,611)	(122,574)
Proceeds from sale of property, plant and equipment	-	11,818
Payments for acquisition of businesses (net of cash acquired)	(440,039)	(1,005,702)
Payments for research and development	(99,340)	(191,953)
Return of capital from investments accounted for under the equity method	-	100,000
Receipt of dividends from investments accounted for under the equity method	-	15,402
<b>Net cash inflow (outflow) from investing activities</b>	<u>(2,889,990)</u>	<u>(1,193,009)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,111,500	-
Dividends paid	(925,097)	(1,453,726)
<b>Net cash inflow (outflow) from financing activities</b>	<u>186,403</u>	<u>(1,453,726)</u>
<b>Cash and cash equivalents at the beginning of the financial period</b>	6,759,893	6,201,770
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,149,187)</u>	<u>(795,244)</u>
<b>Cash and cash equivalents at the end of the financial period</b>	<u>3,610,706</u>	<u>5,406,526</u>

*The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

**31 DECEMBER 2015**

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>18,257,772</b>	<b>759,243</b>	<b>(15,037)</b>	<b>10,763,313</b>	<b>29,765,291</b>
Profit for the period	-	-	-	906,004	906,004
Other comprehensive income	-	-	(132,593)	-	(132,593)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(132,593)</b>	<b>906,004</b>	<b>773,411</b>
<b>Transactions with Equity Holders in their capacity as Equity Holders</b>					
Ordinary shares issued, net of transaction costs	326,717	-	-	-	326,717
Dividends paid	-	-	-	(925,097)	(925,097)
	<b>326,717</b>	<b>-</b>	<b>-</b>	<b>(925,097)</b>	<b>(598,380)</b>
<b>Balance at 31 December 2015</b>	<b>18,584,489</b>	<b>759,243</b>	<b>(147,630)</b>	<b>10,744,220</b>	<b>29,940,322</b>

**31 DECEMBER 2014**

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	<b>18,257,772</b>	<b>759,243</b>	<b>(136,997)</b>	<b>10,238,362</b>	<b>29,118,380</b>
Profit for the period	-	-	-	1,585,950	1,585,950
Other comprehensive income	-	-	138,648	-	138,648
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>138,648</b>	<b>1,585,950</b>	<b>1,724,598</b>
<b>Transactions with Equity Holders in their capacity as Equity Holders</b>					
Dividends paid	-	-	-	(1,453,726)	(1,453,726)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,453,726)</b>	<b>(1,453,726)</b>
<b>Balance at 31 December 2014</b>	<b>18,257,772</b>	<b>759,243</b>	<b>1,651</b>	<b>10,370,586</b>	<b>29,389,252</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**1. Reporting entity**

XRF Scientific Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The consolidated annual financial statement of the consolidated entity as at and for the year ended 30 June 2015 is available on the Company’s website at [www.xrfscientific.com](http://www.xrfscientific.com).

**2. Basis of preparation of half-year report**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by XRF Scientific Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity’s accounting policies and has had no effect on the amounts reported for the current or prior periods.

This consolidated interim financial report was approved by the Board of Directors on 11 February 2016.

**3. 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 Chief Executive Officer.

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

The Chief Executive Officer monitors segment performance based on profit before income tax expense. Segment results that are reported to the Chief Executive Officer 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 & Consumables. For each of the strategic operating segments, the Chief Executive Officer reviews internal management reports on a monthly basis.

**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 and platinum alloy markets.

**Consumables**

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

**XRF SCIENTIFIC LIMITED**  
**ABN 80 107 908 314**  
**INTERIM FINANCIAL STATEMENT – 31 DECEMBER 2015**



Segment information provided to the Chief Executive Officer for the half-year ended 31 December 2015 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2015	\$	\$	\$	\$
<b>Segment revenue</b>				
Total segment revenue	1,980,084	4,757,859	3,151,639	9,889,582
Inter segment sales	(190,285)	(154,641)	-	(344,926)
Revenue from external customers	<b>1,789,799</b>	<b>4,603,218</b>	<b>3,151,639</b>	<b>9,544,656</b>
<b>Profit before income tax expense</b>	<b>(111,946)</b>	<b>556,964</b>	<b>1,010,405</b>	<b>1,455,423</b>
<b>Half-year ended 31 December 2014</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>				
Total segment revenue	3,411,511	4,954,409	3,083,739	11,449,659
Inter segment sales	(138,965)	(597,150)	-	(736,115)
Revenue from external customers	<b>3,272,546</b>	<b>4,357,259</b>	<b>3,083,739</b>	<b>10,713,544</b>
<b>Profit before income tax expense</b>	<b>580,013</b>	<b>841,658</b>	<b>1,058,068</b>	<b>2,479,739</b>
<b>Segment assets</b>				
At 31 December 2015	6,070,199	12,773,721	19,151,741	37,995,661
At 30 June 2015	5,840,417	11,002,336	18,142,963	34,985,716
<b>Segment liabilities</b>				
At 31 December 2015	609,068	3,544,481	382,271	4,535,820
At 30 June 2015	371,064	2,435,887	422,825	3,229,776
			<b>Half-year 31-Dec-15 \$</b>	<b>Half-year 31-Dec-14 \$</b>
<b>Revenue from external customers – segments</b>			<b>9,544,656</b>	<b>10,713,544</b>
Unallocated revenue			274,610	81,020
<b>Revenue from external customers - total</b>			<b>9,819,266</b>	<b>10,794,564</b>
<b>Profit before income tax expense – segments</b>			<b>1,455,423</b>	<b>2,479,739</b>
Eliminations and unallocated (corporate)			(145,080)	(354,607)
<b>Profit before income tax expense from continuing operations - total</b>			<b>1,310,343</b>	<b>2,125,132</b>
			<b>Half-year 31-Dec-15 \$</b>	<b>Full-year 30-Jun-15 \$</b>
<b>Total segment assets</b>			<b>37,995,661</b>	<b>34,985,716</b>
Related party loan elimination			(9,414,772)	(10,666,046)
Cash & cash equivalents			3,064,391	6,129,139
Investments accounted for using the equity method			559,051	555,142
Deferred tax asset			430,425	430,425
Other corporate assets			321,830	393,603
<b>Total assets</b>			<b>32,956,586</b>	<b>31,827,979</b>
<b>Total segment liabilities</b>			<b>4,535,820</b>	<b>3,229,776</b>
Related party loan elimination			(1,814,311)	(1,881,148)
Deferred tax liability			226,560	233,073
Other corporate liabilities			68,196	480,987
<b>Total liabilities</b>			<b>3,016,265</b>	<b>2,062,688</b>

**4. Profit for the half-year**

	<b>31-Dec-15</b>	<b>31-Dec-14</b>
	<b>\$</b>	<b>\$</b>
Profit for the half-year included the following items that are unusual because of their nature, size or incidence:		
Acquisition of business and equity investment costs	(94,042)	(156,273)

**5. Property, plant and equipment**

	<b>31-Dec-15</b>	<b>30-Jun-15</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment	3,070,181	2,743,038
Land and buildings	1,821,785	-
Office furniture and equipment	270,729	272,610
Property improvements	274,724	284,151
Motor vehicles	92,071	100,827
Total property, plant and equipment	<u>5,529,490</u>	<u>3,400,626</u>
Opening net book amount	3,400,626	3,582,303
Purchase of building	1,821,785	-
Other additions	546,101	328,555
Transfer from intangible assets	-	35,000
Disposals	112	(47,422)
Depreciation expense	(239,134)	(497,810)
Closing net book amount	<u>5,529,490</u>	<u>3,400,626</u>

**6. Intangible assets**

	<b>31-Dec-15</b>	<b>30-Jun-15</b>
	<b>\$</b>	<b>\$</b>
Goodwill	14,211,132	13,835,905
Research and development costs	620,268	591,040
Patents, trademarks and IP	292,138	214,592
Total intangible assets	<u>15,123,538</u>	<u>14,641,537</u>
Opening net book amount	14,641,537	13,566,922
Recognition of goodwill and IP on purchase of ICPH	-	751,265
Recognition of goodwill and IP on purchase of Coltide XRF Drift Monitors	-	100,000
Recognition of goodwill on purchase of Socachim SPRL	463,307	-
Recognition of IP on purchase of Laval Lab Fusion Machines and Flux	98,752	-
Foreign currency adjustment	(88,024)	91,443
Capitalisation of research and development costs	99,340	252,271
Other additions	-	11,612
Transfer to property, plant and equipment	-	(35,000)
Disposals	-	(140)
Amortisation expense	(91,374)	(96,836)
Closing net book amount	<u>15,123,538</u>	<u>14,641,537</u>

**7. Investments accounted for using the equity method**

	<b>31-Dec-15</b>	<b>30-Jun-15</b>
	<b>\$</b>	<b>\$</b>
Opening amount	555,142	656,300
Share of net profit / (loss) of investments accounted for using the equity method	3,909	18,627
Return of capital from XRock Automation <sup>1</sup>	-	(100,000)
Dividend received from XRock Automation <sup>1</sup>	-	(19,785)
Closing amount	<u>559,051</u>	<u>555,142</u>

<sup>1</sup> XRock Automation ceased operations on 31 October 2014.

## 8. Liabilities

The group has an overdraft facility of \$1,000,000 as a safeguard on working capital requirements. An additional \$1,600,000 facility is utilised for bank guarantees, used as security for operating leases. As at 31 December 2015, the contractual maturities of the group's non-derivative financial liabilities were as follows:

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 of liabilities
As at 31 December 2015	\$	\$	\$	\$	\$	\$	\$

### Non-derivatives

Trade payables	611,154	-	-	-	-	611,154	611,154
Long-term borrowings <sup>1</sup>	19,479	19,479	38,958	1,147,212	-	1,225,128	1,111,500
<b>Total non-derivatives</b>	<b>630,633</b>	<b>19,479</b>	<b>38,958</b>	<b>1,147,212</b>	<b>-</b>	<b>1,836,282</b>	<b>1,722,654</b>

### As at 30 June 2015

### Non-derivatives

Trade payables	554,333	-	-	-	-	554,333	554,333
<b>Total non-derivatives</b>	<b>554,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>554,333</b>	<b>554,333</b>

<sup>1</sup> Consists of a three-year, interest-only loan for \$1,111,500, used to fund the purchase of a property in Campbellfield, Victoria. Interest is paid monthly, at a rate of 3.505% per annum. The lender holds a fixed and floating charge over the assets of XRF Scientific (including the property acquired) as security for the loan facility. The carrying value of borrowing facilities approximates its fair value, as interest payable is close to market rates.

### Undrawn facilities

The group's undrawn borrowing facilities were as follows as at 31 December 2015:

	31-Dec-15	30-Jun-15
	\$	\$
Bank overdraft facility	891,391	1,000,000
Bank guarantee facility	1,501,545	1,501,545
	<b>2,392,936</b>	<b>2,501,545</b>

## 9. Contributed equity

	31-Dec-15 Shares	31-Dec-14 Shares	31-Dec-15 \$	31-Dec-14 \$
<b>(a) Share capital</b>				
Ordinary shares	133,825,803	132,157,097	18,584,489	18,257,772
<b>Total consolidated contributed equity</b>	<b>133,825,803</b>	<b>132,157,097</b>	<b>18,584,489</b>	<b>18,257,772</b>

Date	Details	Number of shares	Issue Price \$	\$
1-Jul-14	Opening balance	132,157,097		18,257,772
<b>31-Dec-14</b>	<b>Closing balance</b>	<b>132,157,097</b>		<b>18,257,772</b>
1-Jul-15	Opening balance	132,157,097		18,257,772
	Issue of shares on 1 December 2015	1,668,706	0.1986	331,405
	Transaction costs, net of deferred tax			-4,688
<b>31-Dec-15</b>	<b>Closing balance</b>	<b>133,825,803</b>		<b>18,584,489</b>



## 10. Dividends

	Half-year	
	2015	2014
	\$	\$
Dividends provided for or paid during the half-year on ordinary shares	925,097	1,453,726

## 11. Business combinations

### a) Summary of acquisition

On 1 December 2015 XRF Scientific Limited acquired Socachim SPRL, a business based in Brussels, Belgium. Socachim was founded in 1994 by Mr Michel Davidts, and has been a distributor of XRF's products throughout Europe and Northern Africa.

The Company has reported provisional amounts for goodwill and property, plant & equipment acquired as part of the purchase of Socachim, as fair value assessments have not been finalised.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$
(i) Purchase consideration:	
Cash paid upfront	400,213
Shares issued to former owners	331,405
Total potential purchase consideration	731,618

The assets and liabilities recognised as a result of the acquisition are as follows:

Goodwill	463,307
Trade and other receivables	345,835
Inventories	251,911
Cash	58,926
Property, plant and equipment	21,573
Other assets	26,875
Trade and other payables	(404,921)
Current income tax liability	(31,888)
	731,618

The goodwill is attributable to Socachim's strong position and profitability in trading in the sample preparation market and synergies expected to arise after the Company's acquisition of the business. None of the goodwill is expected to be deductible for tax purposes.

### (ii) Revenue and profit contribution

The acquired business contributed revenues of \$218k and net profit before tax of \$18k to the group for the period 1 December 2015 to 31 December 2015.

If the acquisition had occurred on 1 July 2015, consolidated revenue and consolidated net profit before tax for the period ended 31 December 2015 would have been \$10.9m and \$1.4m respectively. These amounts have been calculated using the group's accounting policies.

### (iii) Acquisition related costs

Direct costs relating to the acquisition of Socachim of \$58,530 are included "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

(iv) Purchase consideration – cash outflow

Included in the payments for acquisition of businesses in the investing activities section of the cash flow statement are the following:

Outflow of cash to acquire businesses:

Cash consideration for Socachim (net of cash acquired)	341,287
Cash consideration for Laval Lab Fusion Machines and Flux <sup>1</sup>	98,752
	440,039

<sup>1</sup> Immaterial acquisition. Acquisition of Fusion Machines and Flux business segments, based in Quebec, Canada

## 12. Contingent assets or liabilities

The group is not aware of any material contingent asset or liability for the period ended 31 December 2015.

## 13. Events occurring after the reporting date

On 20 January 2016, XRF Scientific Ltd announced that it will open a new office in Germany during April 2016. The new office will expand XRF's direct presence in Europe, alongside the current XRF Scientific Europe operation in Belgium. Europe is a large market for XRF and continues to present significant growth potential. The German office will be responsible for growing precious metals product sales in Europe, with Brussels continuing to develop sales of fusion related products.

An interim dividend of 0.2 cents per share fully franked was declared on 11 February 2016, with a record date of 19 February 2015 and payment date of 4 March 2015.

There have been 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.

## **DIRECTORS' DECLARATION**

The directors of the economic entity declare that:

1. the financial statements and notes set out on pages 6 to 15 are in accordance with the *Corporations Act, 2001* including:
  - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that XRF Scientific Limited will be able to pay its debts as and when they become due and payable.

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



**Kenneth Baxter**  
Chairman

Dated this 11<sup>th</sup> day of February 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of XRF Scientific Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of XRF Scientific Limited, which comprises the consolidated statement of financial position as at 31 December 2015, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of XRF Scientific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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



## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over the printed name. Above the signature, the letters 'BDO' are handwritten in blue ink.

Glyn O'Brien

Director

Perth, 11 February 2015