

SCANTECH LIMITED

ACN: 007 954 627

HALF YEARLY REPORT

31 December 2018

DIRECTORS' REPORT

The Directors submit the financial report of Scantech Limited for the half year ended 31 December 2018.

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.

Reviews & Results of Operations

The Company announces an unaudited profit before tax for the half year ended 31 December 2018 of \$1,336,791 compared to \$783,276 for the same period last year.

A tax expense of \$340,183 brings the unaudited profit after tax for the half year ended 31 December 2018 to \$996,608 compared to \$608,109 for the same period last year. This profit includes a gain of \$54,881 for exchange variance.

Sales were \$9,490,989 (2017: \$7,971,107) an increase of 19% over last year.

The Company had equipment orders on hand of \$6.7M as at the 31 December 2018 compared to \$6.8M on hand at 31 December 2017.

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, 1st day of March, 2019

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 2018, 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 1st day of March 2019.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR HALF YEAR ENDED 31 DECEMBER 2018

Consolidated Entity			
	Note	31 December 2018	31 December 2017
		\$	\$
Revenue	3	9,490,989	7,971,107
Cost of Sales		(5,020,330)	(4,052,737)
Gross Profit		4,470,659	3,918,370
Other Income	3	162,891	93,909
Manufacturing Expenses		(372,291)	(379,669)
Engineering and Scientific Expenses		(1,054,808)	(1,078,182)
Marketing Expenses		(905,900)	(838,987)
Administration Expenses		(929,243)	(880,003)
Borrowing Costs		(34,517)	(52,162)
Profit before Income Tax		1,336,791	783,276
Income Tax (Expense)		(340,183)	(175,167)
Profit after Income Tax Attributable to Owners of the Parent Entity		996,608	608,109
Other Comprehensive Income for the period			
Gain / (Loss) on revaluation of investment shares (net of \$33,835 deferred tax, 2017 \$19,354)		(89,202)	57,910
Gain on revaluation of Land (2017 Benefit of 2.5% tax \$16,835)		0	16,835
Total Comprehensive Income attributable to Owners of the Parent Entity		907,406	682,854

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 2018

Consolidated Entity			
	Note	31 December 2018	30 June 2018
		\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents		1,918,239	824,438
Trade and Other Receivables		1,634,852	2,786,175
Inventories	4	4,628,055	3,422,853
Amount due from Customers	5	1,620,562	2,422,287
Financial Assets	6	2,555,210	2,053,722
TOTAL CURRENT ASSETS		12,356,918	11,509,475
NON-CURRENT ASSETS			
Financial Assets	6	2,990,024	3,050,470
Property, Plant and Equipment		3,183,986	3,157,124
Patents, Trademarks and Licences		673,055	696,984
Product Development		1,716,045	1,716,045
Deferred Tax Asset		245,896	239,304
TOTAL NON-CURRENT ASSETS		8,809,006	8,859,927
TOTAL ASSETS		21,165,924	20,369,402
CURRENT LIABILITIES			
Trade and Other Payables		4,447,855	4,517,513
Amount due to Customers	5	716,870	720,016
Provision for Income Tax		306,646	297,488
Other Provisions		595,633	620,703
TOTAL CURRENT LIABILITIES		6,067,004	6,155,720
NON-CURRENT LIABILITIES			
Financial Liabilities		975,000	975,000
Other Provisions		104,571	114,726
Deferred Tax Liability		778,932	790,945
TOTAL NON-CURRENT LIABILITIES		1,858,503	1,880,671
TOTAL LIABILITIES		7,925,507	8,036,391
NET ASSETS		13,240,417	12,333,011
EQUITY			
Contributed Equity	7	4,762,020	4,762,020
Reserves		470,752	559,954
Retained Earnings		8,007,645	7,011,037
TOTAL EQUITY		13,240,417	12,333,011

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 2018

	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
Consolidated Entity Balance as at 1 July 2017	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
Consolidated Entity Balance as at 31 December 2017	4,762,020	6,541,429	13,139	599,109	11,915,697
	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
Consolidated Entity Balance as at 1 July 2018	4,762,020	7,011,037	13,139	546,815	12,333,011
Profit for the half-year	0	996,608	0	0	996,608
Other comprehensive income	0	0	0	(89,202)	(89,202)
Consolidated Entity Balance as at 31 December 2018	4,762,020	8,007,645	13,139	457,613	13,240,417

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 2018

Consolidated Entity

	31 December 2018	31 December 2017
	\$	\$
<u>Cash flows from operating activities:</u>		
Receipts from Customers	11,682,308	8,499,050
Payments to Suppliers and Employees	(9,700,535)	(9,071,770)
Interest Received	34,513	35,613
Interest Paid	(34,517)	(52,162)
Income Taxes Received / (Paid)	(315,794)	11,440
Other Income	3,675	1,660
Net cash provided by / (used in) by operating activities	1,669,650	(576,169)
<u>Cash flows from investing activities:</u>		
Payments for Property, Plant and Equipment	(69,994)	(18,367)
Loss on Investment	1,000	0
Payments for Patents, Trademarks and Licences	(11,983)	(8,576)
Dividends Received	70,208	43,943
Payments for Investment Shares	(63,592)	(43,925)
Net Receipts / (Payments) from movements in Financial Assets	(501,488)	1,118,848
Net cash provided by / (used in) investing activities	(575,849)	1,091,923
Net increase in cash held	1,093,801	515,754
Cash at the beginning of the financial year	824,438	2,064,471
Cash at the end of the half year	1,918,239	2,580,225
<u>Reconciliation of cash:</u>		
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:		
Cash and Cash Equivalents	1,918,239	2,580,225

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 2018**

1 BASIS OF PREPARATION OF FINANCIAL REPORT

This general purpose condensed financial report for the half-year ended 31 December 2018 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 2018 and considered together with any public announcements made by Scantech Limited during the half-year ended 31 December 2018 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 2018 annual financial report for the financial year ended 30 June 2018. 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 9 – Financial Instruments
- AASB 15 / IFRS 15 – Revenue from Contracts with customers
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions
- Interpretation 22 – Foreign Currency Transactions and Advance Consideration
- AASB 2017-1 – Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments.

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.

3 REVENUE AND OTHER INCOME

Included in profit or loss are the following revenue and other income items:

	Consolidated Entity	
	31 December 2018	31 December 2017
	\$	\$
Products Revenue	4,109,239	3,225,987
Services Revenue	5,381,750	4,745,120
Total Revenue	<u>9,490,989</u>	<u>7,971,107</u>
Sundry Income	3,675	1,660
Interest Received	34,127	26,798
Net Foreign Exchange Gain	54,881	21,508
Franked Dividend Income	70,208	43,943
Total Other Income	<u>162,891</u>	<u>93,909</u>

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR HALF YEAR ENDED 31 DECEMBER 2018

		Consolidated Entity	
		31 December 2018	30 June 2018
		\$	\$
4 INVENTORIES			
<u>Current:</u>			
Raw Materials and Stores at cost		1,405,115	972,785
Work in Progress		3,222,940	2,450,068
		4,628,055	3,422,853
5 CONTRACTS IN PROGRESS			
Cost Incurred plus Profit to Date		15,099,651	16,446,469
Less Billings		(14,195,959)	(14,744,198)
Net Amount		903,692	1,702,271
<u>Represented By:</u>			
Amounts due from Customers (Asset)		1,620,562	2,422,287
Amounts due to Customers (Liability)		(716,870)	(720,016)
Contracts in Progress (Net Amount)		903,692	1,702,271
6 FINANCIAL ASSETS			
<u>Current:</u>			
Amounts on Deposits at Banks		2,555,210	2,053,722
<u>Non-Current:</u>			
Shares – Other Corporations (at cost)		0	1,000
Shares – Listed Entities (at market value)		2,990,024	3,049,470
		2,990,024	3,050,470
7 CONTRIBUTED EQUITY			
<u>Issued and Paid Up Capital:</u>			
At the beginning of the reporting period		4,762,020	4,762,020
Share buy-back		0	0
At reporting date		4,762,020	4,762,020
<u>Ordinary Shares:</u>			
At beginning of the reporting period		13,622,371	13,622,371
Share buy-back		0	0
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 2018

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 2018

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 2018 Using:

	Quoted Prices in Active Markets for Identical Assets \$	Significant Observable Inputs Other than Level 1 Inputs \$	Significant Unobservable Inputs \$
Description	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements			
Reinvestment in Shares for the half year period ending 31 December 2018			
- Listed Entities	61,224	-	-
Investment in shares of			
- Listed Entities	2,928,800	-	-
Land and Buildings	-	2,898,750	-
Non- Recurring fair value measurements	-	-	-

Fair Value Measurements at 30 June 2018 Using:

	Quoted Prices in Active Markets for Identical Assets \$	Significant Observable Inputs Other than Level 1 Inputs \$	Significant Unobservable Inputs \$
Description	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements			
Investment in shares of			
- Listed Entities	3,049,470	-	-
Land and Buildings	-	2,912,500	-
Non-Recurring fair value measurements	-	-	-

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 2018

8 FAIR VALUE MEASUREMENT (CONT'D)

Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 31 December 2018 \$	Description of Valuation Techniques	Inputs Used
Level 2			
Land and Buildings	2,898,750	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.

	December 2018 \$		June 2018 \$	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	1,918,239	1,918,239	824,438	824,438
Trade and Other Receivables	1,634,852	1,634,852	2,786,175	2,786,175
Amounts due from customers	1,620,562	1,620,562	2,422,287	2,422,287
Held to Maturity Investments	2,555,210	2,555,210	2,053,722	2,053,722
Shares – Listed Entities	2,990,024	2,990,024	3,049,470	3,049,470
Financial Liabilities:				
Trade and Other Payables	(4,447,855)	(4,447,855)	(4,517,513)	(4,517,513)
Amounts due to customers	(716,870)	(716,870)	(720,016)	(720,016)
Loans	(975,000)	(975,000)	(975,000)	(975,000)
Net Exposure	4,579,162	4,579,162	4,923,563	4,923,563

9 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has a contingent liability of \$0 (June 2018: \$0) 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

On the 20 December 2018 the Company announced a share buy-back at \$0.65 per share opening 2 January 2019 and closing 31 January 2019. The Company received contract notes from shareholders for 595,473.

At a General Meeting on the 28 February 2019 the shareholders voted to approve the selective buy-back at \$0.65 per share of 595,473 of the Company's Shares.

The Company is required under Corporations Act Section 256C(3) to wait for 14 days after lodgement of the resolution to ASIC before the deduction of shares.

Subject to all regulatory compliance by the 14 March 2019 payment will be made to participating shareholders by 5 April 2019.

**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 2018 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 1st day of March, 2019

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 2018, 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 2018 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 2018 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 1st day of March 2019