

# ***SCANTECH LIMITED***

***ACN: 007 954 627***

## ***HALF YEARLY REPORT***

***31 December 2017***

## **DIRECTORS' REPORT**

The Directors submit the financial report of Scantech Limited for the half year ended 31 December 2017.

### **Directors**

The names of Directors who held office during or since the end of the half year are;

Peter Pedler - Chairman since 1 September 2005 and Non-Executive Director since 12 August 2003.

David Lindeberg – Managing Director and a Director since 20 January 2000.

Laurance Brett - Non-Executive Director since 1 September 2005.

Dean Brown – Resigned as Non- Executive Director at the last AGM held on the 26 October 2017.

### **Reviews & Results of Operations**

The Company announces an unaudited profit before tax for the half year ended 31 December 2017 of \$783,276 compared to \$766,400 loss for the same period last year.

A tax expense of \$175,167 brings the unaudited profit after tax for the half year ended 31 December 2017 to \$608,109 compared to \$537,281 loss for the same period last year. This profit includes a gain of \$21,508 for exchange variance.

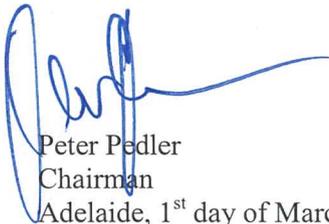
Sales were \$7,971,107 (2016: \$5,186,380) an increase of 54% over last year.

The Company had equipment orders on hand of \$6.8M as at the 31 December 2017 compared to \$7.1M on hand at 31 December 2016.

### **Auditor's Independence Declaration**

The auditors' independence declaration under section 307C is attached.

This report is signed in accordance with a resolution of the Board of Directors.



Peter Pedler  
Chairman  
Adelaide, 1<sup>st</sup> day of March, 2018

**Scantech Limited**

ACN: 007 954 627

**Declaration of independence to the directors of Scantech Limited**

As lead auditor for the review of Scantech Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**Bentleys SA Audit Partnership****DAVID FRANCIS**  
PARTNER

Dated at Adelaide this 1<sup>st</sup> day of March 2018.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR HALF YEAR ENDED 31 DECEMBER 2017**

<b>Consolidated Entity</b>			
	Note	31 December 2017	31 December 2016
		\$	\$
Revenue	3	7,971,107	5,186,380
Cost of Sales		(4,052,737)	(2,719,851)
Gross Profit		3,918,370	2,466,529
Loss on Sale of Property, Plant and Equipment		0	(2,113)
Other Income	3	93,909	87,659
Manufacturing Expenses		(379,669)	(387,159)
Engineering and Scientific Expenses		(1,078,182)	(1,043,231)
Marketing Expenses		(838,987)	(961,189)
Administration Expenses		(880,003)	(876,288)
Borrowing Costs		(52,162)	(50,608)
Profit / (Loss) before Income Tax		783,276	(766,400)
Income Tax Benefit / (Expense)		(175,167)	229,119
<b>Profit / (Loss) after Income Tax Attributable to Owners of the Parent Entity</b>		<b>608,109</b>	<b>(537,281)</b>
Other Comprehensive Income for the period			
Gain on revaluation of investment shares (net of \$19,354 deferred tax)		57,910	28,536
Gain on revaluation of Land (Benefit of 2.5% tax 16,835)		16,835	0
<b>Total Comprehensive Income attributable to Owners of the Parent Entity</b>		<b>682,854</b>	<b>(508,745)</b>

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

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

<b>Consolidated Entity</b>			
	<b>Note</b>	<b>31 December 2017</b>	<b>30 June 2017</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		2,580,225	2,064,471
Trade and Other Receivables		2,386,919	2,338,059
Current Tax Asset		0	11,440
Inventories	4	3,959,265	3,056,539
Amount due from Customers	5	1,859,463	1,831,318
Financial Assets	6	1,083,891	2,202,739
<b>TOTAL CURRENT ASSETS</b>		<b>11,869,763</b>	<b>11,504,566</b>
<b>NON-CURRENT ASSETS</b>			
Financial Assets	6	1,981,432	1,860,242
Property, Plant and Equipment		3,198,587	3,227,680
Patents, Trademarks and Licences		744,749	769,228
Product Development		1,716,045	1,716,045
Deferred Tax Asset		224,230	247,148
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,865,043</b>	<b>7,820,343</b>
<b>TOTAL ASSETS</b>		<b>19,734,806</b>	<b>19,324,909</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		2,650,908	3,528,215
Amount due to Customers	5	1,490,519	1,071,718
Provision for Income Tax		164,816	
Other Provisions		565,772	545,819
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,872,015</b>	<b>5,145,752</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial Liabilities		2,000,000	2,000,000
Other Provisions		101,956	91,129
Deferred Tax Liability		845,138	855,185
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,947,094</b>	<b>2,946,314</b>
<b>TOTAL LIABILITIES</b>		<b>7,819,109</b>	<b>8,092,066</b>
<b>NET ASSETS</b>		<b>11,915,697</b>	<b>11,232,843</b>
<b>EQUITY</b>			
Contributed Equity	7	4,762,020	4,762,020
Reserves		612,248	537,503
Retained Earnings		6,541,429	5,933,320
<b>TOTAL EQUITY</b>		<b>11,915,697</b>	<b>11,232,843</b>

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
<b>Consolidated Entity Balance as at 1 July 2016</b>	5,470,385	5,788,939	13,139	506,352	11,778,815
Loss for the half-year	0	(537,281)	0	0	(537,281)
Other comprehensive income	0	0	0	28,536	28,536
<b>Consolidated Entity Balance as at 31 December 2016</b>	5,470,385	5,251,658	13,139	534,888	11,270,070
	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
<b>Consolidated Entity Balance as at 1 July 2017</b>	4,762,020	5,933,320	13,139	524,364	11,232,843
Profit for the half-year	0	608,109	0	0	608,109
Other comprehensive income	0	0	0	74,745	74,745
<b>Consolidated Entity Balance as at 31 December 2017</b>	4,762,020	6,541,429	13,139	599,109	11,915,697

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES  
CASHFLOW STATEMENT  
FOR HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated Entity	
	31 December 2017	31 December 2016
	\$	\$
<b><u>Cash flows from operating activities:</u></b>		
Receipts from Customers	8,499,050	7,506,483
Payments to Suppliers and Employees	(9,071,770)	(6,505,333)
Dividends Received	43,943	11,100
Interest Received	35,613	31,573
Interest Paid	(52,162)	(50,608)
Income Taxes Received	11,440	227,473
Other Income	1,660	3,535
<b>Net cash provided by / (used in) by operating activities</b>	<b>(532,226)</b>	<b>1,224,223</b>
<b><u>Cash flows from investing activities:</u></b>		
Payments for Property, Plant and Equipment	(18,367)	(100,288)
Receipts from Sales of Property, Plant and Equipment	0	26,364
Payments for Patents, Trademarks and Licences	(8,576)	(2,827)
Payments for Investment Shares	(43,925)	(1,747,179)
Net Receipts from movements in Financial Assets	1,118,848	217,219
<b>Net cash provided by / (used in) investing activities</b>	<b>1,047,980</b>	<b>(1,606,711)</b>
Net increase / (decrease) in cash held	515,754	(382,488)
Cash at the beginning of the financial year	2,064,471	2,079,719
<b>Cash at the end of the half year</b>	<b>2,580,225</b>	<b>1,697,231</b>
<b><u>Reconciliation of cash:</u></b>		
For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank net of outstanding bank overdrafts.		
Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:		
<b>Cash and Cash Equivalents</b>	<b>2,580,225</b>	<b>1,697,231</b>

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

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR HALF YEAR ENDED 31 DECEMBER 2017**

**1 BASIS OF PREPARATION OF FINANCIAL REPORT**

This general purpose condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by Scantech Limited during the half-year ended 31 December 2017 and the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and revised Standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group have been adopted and include:

- AASB 2016-1 - Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Tax Losses
- AASB 2016-2 - Amendments to Australian Accounting Standards - Disclosure initiative: - Amendments to AASB 107
- AASB 2017-2 - Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

**2 REPORTING BASIS AND CONVENTIONS**

The half-year report has been prepared on an accrual basis and is based on historical costs except for the revaluation of selected non-current assets for which the fair value basis of accounting has been applied.

**Consolidated Entity**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	\$	\$
<b>3 REVENUE AND OTHER INCOME / (EXPENSE)</b>		
Included in profit or loss are the following revenue and other income / (expense) items:		
Products Revenue	3,225,987	2,520,565
Services Revenue	4,745,120	2,665,815
Total Revenue	7,971,107	5,186,380
Sundry Income	1,660	3,535
Interest Received	26,798	37,877
Net Foreign Exchange Gain / (Loss)	21,508	35,147
Franked Dividend Income	43,943	11,100
Total Other Income	93,909	87,659

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR HALF YEAR ENDED 31 DECEMBER 2017**

		Consolidated Entity	
		31 December 2017	30 June 2017
		\$	\$
<b>4</b>	<b>INVENTORIES</b>		
	<u>Current:</u>		
	Raw Materials and Stores at cost	1,258,452	894,977
	Work in Progress	2,700,813	2,161,562
		3,959,265	3,056,539
<b>5</b>	<b>CONTRACTS IN PROGRESS</b>		
	Cost Incurred plus Profit to Date	17,654,954	19,177,313
	Less Billings	(17,286,010)	(18,417,713)
	Net Amount	368,944	759,600
	<u>Represented By:</u>		
	Amounts due from Customers (Asset)	1,859,463	1,831,318
	Amounts due to Customers (Liability)	(1,490,519)	(1,071,718)
	Contracts in Progress (Net Amount)	368,944	759,600
<b>6</b>	<b>FINANCIAL ASSETS</b>		
	<u>Current:</u>		
	Amounts on Deposits at Banks	1,083,891	2,202,739
		1,083,891	2,202,739
	<u>Non-Current:</u>		
	Shares – Other Corporations (at cost)	1,000	1,000
	Shares – Listed Entities (at market value)	1,980,432	1,859,242
		1,981,432	1,860,242
<b>7</b>	<b>CONTRIBUTED EQUITY</b>		
	<u>Issued and Paid Up Capital:</u>		
	At the beginning of the reporting period	4,762,020	5,470,385
	Share buy-back	0	(708,365)
	At reporting date	4,762,020	4,762,020
	<u>Ordinary Shares:</u>	<b>31 December 2017</b>	<b>30 June 2017</b>
		Number of shares	Number of shares
	At beginning of the reporting period	13,622,371	14,712,163
	Share buy-back	0	(1,089,792)
	At reporting date	13,622,371	13,622,371

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have limited amount of authorised capital and issued shares do not have a par value. Ordinary shares carry one vote per share and the rights to dividends.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR HALF YEAR ENDED 31 DECEMBER 2017**

**8 FAIR VALUE MEASUREMENT**

The only assets and liabilities recognised and measured at fair value on a recurring basis are land and buildings and shares in Australian Listed Entities.

Land and buildings are categorised according to the fair value hierarchy as Level 2 – inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly or indirectly. There were no transfers between levels during the financial half-year.

The carrying amount of financial assets and financial liabilities approximate their fair value.

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR HALF YEAR ENDED 31 DECEMBER 2017

8 FAIR VALUE MEASUREMENT (CONT'D)

Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurement Are Categorised

Fair Value Measurements at 31 December 2017 Using:

Description	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs Other than Level 1 Inputs	Significant Unobservable Inputs
	\$ (Level 1)	\$ (Level 2)	\$ (Level 3)
<b>Recurring fair value measurements</b>			
Reinvestment in Shares for the half year period ending 31 December 2017	46,648	-	-
- Listed Entities			
Investment in shares of			
- Listed Entities	1,933,784	-	-
Land and Buildings	-	2,926,250	-
<b>Non- Recurring fair value measurements</b>	-	-	-

Fair Value Measurements at 30 June 2017 Using:

Description	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs Other than Level 1 Inputs	Significant Unobservable Inputs
	\$ (Level 1)	\$ (Level 2)	\$ (Level 3)
<b>Recurring fair value measurements</b>			
Investment in shares of	1,859,242	-	-
- Listed Entities			
Land and Buildings	-	2,940,000	-
<b>Non-Recurring fair value measurements</b>	-	-	-

There were no transfers between Level 1 and Level 2 Fair Values

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR HALF YEAR ENDED 31 DECEMBER 2017**

**8 FAIR VALUE MEASUREMENT (CONT'D)**

**Valuation Techniques and Inputs Used to Determine Level 2 Fair Values**

<b>Description</b>	<b>Fair Value at 31 December 2017</b> \$	<b>Description of Valuation Techniques</b>	<b>Inputs Used</b>
<b>Level 2</b>			
Land and Buildings	2,926,250	Sales price comparison	Sales prices of comparable land and buildings in a similar location are analysed on the bases of rate per square metre of gross lettable area

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

Aggregate fair values and carrying amounts of financial assets and financial liabilities at the end of the reporting period.

	<b>December 2017</b>		<b>June 2017</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Financial Assets:</b>				
Cash and Cash Equivalents	2,580,225	2,580,225	2,064,471	2,064,471
Trade and Other Receivables	2,386,919	2,386,919	2,338,059	2,338,059
Amounts due from customers	1,859,463	1,859,463	1,831,318	1,831,318
Held to Maturity Investments	1,083,891	1,083,891	2,202,739	2,202,739
Shares – Listed Entities	1,980,432	1,980,432	1,859,242	1,859,242
<b>Financial Liabilities:</b>				
Trade and Other Payables	(2,650,908)	(2,650,908)	(3,528,215)	(3,528,215)
Amounts due to customers	(1,490,519)	(1,490,519)	(1,071,718)	(1,071,718)
Loans	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Net Exposure	3,749,503	3,749,503	3,695,896	3,695,896

**9 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Group has a contingent liability of \$1,001,634 (June 2017: \$969,298) in relation to a Deed of Deposit and set off over Term Deposit Funds lodged with the bank as cash cover for Bank Guarantee / Letter of Credit facilities.

**10 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

There have been no material events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

**Scantech Limited Public Company A.C.N. 007 954 627  
And Controlled Entities  
Directors' Declaration – Half Year**

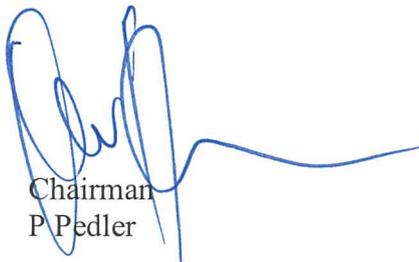
In accordance with a resolution of the directors of Scantech Limited, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the financial position as at 31 December 2017 and performance for the half-year ended on that date of the consolidated entity
  - (ii) Complying with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 305(5)(a) of the Corporations Act 2001.

On behalf of the Board



Chairman  
P Pedler



Managing Director  
D Lindeberg

Signed in Adelaide, this 1<sup>st</sup> day of March, 2018

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCANTECH LIMITED**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Scantech Limited, which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2017 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 Scantech 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 Scantech 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 Scantech 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 2017 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 Interim Financial Reports and Corporations Regulations 2001.

**BENTLEYS SA AUDIT PARTNERSHIP**

DAVID FRANCIS  
PARTNER

Dated this 1<sup>st</sup> day of March 2018