

Appendix 4E Preliminary Final Report

XRF Scientific Limited
ABN 80 107 908 314



Financial Year Ended 30 June 2016

Results for Announcement to the Market

Revenue from ordinary activities	up	2%	to	\$21,132,846	from	\$20,670,839
Earnings before interest and tax (EBIT)	down	33%	to	\$2,318,737	from	\$3,477,167
Profit from ordinary activities after tax attributable to members	down	42%	to	\$1,537,264	from	\$2,639,463
Net profit attributable to members	down	42%	to	\$1,537,264	from	\$2,639,463

Dividends (distributions)

This period:

	Amount per security	Franked amount per security
Final dividend	0.3c	0.3c
Interim dividend	0.2c	0.2c

Previous corresponding period:

Final dividend	0.7c	0.7c
Interim dividend	0.5c	0.5c

Record date of determining entitlement to dividend	16 September 2016
Payment date of dividend	30 September 2016

Dividend payout ratio

30 June 2016	30 June 2015
%	%
43	60

Earnings per share (EPS)

	30 June 2016	30 June 2015
Basic EPS – (cents per share)	1.2	2.0
Diluted EPS – (cents per share)	1.2	2.0
Weighted average of number of ordinary shares	133,126,318	132,157,097

Net tangible assets per ordinary share (NTA)

30 June 2016	30 June 2015
\$	\$
0.11	0.11

Commentary on the results for the financial year ended 30 June 2016

XRF Scientific Ltd (“XRF” or “Company”) is pleased to report its June 2016 full-year results to shareholders. The Company has generated revenue of \$21.1m and Net Profit After Tax of \$1.5m. Underlying profit before tax of \$3.0m (statutory profit before tax, after adding back expenses listed in Note 2) was delivered, before expensing costs associated with acquisitions, R & D and expansion of the Precious Metals Division.

The Directors have confirmed that a final dividend of 0.3 cents per share, fully franked, will be payable with a record date of 16 September 2016 and payment date of 30 September 2016. In conjunction with the interim dividend already paid, this provides a dividend payout ratio of 43%. The Board is committed to its strategic investment in the Precious Metals division which is expected to deliver significant growth and improve shareholder return in the medium term. This investment in capital assets and operations in Melbourne, combined with the establishment of our German and European operations will be cashflow negative in the short term and as a consequence the Board has reduced the annual dividend payout ratio in order to invest in this growth.

Conditions for the Capital Equipment Division improved in the second half of the year. The first half delivered a loss before tax of \$112k, which was turned into a profit before tax of \$170k for the full-year. The result included an obsolete stock write off of \$28k in relation to an outgoing product line. The new office in Belgium, via the acquisition of Socachim SPRL, contributed to the improved result in the second half.

The division launched an exciting new product for the automated weighing of XRF flux, the “xrWeigh Carousel”. The initial response from customers has been strong, which is expected to translate into sales in FY17. XRF is continuing its product development activities which will see the division busy with R & D throughout next year.

The Consumables Division generated a steady result, delivering profits before tax of \$1.83m, as compared to \$1.93m in the PCP. Cost of goods sold increased throughout the period, due to increased lithium chemical costs, which is an input into some of XRF’s consumable products. The increased lithium costs are expected to have an effect on both revenue and costs in FY17. Inventory for the Consumables product line increased by \$0.7m, as compared to 30 June last year, as a result of the increased cost of lithium and our commitment to carry more buffer stock of raw materials to ensure our customers do not suffer any supply interruption issues.

The Precious Metals Division delivered an underlying profit before tax of \$1.04m after adjusting for expansion and relocation costs. Whilst overall order levels remained reasonable, sales were negatively affected in certain areas such as North America.

As announced in November 2015, the Company is making a significant investment in its Precious Metals division, specifically in the capital assets and operations in Melbourne and in the establishment of our German and European operations. We have purchased a significantly larger facility in Melbourne and are commencing final commissioning which we expect to deliver operational capacity in September. The focus in 2017 will be in enhancing our product quality and expanding production into new product lines through a wide scale product and manufacturing improvement program, in line with our expansion goals. Of the \$3.3m expansion budget previously announced, \$2.3m has been spent as at 30 June. It is anticipated that this budget will be expanded in FY17, to cater for additional production equipment to meet anticipated increases in demand.

The XRF presence in Germany was established in April with the setup of new offices. The main German operations commenced in August and will deliver improved technical and sales expertise in targeting both the German and the wider European markets. The new team in Germany has been assembled to provide the distribution mechanism for one of the key target markets that requires the enhanced products, commencing with regular platinum labware products. 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. This represents a major investment in the region and is not expected to be cashflow positive until FY18.

During the year, total costs of \$491k were expensed in relation to the Division’s expansion. The major components were \$98k in R & D for manufacturing process improvements and \$211k in relocation costs, which included a non-cash write off of \$160k in leasehold improvements from the old Melbourne factory. The new German office also incurred a loss of \$170k, resulting from initial establishment and start-up operational costs.

In early December 2015, the acquisition of Socachim SPRL was completed for total consideration of €500,000. 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 formed 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 this 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 are being 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 July 2016, the Company's cash position was \$2.8m, which has decreased from \$6.76m as at 30 June 2015, following payments for acquisitions, dividends, 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 year, positive operating cash flow was recorded of \$446k. Working capital requirements increased through the period, due to increased inventory level requirements of \$1m. Alongside the impact of lithium prices on the Consumables Division, additional stock was being held by the Capital Equipment Division of \$219k, from increased sales levels and new product lines. Sales levels were also buoyant in May and June, which combined delivered 22% of the year's revenue and therefore increased debtors as at 30 June.

Looking forward to FY17, the group's firm focus is on growing international revenue, particularly in sectors not related to mining. Non-mining revenue has grown to ~30% and it is XRF's aim to significantly extend this exposure. The expansion of the Precious Metals Division, new product developments and acquisitions will be the key growth projects for the year ahead. Whilst market conditions continue to remain difficult, XRF is confident of standing out amongst its peers, as a company that remains profitable throughout the cycle.

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':	30 June 2016	30 June 2015
	\$'000	\$'000
Net profit (loss) from ordinary activities	53	19

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 entity has a formally constituted audit committee.

Signed:



Date: 26 August 2016

Name:

Vance Stazzonelli (Company Secretary)

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Consolidated	
	2016	2015
	\$	\$
Revenue from continuing operations	21,132,846	20,670,839
Cost of sales	(12,551,843)	(11,972,857)
Gross profit	8,581,003	8,697,982
Other income	150,570	257,829
Share of profits / (loss) of investments accounted for using the equity method	52,748	18,627
Administration expenses	(4,895,343)	(4,003,642)
Other expenses	(781,129)	(714,603)
Occupancy expenses	(706,372)	(611,733)
Finance cost	(28,057)	(1,272)
Profit before income tax	2,373,420	3,643,188
Income tax expense	(836,156)	(1,003,725)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited	1,537,264	2,639,463
Other comprehensive income		
Items that will be classified to profit or loss		
Foreign currency translation differences	(29,165)	121,960
Total comprehensive income for the year	1,508,099	2,761,423
Profit and total comprehensive income attributable to equity holders of XRF Scientific Limited	1,508,099	2,761,423
Basic earnings per share (cents per share)	1.2	2.0
Diluted earnings per share (cents per share)	1.2	2.0

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		Consolidated	
	Note	2016	2015
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	3,304,773	6,759,893
Trade and other receivables		4,033,113	3,182,240
Inventories		4,023,542	2,560,227
Other assets		258,403	297,889
TOTAL CURRENT ASSETS		11,619,831	12,800,249
NON-CURRENT ASSETS			
Property, plant and equipment	5	5,832,007	3,400,626
Intangible assets	6	15,227,483	14,641,537
Investments accounted for using the equity method	7	607,890	555,142
Deferred tax asset		409,966	430,425
TOTAL NON-CURRENT ASSETS		22,077,346	19,027,730
TOTAL ASSETS		33,697,177	31,827,979
CURRENT LIABILITIES			
Trade and other payables	8	1,109,254	961,649
Provisions		418,663	503,836
Other current liabilities		106,110	130,371
Current income tax liability		144,246	101,349
TOTAL CURRENT LIABILITIES		1,778,273	1,697,205
NON-CURRENT LIABILITIES			
Long-term borrowings		1,111,500	-
Deferred tax liability		251,495	233,073
Provisions		148,937	132,410
TOTAL NON-CURRENT LIABILITIES		1,511,932	365,483
TOTAL LIABILITIES		3,290,205	2,062,688
NET ASSETS		30,406,972	29,765,291
EQUITY			
Issued capital	9	18,584,489	18,257,772
Reserves		715,041	744,206
Retained profits		11,107,442	10,763,313
TOTAL EQUITY		30,406,972	29,765,291

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
		2016	2015
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,683,866	21,440,738
Payments to suppliers and employees (inclusive of GST)		(19,348,691)	(16,363,016)
Payment of expenses relating to business acquisitions		(172,740)	-
Finance costs		(28,057)	(1,272)
Income taxes paid		(786,267)	(1,091,926)
Interest received		76,953	139,196
Net cash inflow (outflow) from operating activities	4	425,064	4,123,720
Cash flows from investing activities			
Payments for property, plant and equipment		(3,120,139)	(296,325)
Payments for acquisition of businesses		(457,732)	(1,022,480)
Payments for research and development		(220,678)	(252,271)
Payments for intangibles		-	(11,613)
Return of capital from investments accounted for under the equity method		-	119,785
Proceeds from sale of property, plant and equipment		-	11,819
Net cash inflow (outflow) from investing activities		(3,798,549)	(1,451,085)
Cash flows from financing activities			
Proceeds from borrowings		1,111,500	-
Dividends paid		(1,193,135)	(2,114,512)
Net cash inflow (outflow) from financing activities		(81,635)	(2,114,512)
Cash and cash equivalents at the beginning of the financial period		6,759,893	6,201,770
Net increase (decrease) in cash and cash equivalents		(3,455,120)	558,123
Cash and cash equivalents at the end of the financial period	3	3,304,773	6,759,893

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

30 JUNE 2016

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	18,257,772	759,243	(15,037)	10,763,313	29,765,291
Profit for the period	-	-	-	1,537,264	1,537,264
Other comprehensive income	-	-	(29,165)	-	(29,165)
Total comprehensive income for the period	-	-	(29,165)	1,537,264	1,508,099
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	326,717	-	-	-	326,717
Dividends paid	-	-	-	(1,193,135)	(1,193,135)
	-	-	-	(1,193,135)	(866,418)
Balance at 30 June 2016	18,584,489	759,243	(44,202)	11,107,442	30,406,972

30 JUNE 2015

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	18,257,772	759,243	(136,997)	10,238,362	29,118,380
Profit for the period	-	-	-	2,639,463	2,639,463
Other comprehensive income	-	-	121,960	-	121,960
Total comprehensive income for the period	-	-	121,960	2,639,463	2,761,423
Transactions with Equity Holders in their capacity as Equity Holders					
Dividends paid	-	-	-	(2,114,512)	(2,114,512)
	-	-	-	(2,114,512)	(2,114,512)
Balance at 30 June 2015	18,257,772	759,243	(15,037)	10,763,313	29,765,291

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

Accounting Policies

Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

These consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with any public announcements made by XRF Scientific Limited and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

These financial statements cover the consolidated group of XRF Scientific Limited and controlled entities. XRF Scientific Limited is a listed public company, incorporated and domiciled in Australia.

These financial statements of XRF Scientific Limited and controlled entities comply with all International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2015 annual report.

This report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

These financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

1. 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 those 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 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.

Segment information provided to the Chief Executive Officer for the full-year ended 30 June 2016 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Full-year ended 30 June 2016	\$	\$	\$	\$
Segment revenue				
Total segment revenue	6,060,538	9,542,543	6,274,312	21,877,393
Inter segment sales	(333,249)	(494,018)	-	(827,267)
Revenue from external customers	5,727,289	9,048,525	6,274,312	21,050,126
Profit before income tax expense	170,419	551,391	1,830,258	2,552,069
Full-year ended 30 June 2015	\$	\$	\$	\$
Segment revenue				
Total segment revenue	5,695,161	9,975,471	6,037,457	21,708,089
Inter segment sales	(395,706)	(808,795)	-	(1,204,501)
Revenue from external customers	5,299,455	9,166,676	6,037,457	20,503,588
Profit before income tax expense	632,620	1,492,269	1,929,631	4,054,520
Segment assets				
At 30 June 2016	7,196,477	13,123,810	19,298,845	39,619,132
At 30 June 2015	5,840,417	11,002,336	18,142,963	34,985,716
Segment liabilities				
At 30 June 2016	1,097,573	4,009,897	222,911	5,330,381
At 30 June 2015	371,064	2,435,887	422,825	3,229,776
Depreciation expense				
For the year ended 30 June 2016	59,417	192,148	175,041	426,606
For the year ended 30 June 2015	56,829	201,344	160,758	418,931

	Consolidated	
	2016	2015
	\$	\$
Revenue from external customers – segments	21,050,126	20,503,588
Unallocated revenue	82,720	167,251
Revenue from external customers – total	21,132,846	20,670,839
Profit before income tax expense – segments	2,552,069	4,054,520
Loss incurred by parent entity	(178,649)	(411,332)
Profit before income tax expense from continuing operations – total	2,373,420	3,643,188
Total segment assets	39,619,132	34,985,716
Related party loan elimination	(9,584,761)	(10,666,046)
Cash & cash equivalents	2,525,859	6,129,139
Investments accounted for using the equity method	607,890	555,142
Deferred tax asset	409,966	430,425
Other corporate assets	119,091	393,603
Total assets	33,697,177	31,827,979
Total segment liabilities	5,330,381	3,229,776
Related party loan elimination	(2,926,891)	(1,881,148)
Deferred tax liability	251,495	233,073
Other corporate liabilities	635,220	480,987
Total liabilities	3,290,205	2,062,688

2. Profit for the year

	Consolidated	
	2016	2015
	\$	\$
Profit for the full year included the following items that are unusual because of their nature, size or incidence:		
Acquisition of business and investment costs	172,740	262,088
Loss incurred by new German division	170,416	-
Assets written off by Precious Metals division due to relocation of premises	159,793	-
Other expenses relating to the expansion of the Precious Metals division	160,681	-

3. Reconciliation of cash

	Consolidated	
	2016	2015
	\$	\$
Cash on hand and at bank	2,275,462	1,958,013
Deposits at call	1,029,311	4,801,880
	<u>3,304,773</u>	<u>6,759,893</u>

4. Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated	
	2016	2015
	\$	\$
Profit for the year	1,537,264	2,639,463
Depreciation and amortisation	721,539	594,646
Share of associate and JV entity (profits) / losses	(52,748)	(18,627)
Net exchange differences	7,800	21,857
Adjustment for deferred acquisition costs in creditors and provisions	-	(178,205)
Stock purchases reclassified as investing activities	-	349,420
Net assets of acquired businesses reclassified as investing activities	187,812	-
Net (gain) loss on sale of non-current assets	1,831	12,174
Assets written off by Precious Metals division due to relocation of premises	159,793	-
(Increase)/decrease in trade and other debtors	(850,873)	685,015
(Increase)/decrease in inventories	(1,463,315)	417,500
(Increase)/decrease in other current asset	39,485	(86,963)
(Increase)/decrease in deferred tax asset	20,459	1,876
(Decrease)/increase in trade and other creditors	147,605	(329,781)
(Decrease)/increase in provision for income taxes	42,896	(151,172)
(Decrease)/increase in provision for deferred income tax	18,422	61,095
(Decrease)/increase in other liabilities	(24,260)	(27,511)
(Decrease)/increase in other provisions	(68,646)	132,933
Net cash inflow/(outflow) from operating activities	<u>425,064</u>	<u>4,123,720</u>

5. Property, plant and equipment

	Consolidated	
	2016	2015
	\$	\$
Plant and equipment	3,368,116	2,743,038
Office furniture and equipment	347,129	272,610
Property improvements	174,009	284,151
Motor vehicles	119,536	100,827
Land & Buildings	1,823,217	-
Total property, plant and equipment	5,832,007	3,400,626
Opening net book amount	3,400,626	3,582,303
Additions	3,141,712	328,555
Transfer from intangible assets	-	35,000
Foreign currency adjustment	319	-
Disposals	(198,384)	(47,422)
Depreciation expense	(512,266)	(497,810)
Closing net book amount	5,832,007	3,400,626

6. Intangible assets

	Consolidated	
	2016	2015
	\$	\$
Goodwill	14,294,351	13,835,905
Research and development costs	661,391	591,040
Patents, trademarks and IP	271,741	214,592
Total intangible assets	15,227,483	14,641,537
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 customer list on purchase of Laval	103,685	-
Recognition of goodwill and customer list on purchase of Socachim	463,307	-
Foreign currency adjustment	(4,864)	91,443
Capitalisation of development costs	220,678	252,271
Other additions	12,760	11,612
Transfer to property, plant and equipment	-	(35,000)
Disposals	(347)	(140)
Amortisation expense	(209,273)	(96,836)
Closing net book amount	15,227,483	14,641,537

7. Investments accounted for using equity method

	Consolidated	
	2016	2015
	\$	\$
Opening amount	555,142	656,300
Share of net profit / (loss) of investments accounted for using the equity method	52,748	18,627
Return of capital from XRock Automation ¹	-	(100,000)
Dividend received from XRock Automation ¹	-	(19,785)
Closing amount	607,890	555,142

¹ 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 leases. As at 30 June 2016, 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 (assets)/ liabilities
As at 30 June 2016	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade payables	748,206	-	-	-	-	748,206	748,206
Long-term borrowings ¹	19,479	19,479	38,958	1,127,733	-	1,205,649	1,111,500
Total non-derivatives	767,685	19,479	38,958	1,127,733	-	1,953,855	1,859,706
As at 30 June 2015							
Non-derivatives							
Trade payables	554,333	-	-	-	-	554,333	554,333
Total non-derivatives	554,333	-	-	-	-	554,333	554,333

¹ 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.

Financing arrangements

The group's undrawn borrowing facilities were as follows as at 30 June 2016:

	Consolidated	
	2016	2015
	\$	\$
Bank overdraft facility	1,000,000	1,000,000
Bank guarantee facility	1,498,837	1,501,545
	2,498,837	2,501,545

9. Contributed equity

	2016	2015	2016	2015
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares	133,825,803	132,157,097	18,584,489	18,257,772
Total consolidated contributed equity	133,825,803	132,157,097	18,584,489	18,257,772

Date	Details	Number of shares	\$
1 July 2014	Opening balance	132,157,097	18,257,772
30 June 2015	Closing balance	132,157,097	18,257,772
1 July 2015	Opening balance	132,157,097	18,257,772
1 December 2015	Shares issues to previous owners of Socachim	1,668,706	331,405
1 December 2015	Less: Share issue costs (less deferred tax)	-	(4,688)
30 June 2016	Closing balance	133,825,803	18,584,489

10. Dividends

	Consolidated	
	2016	2015
	\$	\$
Dividends provided for or paid during the year on ordinary shares	1,193,135	2,114,512

11. Business combinations

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.

At 31 December 2015, the Company reported provisional amounts for goodwill and property, plant & equipment acquired as part of the purchase of Socachim. Fair value assessments have now 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	363,307
Trade and other receivables	345,835
Inventories	251,911
Customer List	100,000
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 \$2.6m and net profit before tax of \$222k to the group for the period 1 December 2015 to 30 June 2016.

If the acquisition had occurred on 1 July 2015, consolidated revenue and consolidated net profit before tax for the period ended 30 June 2016 would have been \$23.0m and \$2.5m 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 \$66,707 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)	354,046
Cash consideration for Laval Lab Fusion Machines and Flux ¹	103,686
	<u>457,732</u>

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

12. Contingent liabilities

The economic entity is not aware of any material contingent asset or liability for the period ended 30 June 2016.

13. Events occurring after the reporting date

A final dividend of 0.3 cents per share fully franked was declared on 26 August 2016, bringing the total dividend for the year to 0.5 cents per share fully franked (FY15: 1.2 cents per share fully franked total dividends), with a record date of 16 September 2016 and payment date of 30 September 2016.

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.