

# Appendix 4D Half-Year Report

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



**For the Half-Year ended 31 December 2016**

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

Revenue from ordinary activities	up	7%	to	\$10,480,119	from	\$9,819,266
Earnings before interest and tax (EBIT)	down	61%	to	\$491,393	from	\$1,258,577
Profit from ordinary activities after tax	down	60%	to	\$366,493	from	\$906,004
Net profit attributable to members	down	60%	to	\$366,493	from	\$906,004

## **Dividends (distributions)**

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

<b>Net tangible assets per ordinary share</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	\$	\$
	0.11	0.11

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
Basic EPS – (cents per share)	0.3	0.7
Diluted EPS – (cents per share)	0.3	0.7
Weighted average of number of ordinary shares	133,825,803	132,430,655

## **Commentary on the results for the half-year ended 31 December 2016**

XRF Scientific Ltd (“XRF” or “Company”) is pleased to report its December 2016 half-year results to shareholders. The Company has generated revenue of \$10.5m and Net Profit After Tax of \$366k. Underlying profit before tax of \$1.1m was delivered, before expensing costs associated with acquisitions, R & D and expansion of the Precious Metals Division.

The Board has determined not to pay an interim dividend, due to the ongoing investment in the Precious Metals Division and new office in Germany.

The Consumables Division delivered a steady profit before tax of \$0.9m as compared to \$1.0m in the PCP. As indicated previously, significant increases in lithium costs have affected the cost of production for some of our consumable products. The increased lithium costs also resulted in the Division’s inventory balance growing from \$1.8m as at 30 June 2016 to \$2.0m as at 31 December 2016. Now that lithium prices have stabilised, it is not expected that any further investment in inventory will be required.

The Precious Metals Division delivered an underlying profit before tax of \$0.2m after adjusting for expansion and relocation costs. The statutory loss before tax was \$0.4m, with an underlying profit of \$0.2m after adjusting for \$0.6m in costs associated with relocation of the factory in Melbourne and establishment of the new office in Germany. The Division’s result was also negatively affected by trading conditions in our North American operations, which delivered a small loss of \$37k for the half, as compared to a profit of \$0.2m in the PCP. The slowdown in sales in North America appeared to have been driven by political uncertainty surrounding the USA presidential election. There are early indications of improvement, with the operations returning to profits in December and January.

The new office in Germany commenced full operations in August, with the first sales being delivered quickly in September. Sales are continuing to ramp up, which for the first five months of operations totaled \$194k. Although the primary focus of this office is precious metals products, good traction is also being made in XRF’s existing fusion product lines.

As indicated in the market update on 16 December, the relocation of the Melbourne factory resulted in a delay in the completion of orders. After working hard throughout December and January, the factory has brought the backlog down to a more normal position. As part of our plan to move into new customised platinum products, a general overview and improvement of production methods was required. The implementation of these changes is progressing well and our team across Australia and Germany should be commended for their efforts. We have also been able to fast track the development of the manufacturing of some new customised platinum products, the first sales of which occurred in January 2017. Additional new products will be brought online in the years ahead, as we acquire new fabrication equipment to expand our manufacturing capabilities.

Results for the Capital Equipment Division have improved, with a small loss before tax of \$24k being delivered, as opposed to a loss before tax of \$112k in the PCP. The better result has been possible through improved sales traction of our products in the market, as well as the contribution from our division in Europe (Belgium) that was acquired in December 2015. The sale of our machines continues to drive sales of our highly complementary Consumable and Precious Metals products. A good level of orders is currently in hand, which has kick-started the second half. The Division is continuing with new product development activities, with at least two new products scheduled for release during the 2017 calendar year. Whilst our current product range is strong, some gaps are required to be filled for different markets, and there are also opportunities to expand into new complementary products.

As at 31 December 2016, the Company’s cash position was \$2.2m, which has decreased from \$3.3m as at 30 June 2016, following payments for dividends, product development costs and the Precious Metals Division expansion. Long-term debt is currently \$1.2m, which was for partial funding of the new precious metals factory in Melbourne.

During the half, positive operating cash flow was recorded of \$524k, which was an improvement on the PCP that had a negative cash outflow of \$446k. It is expected that operating cash flow will improve further in the second half, with stabilised lithium prices having a flow-on effect to consumable related inventory requirements.

The Board continued to review acquisition opportunities that met its strict criteria. Whilst acquisitions remain a possibility, the key growth focus of the group will remain the expansion of the Precious Metals Division. This expansion will have significant benefits for XRF in the medium to long term, including reduced exposure to mining, increased international sales and improved manufacturing capability in the precious metals field.

As part of growing our global brand, marketing is a key focus, including a newly launched website and a busy trade show and conference program throughout 2017. To assist with international sales development, new distributors in China and India were recently appointed. It is expected that additional new partners will be appointed this year.

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

Group's share of associates and joint venture entities:	31 December 2016 \$	31 December 2015 \$
Profit (loss) from ordinary activities	(18,607)	3,909

## 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: 15 February 2017

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 2016**

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 2016 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 2016.

### 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 2016" 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

15 February 2017

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 2016, 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, 15 February 2017



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Half-year	
	31-Dec-16	31-Dec-15
	\$	\$
Revenue from continuing operations	10,480,119	9,819,266
Cost of sales	(6,260,160)	(5,881,362)
Gross profit	4,219,959	3,937,904
Other revenues	27,797	184,715
Share of net profit / (loss) of investments accounted for using the equity method	(18,607)	3,909
Administration expenses	(2,951,624)	(2,185,721)
Occupancy expenses	(394,758)	(336,895)
Finance costs	(20,020)	(4,490)
Other expenses	(369,750)	(289,079)
<b>Profit before income tax</b>	492,997	1,310,343
Income tax expense	(126,504)	(404,339)
<b>Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited</b>	366,493	906,004
<b>Other comprehensive income</b>		
<b>Items that will be classified to profit or loss</b>		
Foreign currency translation differences	(61,538)	(132,593)
<b>Other comprehensive income after income tax</b>	(61,538)	(132,593)
<b>Total comprehensive income for the half year</b>	304,955	773,411
<b>Total comprehensive income attributable to Equity holders of XRF Scientific Limited</b>	304,955	773,411
Basic earnings per share (cents per share)	0.3	0.7
Diluted earnings per share (cents per share)	0.3	0.7

*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 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31-Dec-16</b>	<b>30-June-16</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,235,936	3,304,773
Trade and other receivables		3,598,699	4,033,113
Inventories		4,488,110	4,023,542
Other assets		342,095	258,403
Current income tax asset		188,418	-
<b>TOTAL CURRENT ASSETS</b>		<b>10,853,258</b>	<b>11,619,831</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	6,780,809	5,832,007
Intangible assets	6	15,208,933	15,227,483
Investments accounted for using the equity method	7	589,283	607,890
Deferred tax asset		407,015	409,966
<b>TOTAL NON-CURRENT ASSETS</b>		<b>22,986,040</b>	<b>22,077,346</b>
<b>TOTAL ASSETS</b>		<b>33,839,298</b>	<b>33,697,177</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,285,304	1,109,254
Provisions		446,394	418,663
Short-term borrowings		53,104	-
Other current liabilities		138,949	106,110
Current income tax liability		-	144,246
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,923,751</b>	<b>1,778,273</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	8	1,226,340	1,111,500
Deferred tax liability		260,685	251,495
Provisions		118,072	148,937
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,605,097</b>	<b>1,511,932</b>
<b>TOTAL LIABILITIES</b>		<b>3,528,848</b>	<b>3,290,205</b>
<b>NET ASSETS</b>		<b>30,310,450</b>	<b>30,406,972</b>
<b>EQUITY</b>			
Issued capital	9	18,584,489	18,584,489
Reserves		653,503	715,041
Retained profits		11,072,458	11,107,442
<b>TOTAL EQUITY</b>		<b>30,310,450</b>	<b>30,406,972</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 2016**

	Half-year	
	31-Dec-16	31-Dec-15
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	10,930,220	9,274,130
Payments to suppliers and employees (inclusive of GST)	(9,948,552)	(9,227,168)
Payment of expenses relating to business acquisitions	(7,344)	(94,042)
Interest received	16,364	50,470
Interest paid	(20,020)	(4,490)
Income taxes paid	(447,026)	(444,500)
<b>Net cash inflow (outflow) from operating activities</b>	<u>523,642</u>	<u>(445,600)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1,249,970)	(2,350,611)
Proceeds from sale of property, plant and equipment	16,336	-
Payments for acquisition of businesses (net of cash acquired)	-	(440,039)
Payments for research and development	(125,313)	(99,340)
<b>Net cash inflow (outflow) from investing activities</b>	<u>(1,358,947)</u>	<u>(2,889,990)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	167,944	1,111,500
Dividends paid	(401,476)	(925,097)
<b>Net cash inflow (outflow) from financing activities</b>	<u>(233,532)</u>	<u>186,403</u>
<b>Cash and cash equivalents at the beginning of the financial period</b>	3,304,773	6,759,893
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(1,068,837)</u>	<u>(3,149,187)</u>
<b>Cash and cash equivalents at the end of the financial period</b>	<u>2,235,936</u>	<u>3,610,706</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 2016**

**31 DECEMBER 2016**

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>18,584,489</b>	<b>759,243</b>	<b>(44,202)</b>	<b>11,107,442</b>	<b>30,406,972</b>
Profit for the period	-	-	-	366,493	366,493
Other comprehensive income	-	-	(61,538)	-	(61,538)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(61,538)</b>	<b>366,493</b>	<b>304,955</b>
<b>Transactions with Equity Holders in their capacity as Equity Holders</b>					
Ordinary shares issued, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	-	(401,477)	(401,477)
	-	-	-	(401,477)	(401,477)
<b>Balance at 31 December 2016</b>	<b>18,584,489</b>	<b>759,243</b>	<b>(105,740)</b>	<b>11,072,458</b>	<b>30,310,450</b>

**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>

*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 2016**

**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 2016 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2016 are 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 2016 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 15 February 2017.

**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 2016**



Segment information provided to the Chief Executive Officer for the half-year ended 31 December 2016 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2016	\$	\$	\$	\$
<b>Segment revenue</b>				
Total segment revenue	3,132,019	4,352,522	3,240,834	10,725,375
Inter segment sales	(93,458)	(173,413)	-	(266,871)
Revenue from external customers	3,038,561	4,179,109	3,240,834	10,458,504
<b>Profit before income tax expense</b>	<b>(23,521)</b>	<b>(368,852)</b>	<b>894,849</b>	<b>502,476</b>
<b>Half-year ended 31 December 2015</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<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	1,789,799	4,603,218	3,151,639	9,544,656
<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>Segment assets</b>				
At 31 December 2016	7,111,330	13,504,164	20,519,750	41,135,244
At 30 June 2016	7,196,477	13,123,810	19,298,845	39,619,132
<b>Segment liabilities</b>				
At 31 December 2016	1,054,888	4,804,160	306,628	6,165,676
At 30 June 2016	1,097,573	4,009,897	222,911	5,330,381
			<b>Half-year 31-Dec-16 \$</b>	<b>Half-year 31-Dec-15 \$</b>
<b>Revenue from external customers – segments</b>			<b>10,458,504</b>	<b>9,544,656</b>
Unallocated revenue			21,615	274,610
<b>Revenue from external customers - total</b>			<b>10,480,119</b>	<b>9,819,266</b>
<b>Profit before income tax expense – segments</b>			<b>502,476</b>	<b>1,455,423</b>
Eliminations and unallocated (corporate)			(9,479)	(145,080)
<b>Profit before income tax expense from continuing operations - total</b>			<b>492,997</b>	<b>1,310,343</b>
			<b>Half-year 31-Dec-16 \$</b>	<b>Full-year 30-Jun-16 \$</b>
<b>Total segment assets</b>			<b>41,135,244</b>	<b>39,619,132</b>
Related party loan elimination			(9,808,594)	(9,584,761)
Cash & cash equivalents			1,395,192	2,525,859
Investments accounted for using the equity method			589,283	607,890
Deferred tax asset			409,966	409,966
Other corporate assets			118,207	119,091
<b>Total assets</b>			<b>33,839,298</b>	<b>33,697,177</b>
<b>Total segment liabilities</b>			<b>6,165,676</b>	<b>5,330,381</b>
Related party loan elimination			(3,022,739)	(2,926,891)
Deferred tax liability			260,685	251,495
Other corporate liabilities			125,226	635,220
<b>Total liabilities</b>			<b>3,528,848</b>	<b>3,290,205</b>

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

	<b>31-Dec-16</b>	<b>31-Dec-15</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	(7,344)	(94,042)

**5. Property, plant and equipment**

	<b>31-Dec-16</b>	<b>30-Jun-16</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment	3,526,374	3,368,116
Land and buildings	1,823,217	1,823,217
Office furniture and equipment	296,188	347,129
Property improvements	995,446	174,009
Motor vehicles	139,584	119,536
Total property, plant and equipment	<u>6,780,809</u>	<u>5,832,007</u>
Opening net book amount	5,832,007	3,400,626
Additions	1,249,970	3,141,712
Transfer from intangible assets	-	-
Foreign currency adjustment	(7,939)	319
Disposals	(17,638)	(198,384)
Depreciation expense	(275,591)	(512,266)
Closing net book amount	<u>6,780,809</u>	<u>5,832,007</u>

**6. Intangible assets**

	<b>31-Dec-16</b>	<b>30-Jun-16</b>
	<b>\$</b>	<b>\$</b>
Goodwill	14,177,952	14,194,351
Development costs	696,526	661,391
Patents, trademarks and IP	334,455	371,741
Total intangible assets	<u>15,208,933</u>	<u>15,227,483</u>
Opening net book amount	15,227,483	14,641,537
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	(19,029)	(4,864)
Capitalisation of development costs	125,313	220,678
Other additions	-	12,760
Transfer to property, plant and equipment	-	-
Disposals	-	(347)
Amortisation expense	(124,834)	(209,273)
Closing net book amount	<u>15,208,933</u>	<u>15,227,483</u>

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

	<b>31-Dec-16</b>	<b>30-Jun-16</b>
	<b>\$</b>	<b>\$</b>
Opening amount	607,890	555,142
Share of net profit / (loss) of investments accounted for using the equity method	(18,607)	52,748
Closing amount	<u>589,283</u>	<u>607,890</u>

## 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 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 cash flows	Carrying amount of liabilities	
							Current	Non-Current
<b>As at 31 December 2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Non-derivatives</b>								
Trade payables	798,402	-	-	-	-	798,402	798,402	-
Property loan <sup>1</sup>	19,479	19,479	1,147,212	-	-	1,186,170	-	1,111,500
Plant & equipment loan <sup>2</sup>	24,195	24,195	48,389	48,389	-	145,168	42,362	91,680
Motor vehicle loan <sup>3</sup>	6,096	6,096	12,192	12,192	-	36,576	10,742	23,160
<b>Total non-derivatives</b>	<b>848,172</b>	<b>49,770</b>	<b>1,207,793</b>	<b>60,581</b>	<b>-</b>	<b>2,166,316</b>	<b>851,506</b>	<b>1,226,340</b>

### As at 30 June 2016

<b>Non-derivatives</b>								
Trade payables	748,206	-	-	-	-	748,206	748,206	-
Property loan <sup>1</sup>	19,479	19,479	38,958	1,127,733	-	1,205,649	-	1,111,500
<b>Total non-derivatives</b>	<b>767,685</b>	<b>19,479</b>	<b>38,958</b>	<b>1,127,733</b>	<b>-</b>	<b>1,953,855</b>	<b>748,206</b>	<b>1,111,500</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 Melbourne. Interest is paid monthly, at a rate of 3.505% per annum. The lender holds fixed and floating charges over the assets of XRF Scientific (including the property acquired) as security for the loan facility.

<sup>2</sup> 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.

<sup>3</sup> 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.

#### Interest-bearing loans

The lender holds fixed and floating charges over the assets of XRF Scientific (including the property acquired) as security for the loan facilities. 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 2016:

	<b>31-Dec-16</b>	<b>30-Jun-16</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft facility	1,000,000	1,000,000
Bank guarantee facility	1,498,837	1,498,837
	<b>2,498,837</b>	<b>2,498,837</b>



**9. Contributed equity**

	<b>31-Dec-16</b>	<b>31-Dec-15</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
<b>(a) Share capital</b>				
Ordinary shares	133,825,803	133,825,803	18,584,489	18,584,489
Total consolidated contributed equity	<b>133,825,803</b>	<b>133,825,803</b>	<b>18,584,489</b>	<b>18,584,489</b>

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue Price \$</b>	<b>\$</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>
1-Jul-16	Opening balance	133,825,803		18,584,489
<b>31-Dec-16</b>	<b>Closing balance</b>	<b>133,825,803</b>		<b>18,584,489</b>

**10. Dividends**

	<b>Half-year</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Dividends provided for or paid during the half-year on ordinary shares	401,476	925,097

**12. Contingent assets or liabilities**

The group is not aware of any material contingent asset or liability for the period ended 31 December 2016.

**13. Events occurring after the reporting date**

There have been no 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 14 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 2016 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 15<sup>th</sup> day of February 2017

## 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 2016, 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 2016 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 2016 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 a faint, light blue BDO logo.

Glyn O'Brien

Director

Perth, 15 February 2017