

ANNUAL REPORT 2020

GEOSCAN AND COALSCAN

Real Time Analysers for Coal, Cement, Minerals, Steel,
Green Waste and Recycling



HIGHLIGHTS FOR 2020

	2020	2019	2018	2017	2016
REVENUE	\$21,722,585	\$20,864,360	\$15,706,100	\$12,955,004	\$13,116,472
CHANGE (%)	4%	33%	21%	-1%	-1%
PROFIT BEFORE TAX	\$4,010,688	\$3,500,057	\$1,371,618	\$132,699	\$23,385
CHANGE (%)	15%	155%	934%	467%	-98%
PROFIT AFTER TAX	\$3,105,179	\$2,630,253	\$1,077,717	\$144,381	\$135,065
CHANGE (%)	18%	144%	646%	7%	-86%
SHAREHOLDERS FUNDS	\$12,302,841	\$9,450,899	\$12,333,011	\$11,232,843	\$11,778,815
CHANGE (%)	30%	-23%	10%	-5%	-11%
EQUIPMENT ORDERS ON HAND AT PERIOD END	\$8,678,649	\$10,832,974	\$8,255,281	\$6,295,915	\$8,769,763
CHANGE (%)	-20%	31%	31%	-28%	241%
CASH & CURRENT FINANCIAL ASSETS	\$8,657,413	\$4,733,204	\$2,878,160	\$4,267,210	\$4,489,229
CHANGE (%)	83%	64%	-33%	-5%	-40%
NUMBER OF EMPLOYEES (FTE)	35	33	32	32	33
CHANGE (%)	6%	3%	0%	-3%	3%

CORPORATE DIRECTORY

Directors

Peter Pedler LLB (Hons) (Adel) (Chairman)
David Lindeberg B.Bus, FCA (Managing Director)
Laurance Brett BSc, FIAA, FIA (London) (Non Executive Director)

Registered Office

143 Mooringe Avenue
Camden Park, South Australia 5038
Telephone: +61 8 8350 0200
Facsimile: +61 8 8350 0188
PO Box 64
Unley, South Australia 5061

Company Secretary

Valerie Steer

Auditors

Bentleys SA

Principal Bankers

Bendigo Bank Limited

Solicitors

Duncan Basheer Hannon
HWL Ebsworth

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Level 1, 333 Collins Street
Melbourne, VIC 3000
Telephone: 1300 554 474
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Incorporation

Scantech Limited was incorporated in the State of South Australia

Taxation

Scantech Limited is taxed as a public company

Head Office

143 Mooringe Avenue
Camden Park, South Australia 5038
Telephone: +61 8 8350 0200
Facsimile: +61 8 8350 0188
PO Box 64
Unley, South Australia 5061

Marketing Office

Unit 14/2994 Logan Road
Underwood, Queensland 4119
PO Box 1485
Springwood, Queensland 4127
Telephone: +61 7 3710 8400
Facsimile: +61 7 3710 8499

Email address

sales@scantech.com.au

Website

www.scantech.com.au

Scantech's Annual Report is posted on the Internet.

ACN: 007 954 627

Notice of Meeting:

The Annual General Meeting of Scantech Limited will be held at:

Scantech Limited
143 Mooringe Avenue
Camden Park SA 5038
On Thursday 19 November 2020 at 10.00 a.m.

COMPANY BACKGROUND

OUR CORE BUSINESS

Scantech is the world-leader in the design, manufacture and service of real-time measurement technologies for conveyed bulk materials. The Company has developed a broad range of industrial instrumentation utilising various measurement technologies. The application of our products is principally in the resource sector including coal, cement, minerals, steel, green waste and recycling industries.

HISTORY

Founded as Mineral Control Instrumentation in 1981 by Dr Jim Howarth and Richard Kelly, Scantech has grown from a small private company based in Adelaide, South Australia to a successful public enterprise. The Company grew on the strength of its physics-based research, making it the world's leading company for on-line analysis, mainly through supply of the COALSCAN range of coal analysers.

GLOBAL INSTALLATIONS

Scantech has a large and diverse install base of on-line analysers, with more than 1,200 analysers installed in over 55 countries worldwide.

MISSION STATEMENT

Scantech is committed to providing:

- High quality products and exceptional service to customers.
- Company growth via acquisition of related businesses and application of new technologies.
- Maximum benefits to shareholders.
- A challenging, safe and rewarding environment for all employees.

AWARDS

Scantech has received a number of awards over the years including the following:

- Dr Jim Howarth along with other scientists won the prestigious Australia Prize in 1992. This award formally recognised the excellence of the COALSCAN range of analysers. The Prime Minister presented the award for scientific achievement to Dr Jim Howarth and colleagues for developing and commercialising instruments for the on-line analysis of minerals and coal.
- The Research and Development Magazine IR 100 Award for the On-Line Ash Measurement System.
- The Sir Ian McLennan Achievement for Industry Award won jointly with another research organisation to recognise the commercial development of the COALSCAN 4500.
- The Electronics Association of South Australian Gold Cup for excellence in commercialisation and engineering of the COALSCAN 9500 On-Line Elemental Analyser.
- The Powerhouse Museum in Sydney has recognised Scantech's COALSCAN as one of the most significant Australian innovations of the 20th century.

QUALITY ASSURANCE

Scantech has developed and implemented a Quality Management System thereby assuring its customers of quality, safety and reliability. Scantech maintains a Certificate of Approval for ISO Quality Assurance Standard ISO 9001:2015 from the Bureau Veritas Pty Ltd.



SCANTECH PRODUCTS AND APPLICATIONS

MINERALS	
GEOSCAN-M elemental analyser	<ul style="list-style-type: none"> Ore & concentrate blending Bulk sorting ore and waste Mine feedback, feed forward control Product compliance monitoring
IRONSCAN and MINERALSCAN 1500 Natural Gamma analysers	<ul style="list-style-type: none"> Uranium ore, iron ore, potash, etc. Dilution monitoring, bulk sorting & blending
TBM Series moisture analysers, CM 100 moisture analyser	<ul style="list-style-type: none"> Moisture control for filter, dryer, dust TML monitoring Dry tonnage determination
CEMENT, CONCRETE	
GEOSCAN-C elemental analysers, BLENDSCAN software	<ul style="list-style-type: none"> Quarry feedback and control Limestone sorting & blending Stockpile building Raw mix proportioning
ReadiMoist in-hopper moisture analyser	<ul style="list-style-type: none"> Concrete batch plant control Improved material flows
COAL, POWER	
COALSCAN coal quality (moisture, ash, elemental) analysers: COALSCAN 9500X, 2100 & 1500 coal quality, TBM moisture analyser, CIFA 350 carbon in fly ash analyser	<ul style="list-style-type: none"> Automated blending, sorting Stockpile & moisture management Wash plant optimisation Loadout quality control, contract surveillance Bunker feed monitoring & control Boiler performance optimisation
GREEN ENERGY (alternative fuels)	
BALZSCAN elemental & energy value analysers, TBM & BALESKAN moisture analysers	<ul style="list-style-type: none"> Material blending & sorting, Moisture control Energy value and combustion optimisation
IRON & STEEL, RECYCLING (all materials)	
GEOSCAN, COALSCAN analysers, TBM, CM100 moisture analysers	<ul style="list-style-type: none"> Raw materials: iron ore, coal, coke Sinter mix control, e.g. basicity (B4) Recycled materials: scrap Contamination & moisture control
PARTICLE SIZE ANALYSIS	
SizeScan PSD, volume, belt speed analyser (next generation 3D IR camera system)	<ul style="list-style-type: none"> Unaffected by dust, lighting Oversize detection Fragmentation analysis



SCANTECH PRODUCTS - ENVIRONMENTAL BENEFITS

Scantech's products are well known around the world for the financial benefits they provide to producers, and users, of coal, cement, minerals, steel, green waste and recycling industries. However, it is not so widely known that significant environmental benefits are also achieved.

✓ Reduced Greenhouse Gas Emissions	✓ Enhanced Consistency of Quality Product
✓ Reduced Sulphur Emissions	✓ Reduced Energy Consumption
✓ Reduced "Acid" Rain	✓ Increased Life of Kilns
✓ Reduced "Unburnt" Carbon	✓ Improved Process Control
✓ Reduced Raw Material Consumption	✓ Extended Life of Mineral Deposits
✓ Reduced Shipping Costs	✓ Reduced Waste

COAL

The world coal consumption is approximately 8,500 million tonnes per year, producing about 15,000 million tonnes of carbon dioxide which is released to the atmosphere. Therefore, even a relatively small improvement in the efficiency of coal-fired power stations can result in a significant reduction in greenhouse gas emissions.

Scantech's COALSCAN analysers allow coal mining to be carried out more efficiently with more saleable product for a given amount of mining activity. This reduces both the cost and environmental impact of coal production. The ability to sort and blend coal allows more coal to be sold without the need for washing. Coal washing is an energy intensive process, so reduction in the tonnes of coal washed results in energy and cost savings.

Blending using coal analysers achieves a more consistent coal quality which can improve the efficiency of coal burning in power stations. Also, power stations which have analysers can detect variations in the quality of coal before it is burnt which allows the poor quality coal to be diverted or the boiler setting adjusted to handle the change in quality.

Scantech's ability to measure sulphur on line allows companies to meet the compliance conditions for low sulphur coal. Control of sulphur emissions is important in reducing acid rain which is caused in part by emissions of sulphur dioxide.

Scantech also has a product, the CIFA 350, which determines the unburnt carbon in fly ash produced by coal-fired power stations. Real time measurement of unburnt carbon allows improvement in boiler efficiency by better control. If the carbon is controlled to a low enough level the fly ash can be used as feed material for cement making rather than being discarded as waste.

CEMENT

The worldwide production of cement is approximately 3,500 million tonnes. This requires a similar quantity of limestone and minerals as well as a large amount of energy in the form of coal, oil and gas. Approximately 8% of the world's greenhouse gas emissions come from the cement industry.

Cement plants are usually located close to a limestone quarry. Corrective materials such as sand, shale, clay, bauxite and iron ore may also be required and these are typically shipped to the cement plant from other locations. Scantech's GEOSCAN analyser allows very efficient blending of these materials to provide raw mix of the correct composition for the cement-making process. In most quarries the quality of limestone is highly variable. The analyser allows these variations to be tracked and enables more efficient use of the locally available materials. This reduces the high financial and environmental costs of shipping corrective materials from outside sources. The more efficient use of local materials reduces waste and allows more cement to be produced from a given amount of quarry activity.

Scantech's GEOSCANs allow more consistent raw mix to be delivered to the cement-making process, reduce energy consumption, increase the life of the kiln and yield better cement quality. This produces both financial as well as environmental benefits.

MINERALS AND STEEL

Similar environmental benefits to those described above can be achieved by use of analysers in the minerals and steel industries. There is a wide range of mineral types and methods for mineral processing. However, as a general rule the information provided by Scantech's GEOSCAN analysers can provide better process control with the benefits of reduced cost, reduced energy consumption and more efficient use of the mineral resource.

A GEOSCAN is able to measure ore grades and thereby divert material that is off specification, saving on processing costs and energy consumption, particularly for grinding and milling. Measurement of mineral products streams ensures that processing facilities are running efficiently and minimises any necessary reprocessing. Deleterious components can also be measured in order to comply with environmental restrictions regarding the content of toxic or environmentally harmful elements and compounds.

In the steel industry, a GEOSCAN can provide important information to enable the most optimal operating characteristics of a boiler, sinter machine or blast furnace.

Scantech installed its first GEOSCAN in the iron ore industry in 2003, and has since supplied many more worldwide to the iron ore, iron sinter, manganese ore, lead-zinc, copper, phosphate, bauxite, platinum, lime, lithium and gold industries.

SCANTECH PRODUCTS - ENVIRONMENTAL BENEFITS (CONT'D)

GREEN WASTE AND RECYCLING

Scantech has recently developed the BALZSCAN analysers for use in green energy. As energy producers turn towards alternative fuels, including biomass, plastics, and other forms of waste, the BALZSCAN analysers provide data on the energy properties of the materials, as well as being able to identify the presence of certain critical elements like sulphur and chlorine.

Producing alternative fuels has three main benefits:

- Minimise wastes impact on environment for a sustainable future
- Maximise natural resources
- Allow End-Users to get cheaper fuel and save money

In recycling, the GEOSCAN can help to identify different alloy types and classify materials suitable for recycling using specified processes or otherwise.

BOARD OF DIRECTORS

P D Pedler

LLB (Hons) (Adel)

Chairman of the Board

Peter Pedler is the principal of Pedler Lawyers. He practices in the fields of commercial agreements and transactions and advises on due diligence and corporate governance issues. He also advises on Corporations Act matters. He advises a range of public and proprietary companies.

Peter graduated with honours in 1980 and was admitted as a legal practitioner in February 1981. He is involved in a number of church and community organisations.

He was appointed to the Scantech Board on 12 August 2003.



D J Lindeberg

B.Bus, FCA

Managing Director

Executive Director

David Lindeberg is a Fellow of the Institute of Chartered Accountants in Australia and joined Scantech in December 1998 as Chief Financial Officer and Company Secretary. He has had experience in accounting worldwide, working for international accounting firms from 1974 to 1989 in London, Johannesburg, Sydney and Adelaide. David also spent five years working for the South Australian Government.

David joined the Board of Scantech on 20 January 2000, as an Executive Director and was appointed Managing Director on 2 March 2001.



L C Brett

BSc, FIAA, FIA (London)

Non - Executive Director

Laurance Brett has worked as an actuary in Adelaide since 1983

He was founding Director of the successful Adelaide based consulting actuarial firm, Brett & Watson Pty Ltd, from 1993 until his retirement in December 2018.

Laurance advised companies, government departments and large superannuation funds on a range of financial and actuarial matters.

He was appointed to the Scantech Board on 1 September 2005.



STATUTORY REPORT OF THE DIRECTORS

Your Directors present the consolidated accounts for the financial year ended 30 June 2020.

DIRECTORS

The following persons held office as Directors of Scantech Limited during the year ending 30 June 2020 and at the date of this report:

- Peter Pedler - Chairman
- David Lindeberg - Managing Director
- Laurance Brett - Non Executive Director

Details of qualifications, experience and responsibilities of Directors are set out on Page 6 of the Annual Report.

The number of meetings of the Company's Directors held during the year ended 30 June 2020 and the number of meetings attended by each Director was:

Name of Director	Full Directors Meetings	
	Held whilst a Director	Attended
Peter Pedler	5	5
David Lindeberg	5	5
Laurance Brett	5	5

COMPANY SECRETARY

The following person held the position of Company Secretary for the entire period and at the date of this financial report:

Ms Valerie D Steer – Business Certificate (Accounting), Advanced Certificate (Industrial Relations) and Affiliate Member of Governance Institute of Australia. Ms Steer has worked for Scantech for the past 19 years and is currently performing the role of Chief Financial Officer. Ms Steer was appointed Company Secretary on 15 October 2001.

PRINCIPAL ACTIVITIES

The principal continuing activities during the year of the Consolidated Entity constituted by Scantech Limited and the entities it controlled from time to time during the year consisted of:

- manufacture and marketing of scientific and industrial instruments
- consulting to the coal, cement, minerals, steel, green waste and recycling industries and in-field support of scientific and industrial instruments

REVIEW OF OPERATIONS

The Company recorded an audited profit before tax for the year of \$4,010,688 compared to \$3,500,057 for the same period last year.

A tax expense of \$905,509 brings the audited profit after tax for the year ended 30 June 2020 to \$3,105,179 compared to \$2,630,253 for the same period last year. This profit includes a loss of \$120,027 for exchange variants made up of \$155,984 of realised exchange gain and \$276,011 of unrealised exchange loss.

Total revenue continued to please at \$21,722,585 for the year, an increase of 4% over the last year (2019: \$20,864,360). The Company expects service revenue to continue to grow.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity during the financial year.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matters or circumstances not already mentioned in this report have arisen since the end of the financial year, which have significantly affected or may significantly affect:

- The operations of the consolidated entity
- The results of those operations
- The state of affairs of the consolidated entity in the financial years subsequent to the financial year ended 30 June 2020

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named, Page 7) and all Officers of the Company and of any related body corporate, against a liability incurred by such a Director, or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred by such an officer or auditor.

ENVIRONMENTAL ISSUES

The Company recognises the importance of sound environmental practice. It encourages environmental awareness by all of its employees and contractors with the objective of achieving standards of management, which, as a minimum, comply with existing Government legislation and regulations. There were no known breaches of environmental obligations during the year.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services as set out below, did not compromise the audit independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in the Professional Standard APES110, including reviewing or auditing auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk or reward.

Details of the amounts paid or payable to the auditors Bentleys SA Audit Partnership for audit and non-audit services provided during the year are set out in Note 5 of the Financial Statements.

DECLARATION OF INDEPENDENCE

Section 307C of the Corporations Act 2001 requires our auditors Bentleys SA Audit Partnership to provide the Directors of the Company with a Declaration of Independence in relation to the review of the full year financial statements. This Declaration of Independence appears on Page 9 and forms part of this Statutory Report of the Directors.

LIKELY DEVELOPMENTS

Likely developments in the operation of the consolidated entity and the expected results from those operations have not been included in this report. The inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Signed this 26th day of August 2020 in accordance with a resolution of the Directors.



P. Pedler
Chairman



D. Lindeberg
Managing Director



Bentleys SA Audit Partnership

Level 5
63 Pirie Street
Adelaide SA 5000

GPO Box 939
Adelaide SA 5001

ABN 43 877 091 903

T +61 8 8372 7900
F +61 8 8372 7999

admin@adel.bentleys.com.au
bentleys.com.au

**Auditors Independence Declaration
under section 307C of the Corporations Act, 2001
to the Directors of Scantech Limited**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

- I. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- II. any applicable code of professional conduct in relation to the audit.

Bentleys SA Audit Partnership

DAVID FRANCIS
Partner

Dated this 26th day of August 2020.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Entity 2020 \$	2019 \$
Revenue	3	21,722,585	20,864,360
Cost of Sales		(11,236,256)	(11,281,116)
Gross Profit		10,486,329	9,583,244
Loss on Investment in Other Companies		0	(1,000)
Other Income	3	229,920	321,729
Manufacturing Expenses		(796,641)	(734,763)
Engineering and Scientific Expenses		(2,114,149)	(2,079,853)
Marketing Expenses		(1,682,504)	(1,649,180)
Administration Expenses		(2,051,140)	(1,870,224)
Borrowing Costs		(61,127)	(69,896)
Profit before Income Tax		4,010,688	3,500,057
Income Tax (Expense) / Benefit	6	(905,509)	(869,804)
Profit after Income Tax Attributable to Owners of the Parent Entity		3,105,179	2,630,253
<u>Other Comprehensive Income for the period</u>			
Gain / (Loss) on Revaluation of Investment Shares Net of tax benefit \$96,055 (2019: tax expense \$32,412)		(253,237)	85,452
Total Comprehensive Income attributable to Owners of the Parent Entity		2,851,942	2,715,705

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 30 JUNE 2020

		Consolidated Entity	
	Note	2020	2019
		\$	\$
CURRENT ASSETS			
Cash and Cash Equivalents	28	5,601,726	3,178,123
Trade and Other Receivables	9	1,671,964	2,360,442
Inventories	10	4,274,763	2,487,453
Amount due from Customers	11	1,231,668	2,310,779
Financial Assets	12	3,055,687	1,555,081
TOTAL CURRENT ASSETS		15,835,808	11,891,878
NON-CURRENT ASSETS			
Financial Assets	12	3,094,830	3,304,352
Property, Plant and Equipment	13	3,253,324	3,169,694
Right-of-use Asset	14	296,103	0
Patents, Trademarks and Licences	15	577,813	644,251
Product Development	16	1,716,045	1,716,045
Deferred Tax Asset	7	482,845	257,331
TOTAL NON-CURRENT ASSETS		9,420,960	9,091,673
TOTAL ASSETS		25,256,768	20,983,551
CURRENT LIABILITIES			
Trade and Other Payables	17	7,321,028	6,217,087
Amount due to Customers	11	2,253,152	2,001,650
Provision for Income Tax		382,944	741,515
Other Provisions	20	774,378	726,881
Right-of-use Liability	21	101,251	0
TOTAL CURRENT LIABILITIES		10,832,753	9,687,133
NON-CURRENT LIABILITIES			
Financial Liabilities	18	975,000	975,000
Other Provisions	20	46,005	14,492
Deferred Tax Liability	7	912,408	856,027
Right-of-use Liability	21	187,761	0
TOTAL NON-CURRENT LIABILITIES		2,121,174	1,845,519
TOTAL LIABILITIES		12,953,927	11,532,652
NET ASSETS		12,302,841	9,450,899
EQUITY			
Contributed Equity	22	4,374,962	4,374,962
Reserves	23	392,169	645,406
Retained Earnings		7,535,710	4,430,531
TOTAL EQUITY		12,302,841	9,450,899

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 YEAR ENDED 30 JUNE 2020

	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$
<u>Consolidated Entity</u> <u>Balance as at 1 July 2018</u>	4,762,020	7,011,037	13,139	546,815	12,333,011
Profit for the Period	0	2,630,253	0	0	2,630,253
Share buy-back during the reporting period	(387,058)	0	0	0	(387,058)
Special Dividend Recognised during the reporting period	0	(5,210,759)	0	0	(5,210,759)
Other comprehensive income	0	0	0	85,452	85,452
<u>Consolidated Entity</u> <u>Balance as at 30 June 2019</u>	4,374,962	4,430,531	13,139	632,267	9,450,899
<u>Consolidated Entity</u> <u>Balance as at 1 July 2019</u>	4,374,962	4,430,531	13,139	632,267	9,450,899
Profit for the Period	0	3,105,179	0	0	3,105,179
Other comprehensive income	0	0	0	(253,237)	(253,237)
<u>Consolidated Entity</u> <u>Balance as at 30 June 2020</u>	4,374,962	7,535,710	13,139	379,030	12,302,841

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Entity 2020 \$	2019 \$
<u>Cash flows from operating activities:</u>			
Receipts from Customers		24,091,722	23,120,388
Payments to Suppliers and Employees		(18,518,407)	(15,493,140)
Interest Received		34,041	74,430
Interest Paid		(73,598)	(69,896)
Income Taxes Paid		(1,337,158)	(411,134)
Sundry Income		50,000	5,447
Net cash provided by operating activities	28(ii)	4,246,600	7,226,095
<u>Cash flows from investing activities:</u>			
Payments for Property, Plant and Equipment		(209,733)	(104,016)
Dividends Received		139,765	148,631
Payments for Patents, Trademarks and Licences		(9,764)	(19,950)
Payments for Investment Shares		(139,771)	(137,018)
Net Receipts from movements in Financial Assets		(1,500,606)	498,641
Net cash provided by / (used in) investing activities		(1,720,109)	386,288
<u>Cash flows from financing activities:</u>			
Share buy-back		0	(387,058)
Lease Payments		(102,888)	0
Dividend Paid		0	(4,871,640)
Net cash used in financing activities		(102,888)	(5,258,698)
Net increase / (decrease) in cash held		2,423,603	2,353,685
Cash at the beginning of the financial year		3,178,123	824,438
Cash at the end of the financial year	28(i)	5,601,726	3,178,123
<u>Reconciliation of Cash:</u>			
For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank.			
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		5,601,726	3,178,123

The above Cash Flow 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 THE YEAR ENDED 30 JUNE 2020**

1 INTRODUCTION

Scantech Limited is a public company limited by shares, incorporated and domiciled in Australia and is the parent entity of Scantech Limited Group of companies. This financial report is prepared for the period of 1 July 2019 to 30 June 2020 and was authorised for issue in accordance with a resolution of the Directors on the 29 August 2020.

(a) REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

143 Mooringe Avenue, Camden Park, South Australia 5038.

(b) CURRENCY

The financial statements are presented in Australian dollars and rounded to the nearest dollar.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(a) BASIS OF ACCOUNTING

The financial statements have been prepared on the historical cost basis and do not take into account changing money values or, except where stated, current valuations of non-current assets. The Group assesses whether there is any indication that the carrying values of its assets may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. If the result shows that the carrying amount of an asset exceeds its recoverable amount of the asset, impairment exists and the asset is written down to its recoverable amount.

The accounting policies that have been consistently applied by the entities in the Group are consistent with those of the previous year.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the consolidated entity include the financial statements of Scantech Limited, being the Parent Entity, and its subsidiaries. Subsidiaries are entities (including structured entities) over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions, between subsidiaries included in the consolidated financial statements have been eliminated. Non-controlling interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(c) ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Contract Revenue Percentage Completion:

At the end of each quarter management assesses the performance obligation for all current contract jobs, and revenue is recognised by the Group based on the stage of performance obligation of each of the projects. Any expected loss on construction contracts are recognised as an expense immediately in profit or loss.

Impairment of Product Development Costs:

Determining whether Product Development costs are impaired requires an estimation of the value in use of the cash generating units to which Product Development costs have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of Product Development costs at 30 June 2020 was \$1,716,045 (30 June 2019: \$1,716,045).

In the Directors' judgement, Product Development costs have an indefinite life and so have not been amortised but tested for impairment each reporting period. Refer Note 2(q) and Note 16 for further details.

COVID-19:

The Directors are responding to the COVID-19 pandemic ensuring the health and welfare of staff, maintaining support for our customers and taking the necessary steps for continuing profitable operations. For the financial year ended 30 June 2020 the Group received COVID-19 Australian Government subsidy for wages of \$383,000 and the Group intends to continue to apply for the Government assistance available to maintain staffing levels.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

(d) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB). These new and revised Standards and Interpretations have not affected the reporting results or financial position.

There are no Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period 30 June 2020.

Adoption of AASB 16 Leases (AASB 16):

The Group applied AASB 16 for the first time from 1 July 2019. AASB 16 supersedes AASB 117. The new accounting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model. The Group has a lease contract on its Brisbane office. Before the adoption of AASB 16, the Group classified the lease at the inception date as an operating lease.

The Group adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively and comparatives have not been restated.

The Group recognised a right-of-use asset and lease liability for the lease previously classified as operating lease, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use asset was recognised based on the amount equal to the lease liability.

No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liability was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption of AASB 16 is disclosed in Note 14 and Note 21.

(e) REVENUE RECOGNITIONProduct Revenue:

Product revenue comprises of revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the Group. Product revenue is recognised using the performance milestone percentage completion method.

Service Revenue:

Service revenue comprises of revenue earned (net of returns, discounts and allowances) from goods or services provided to entities outside the Group. Service revenue is recognised when the goods and services are provided.

Interest Income:

Interest income is recognised as it is accrued using the effective interest method.

(f) CASH AND CASH EQUIVALENTS

For Cash Flow Statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) TRADE RECEIVABLES

Trade receivables which generally have 30 days terms represent the principle amount owing at the end of the reporting period.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off to profit or loss when identified.

(h) FOREIGN CURRENCYTransactions:

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the end of the reporting period are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts receivable and payable in foreign currencies, and the transactions in foreign currency term deposit are brought to account as exchange gains or losses in profit or loss in the financial year in which the exchange rates change.

Transaction of Controlled Foreign Entities:

At the end of the reporting period, there are no assets and liabilities in overseas subsidiaries.

**SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

(i) TAXATIONIncome Tax:

The income tax (expense) / benefit for the year comprises of current income tax (expense) / benefit and deferred tax (expense) / benefit.

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax (expense) / benefit reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense) / benefit is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists. The deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation:

Scantech Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities / (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated Group to apply from 1 July 2003.

The tax consolidated Group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(j) IMPAIRMENT OF ASSETS

At the end of each reporting period or more frequently if events or changes in circumstances indicate they might be impaired, the Group reviews the carrying values of tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss. Impairment testing is performed annually for intangible assets with indefinite lives.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

(k) INVESTMENTS IN SUBSIDIARIESSubsidiaries:

Investments in subsidiaries are carried in the Company's accounts at the lower of cost and recoverable amount. Dividends and distributions are brought to account in profit or loss when proposed by the subsidiaries.

(l) INVENTORIESManufacturing Activities:

Raw materials and stores represent inventory items stated at cost price. Work in Progress represents analysers under construction for which there is no specific customer contract at the end of the reporting period. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(m) CONTRACTS IN PROGRESS

Where the outcome of a contract for the construction of an analyser can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

"Amounts due from customers" is recognised as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. A liability for "Amounts due to customers" is recognised for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(n) PROPERTY, PLANT AND EQUIPMENTAcquisition:

Plant and equipment is recorded at cost and depreciated as outlined below. All other items of property, plant and equipment are carried at the lower of cost, less accumulated depreciation, and recoverable amount.

Property, plant and equipment are subject to an impairment test when there is an indication that impairment exists by reference to internal and external market factors. Any item of property, plant and equipment, which is impaired, is written down to its recoverable amount. The amount of the impairment write-down for assets carried at cost is expensed through profit or loss.

Recoverable amounts are determined for individual assets, unless the value in use cannot be estimated independently from other assets. In such case, the recoverable amount is determined for the cash-generating Group of assets to which it belongs.

Revaluations of Land and Buildings:

Land and buildings are measured at fair value, based on periodic valuations by external independent valuers who apply the market approach using recent observable market data for similar properties, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation. At the end of each reporting period the Directors re-assess the fair value of the land and buildings and the carrying value is adjusted accordingly.

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

Upon disposal or derecognition, any revaluation reserve to the particular asset being sold is transferred to retained earnings.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

(n) PROPERTY, PLANT AND EQUIPMENT (CONT'D)Depreciation and Amortisation:

Property, plant and equipment are depreciated over their useful life (2 to 15 years) using the straight line method except motor vehicles which are depreciated using the diminishing value method. The buildings are depreciated using the straight line method over 40 years.

Derecognition:

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use.

(o) LEASES

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(p) INTANGIBLESPatents, Trademarks and Licences:

Measured initially at cost less accumulated amortisation and any impairment losses.

Patents, Trademarks and Licences are amortised on a straight line basis over the lesser of 20 years or life of the patent, trademarks or licences.

(q) PRODUCT DEVELOPMENT COSTS

No development costs have been capitalised in the current year.

No research costs are carried forward.

Capitalised Product Development costs represent the development of the current Mark IV GEOSCAN utilising universal hardware and electronics for use in the majority of Scantech's current products net of AusIndustry funding from prior years.

(r) TRADE AND OTHER PAYABLES

Accounts payable represent the principle amount outstanding at the end of the reporting period plus, where applicable any accrued interest.

(s) BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready its intended use or sale. In this case borrowing costs are capitalised as part of the cost of the asset.

(t) PROVISIONSShort-term Employee Benefits:

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-term Employee Benefits:

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

(u) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(v) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the end of the reporting period.

(w) FINANCIAL INSTRUMENTSRecognition and Initial Measurement:

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition:

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement:**(i) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale Assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income and taken to revaluation reserve. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Impairment:

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Entity	
	2020	2019
	\$	\$
3 REVENUE AND OTHER INCOME		
<u>Included in profit or loss are the following revenue and other income items</u>		
Products Revenue	10,610,328	10,423,250
Services Revenue	11,112,257	10,441,110
Total Revenue	21,722,585	20,864,360
Sundry Income	50,000	5,447
Interest Received or Receivable	40,155	69,593
Net Foreign Exchange Gain	0	98,058
Franked Dividend Income	139,765	148,631
Total Other Income	229,920	321,729
4 EXPENSES		
<u>Included in the Profit before Income Tax are the following expenses:</u>		
Operating Lease Rental Costs	151,292	149,230
Research and Development Costs	562,861	208,336
Depreciation of Property, Plant and Equipment	126,103	91,446
Depreciation of Right-of-use Asset	95,798	0
Amortisation of Patents, Trademarks and Licences	76,202	72,683
Total Depreciation and Amortisation	298,103	164,129
Wages and Salaries	3,154,064	3,280,338
Superannuation	246,386	259,047
Other Employee Benefits Expenses	990,720	1,309,117
Total Employee Benefits Expenses	4,391,170	4,848,502
5 AUDITORS' REMUNERATION		
<u>Amounts received or due and receivable for audit and review of financial reports:</u>		
– Auditors of the Parent Entity – Bentleys SA	40,328	39,150
<u>Amounts received or due and receivable for other services of auditor of parent entity by:</u>		
– Taxation services – Bentleys SA	16,550	12,186
Total Auditor's Remuneration	56,878	51,336
6 INCOME TAX (EXPENSE) / BENEFIT		
<u>The components of Income Tax (Expense) / Benefit comprise:</u>		
Current tax	(1,020,816)	(854,288)
Deferred tax	115,307	(15,516)
	(905,509)	(869,804)
Accounting Profit before Income Tax	4,010,688	3,500,057
Tax at 27.5% (2019: 27.5%)	(1,102,939)	(962,516)
Non Deductible Permanent Differences	8,200	(5,181)
Impact of fully franked dividends	43,428	46,182
Impact of foreign income tax offset	41,659	19,250
Under provision in respect of prior years	42,229	(873)
Impact of R&D Tax Incentive	61,914	33,334
Income Tax Expense	(905,509)	(869,804)

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Entity	
	2020	2019
	\$	\$
7 RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
Deferred income tax as at 30 June 2020 relates to the following:		
<u>Deferred Tax Liabilities:</u>		
Prepayments, Other Debtors and Short Term Deposits	54,945	40,720
Plant and Equipment	14,851	0
Land and Buildings	225,615	218,848
Patents, Trademarks and Licences	61,796	69,437
Investment in Shares	0	54,651
Right-of-use Asset	81,428	0
Trade Payables	1,860	459
Product Development	471,913	471,912
	912,408	856,027
<u>Deferred Tax Assets:</u>		
Trade and Other Receivables	33,383	0
Contracts in Progress	5,362	12,110
Plant and Equipment	0	17,519
Trade and Other Payables	87,857	9,807
Investment in Shares	41,405	0
Provisions	225,605	203,877
Other Assets	9,754	14,018
Right-of-use Liability	79,479	0
	482,845	257,331
8 DIVIDENDS		
<u>Dividends provided for or paid by the Parent Entity are:</u>		
(i) No final dividend	0	0
(ii) No interim dividend	0	0
(iii) Special Dividend	0	5,210,759
(iv) No final dividend is recommended by the Directors	0	0
<u>Franking Credit Balance:</u>		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 27.5% (2019: 27.5%)	2,022,275	625,218
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	382,944	741,515
	2,405,219	1,366,733
9 TRADE AND OTHER RECEIVABLES		
<u>Trade Accounts Receivable outstanding:</u>		
Current	800,327	1,344,749
1 – 30 days	76,670	348,063
31 – 60 days	23,207	157,110
61 – 90 days	60,755	0
Over 90 days	292,957	230,322
Doubtful Debt	(103,284)	0
Total Trade Accounts Receivable	1,150,632	2,080,244
Other Debtors and Prepayments	521,332	280,198
	1,671,964	2,360,442

The Group does not consider there is any change in the credit quality for the trade receivables under 30 days at the date of reporting. These receivables under 30 days are made up of existing customers or new customers where the Group has performed due diligence.

Management has assessed all balances over 30 days, which are outside normal trading terms, as past due and have allowed for Doubtful Debts.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Entity	
	2020	2019
	\$	\$
9 TRADE AND OTHER RECEIVABLES (CONT'D)		
<u>Current Amounts Receivable in Foreign Currencies:</u>		
The Australian dollar equivalent of unhedged amounts receivable in foreign currencies, calculated at year end exchange rates, are as follows:		
United States Dollars (USD)	534,500	687,447
Euro (EUR)	370,523	285,338
South African Rand (ZAR)	5,202	214,587
Canadian Dollars (CAD)	0	41,696
	910,225	1,229,068
10 INVENTORIES		
<u>Current:</u>		
Raw Materials and Stores at cost	1,801,402	1,441,022
Work in Progress	2,473,361	1,046,431
	4,274,763	2,487,453
11 CONTRACTS IN PROGRESS		
Cost Incurred plus Profit to Date	21,415,989	16,584,849
Less Billings	(22,437,473)	(16,275,720)
Net Amount	(1,021,484)	309,129
<u>Represented By:</u>		
Amounts due from Customers – Asset	1,231,668	2,310,779
Amounts due to Customers – Liability	(2,253,152)	(2,001,650)
Contracts in Progress – Net Amount	(1,021,484)	309,129
12 FINANCIAL ASSETS		
<u>Current:</u>		
Amounts on Deposit at Banks	3,055,687	1,555,081
<u>Non-Current:</u>		
Shares – Australian Listed Entities – at fair value	3,094,830	3,304,352
	3,094,830	3,304,352
Shares held for the purpose of long-term profit taking. Changes in fair value are included in the statement of comprehensive income.		
<u>Current Term Deposit Amounts in Foreign Currencies:</u>		
The Australian dollar equivalent of unhedged amounts in term deposit in foreign currencies, calculated at year end exchange rates, are as follows:		
Euro (EUR)	55,687	55,081

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Entity	
	2020	2019
	\$	\$
13 PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment – at cost	809,447	679,860
Accumulated Depreciation	(413,623)	(395,166)
	395,824	284,694
Land and Buildings – at fair value	3,187,500	3,187,500
Accumulated Depreciation	(330,000)	(302,500)
	2,857,500	2,885,000
Total Property, Plant and Equipment	3,253,324	3,169,694
<u>Movement In Carrying Amounts:</u>		
Movement in the carrying amounts for each class of Property, Plant and Equipment between the beginning and the end of the current financial year.		
Plant and Equipment at cost at the beginning of the year	679,860	587,189
Additions	209,733	104,016
Disposals	(80,146)	(11,345)
Plant and Equipment at cost at the end of the year	809,447	679,860
Accumulated Depreciation at the beginning of the year	(395,166)	(342,565)
Depreciation Expense	(98,603)	(63,946)
Depreciation Expense write back	80,146	11,345
Accumulated Depreciation at the end of the year	(413,623)	(395,166)
Carrying Amount of Plant and Equipment at the end of the year	395,824	284,694
Land and Buildings at fair value at the beginning of the year	3,187,500	3,187,500
Revaluation Adjustment	0	0
Land and Buildings at fair value at the end of the year	3,187,500	3,187,500
Accumulated Depreciation at the beginning of the year	(302,500)	(275,000)
Depreciation Expense	(27,500)	(27,500)
Accumulated Depreciation at the end of the year	(330,000)	(302,500)
Carrying Amount of Land and Buildings at the end of the year	2,857,500	2,885,000
Total Property, Plant and Equipment at the end of the year	3,253,324	3,169,694
<u>Carrying amounts of the Land and Buildings if they were not re-valued and measured at cost less accumulated depreciation would be as follows:</u>		
Carrying Amount of Land & Buildings at the end of the year	2,184,140	2,211,640

The valuation of Land and Buildings at 141-145 Mooringe Avenue, Camden Park was conducted by a local independent valuer on the 27 June 2017, and this was used to determine the fair value of the Land and Buildings at 30 June 2020. The valuation was determined by reference to recent market transactions on arm's length terms.

Assets pledged as security:

Freehold Land and Buildings with a carrying amount of \$2,857,500 (2019: \$2,885,000) have been pledged to secure borrowings of the Group (refer to Note 18).

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Entity	
	2020	2019
	\$	\$
14 RIGHT-OF-USE ASSET		
Right-of-use Asset	391,901	0
Accumulated Depreciation	(95,798)	0
Total Right-of-use Asset	296,103	0
 Movement in Carrying Amounts:		
Right-of-use Asset at cost at the beginning of the year	391,901	0
Right-of-use Asset at cost at the end of the year	391,901	0
 Accumulated Depreciation at the beginning of the year	0	0
Depreciation Expense	(95,798)	0
Accumulated Depreciation at the end of the year	(95,798)	0
Carrying Amount of Right-of-use Asset at the end of the year	296,103	0
 Amounts recognised in profit or loss		
Depreciation expense on right-of-use asset	95,498	0
Interest Expense on right-of-use liability	12,471	0
	108,269	0
 Scantech Marketing office which is located in Brisbane is under a lease. The average lease term is 3 years.		
 The Right-of-use asset and lease liability are initially measured at the present value of the lease payments that are not paid as at 1 July 2019, discounted using the entity's incremental borrowing rate.		
15 PATENTS, TRADEMARKS AND LICENCES		
Patents and Licences – at cost at the end of the year	1,692,938	1,705,254
Accumulated Amortisation at the end of the year	(1,115,125)	(1,061,003)
	577,813	644,251
 <u>Movement In Carrying Amounts:</u>		
Patents and Licences at cost at the beginning of the year	1,705,254	1,685,304
Additions	9,764	19,950
Disposals	(22,080)	0
Patents and Licences at cost at the end of the year	1,692,938	1,705,254
Accumulated Amortisation at the beginning of the year	(1,061,003)	(988,320)
Amortisation Expense	(76,202)	(72,683)
Amortisation Expense Write Back	22,080	0
Accumulated Amortisation at the end of the year	(1,115,125)	(1,061,003)
Carrying Amount of Patents and Licences at the end of the year	577,813	644,251
 16 PRODUCT DEVELOPMENT		
Development – at cost	1,716,045	1,716,045
 <u>Movement in Carrying Amounts:</u>		
Product Development at cost at the beginning of the year	1,716,045	1,716,045
Carrying Amount of Product Development at the end of the year	1,716,045	1,716,045

The Directors have determined that these Product Development costs have an indefinite life and have not been amortised but tested for impairment each reporting period. This assessment is based on the technology being expected to be used on an ongoing basis in future product applications for an indefinite period. There is strong demand for the products and Scantech holds patents, trademarks and licences over the current technology developed.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16 PRODUCT DEVELOPMENT (CONT'D)Impairment Testing:

The operations of the Group are considered a single cash-generating unit for the purpose of allocation of Product Development costs.

The recoverable amount of the consolidated entity's Product Development costs has been determined by a value-in-use calculation using a discount cash flow model, based on a 5 year projection period approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units are most sensitive. The following key assumptions were used in the discounted cash flow model:

- a. 11% (2019: 12%) pre-tax discount rate;
- b. 2% (2019: 2%) per annum for 5 years, 0% per annum thereafter, projected revenue growth rate for net operating cash flows.

The discount rate of 11% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the risk free rate.

The 2% per annum projected growth rate for net operating cash flows was based on management's view of a reasonable average long term growth rate in the context of the global financial situation and the associated volatility of net operating cash flow.

Sensitivity:

As disclosed above, the Directors have made judgements and estimates in respect of impairment testing of Product Development costs. Should these judgements and estimates not occur, the resulting Product Development costs may vary in carrying amount. The sensitivities are as follows:

- a. The projected net operating cash flows would need to decrease to minus 37% before Product Development costs would need to be impaired, with all other assumptions remaining constant.
- b. The discount rate would be required to increase to 75% before Product Development costs would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of Product Development costs is based would not cause the cash-generating unit's carrying amount to exceed recoverable amount.

17 TRADE AND OTHER PAYABLESCurrent:

Trade Accounts Payable
 Other Payables and Accruals

	Consolidated Entity	
	2020	2019
	\$	\$
	1,003,284	768,942
	6,317,744	5,448,145
	7,321,028	6,217,087
	191,743	186,112
	430,265	98,052
	13,858	18,580
	635,866	302,744

Current Amounts Payable in Foreign Currencies:

The Australian dollar equivalent of unhedged amounts payable in foreign currencies, calculated at year end exchange rates, are as follows:

United States Dollars (USD)
 Euro (EUR)
 South African Rand (ZAR)

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Entity	
	2020	2019
	\$	\$
18 FINANCIAL LIABILITIES		
<u>Non-Current:</u>		
Bank Loans	975,000	975,000
	975,000	975,000

Summary of borrowing arrangements:

Bank loans are secured by a registered mortgage over the Group's freehold land and buildings (refer to Note 13), a registered mortgage debenture in the form of a Fixed and Floating Charge over assets and undertakings of the Scantech Properties Pty Ltd and Scantech International Pty Ltd, Deed of Cross Collateralisation given by Scantech Limited, Scantech Properties Pty Ltd and Scantech International Pty Ltd, and Unlimited Guarantees from Scantech Properties Pty Ltd and Scantech International Pty Ltd. The principal is repayable in full March 2025.

	Consolidated Entity	
	2020	2019
	\$	\$
19 FINANCING ARRANGEMENTS		
The Consolidated Entity had access to the following lines of credit:		
<u>Total facilities available at balance date:</u>		
Bank Loans	975,000	975,000
Bank Guarantee / Performance Guarantee	6,555,687	4,255,081
Forward Cover	20,000	20,000
	7,550,687	5,250,081

Facilities utilised at balance date:

Bank Loans	(975,000)	(975,000)
Bank Guarantee / Performance Guarantee	(5,691,260)	(3,203,300)
Forward Cover	0	0
	(6,666,260)	(4,178,300)

Facilities not utilised at balance date:

Bank Loans	0	0
Bank Guarantee / Performance Guarantee	864,427	1,051,781
Forward Cover	20,000	20,000
	884,427	1,071,781

20 PROVISIONS – OTHER

Current:

Employee Benefits	774,378	726,881
	774,378	726,881

Non-Current:

Employee Benefits	46,005	14,492
	46,005	14,492

21 RIGHT-OF-USE LIABILITY

Current:

Right-of-use Liability – Brisbane Office	101,251	0
	101,251	0

Non-Current:

Right-of-use Liability – Brisbane Office	187,761	0
	187,761	0

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

22 CONTRIBUTED EQUITYIssued and Paid Up Capital:

At the beginning of the reporting period

Share buy-back during the reporting period

At reporting date

Consolidated Entity	
2020	2019
\$	\$
4,374,962	4,762,020
0	(387,058)
4,374,962	4,374,962

Ordinary Shares:

At the beginning of the reporting period

Share buy-back during the reporting period

At reporting date

2020	
2019	
Number of shares	Number of shares
13,026,898	13,622,371
0	(595,473)
13,026,898	13,026,898

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 a 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.

Capital Management:

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, share issues and share buy backs.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the consolidated Group's gearing ratio remains below 25%. The gearing ratios for the year ended 30 June 2020 and 30 June 2019 are detailed below.

Debts:

Trade & Other Payables

Financial Liabilities - Loans

Total Borrowings

Less Current Financial Assets

Less Cash and Cash Equivalents

Net Debt

Total Equity

Total Capital

Gearing Ratio

Consolidated Entity	
2020	2019
\$	\$
7,321,028	6,217,087
975,000	975,000
8,296,028	7,192,087
(3,055,687)	(1,555,081)
(5,601,726)	(3,178,123)
(361,385)	2,458,883
12,302,841	9,450,899
11,941,456	11,909,782
-3%	21%
13,139	13,139
379,030	632,267
392,169	645,406

23 RESERVES

Premium on Consolidation

Asset Revaluation Reserve

The Asset Revaluation Reserve arises on the revaluation of land and shares in Australian Listed Entities at fair value. When revalued land and shares in Australian Listed Entities at fair value are sold, the portion of the Asset Revaluation Reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the Asset Revaluation Reserve will not be reclassified subsequently to profit or loss.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated Entity	
	2020	2019
	\$	\$
24 CAPITAL AND LEASING COMMITMENTS		
The Group has no capital expenditure commitments at year end.		
<u>The Underwood, Queensland property lease is a non-cancellable lease with an option to extend. The lease was extended on 01/05/2020 for three years and is now due to expire 30/04/2023.</u>		
Payable – minimum lease payments		
- not later than 1 year	110,978	97,265
- between 1 year and 5 years	194,211	0
	305,189	97,265
<u>The operating lease for linet is a non-cancellable lease with a three year term set to expire 22/01/2021</u>		
Payable – minimum lease payments		
- not later than 1 year	14,482	24,826
- between 1 year and 5 years	0	14,482
	14,482	39,308
<u>The operating lease for Vocus is a non-cancellable lease with a three year term set to expire 23/11/2020</u>		
Payable – minimum lease payments		
- not later than 1 year	3,995	9,588
- between 1 year and 5 years	0	3,995
	3,995	13,583
25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS		
The Group has a contingent liability of \$0 (2019: \$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.		
26 PARENT ENTITY INFORMATION		
<u>Information relating to Scantech Limited the Parent Entity:</u>		
Current Assets	3,302,317	1,560,096
Total Assets	6,445,947	4,871,843
Current Liabilities	302,260	399,143
Total Liabilities	4,330,401	2,642,825
Issued Capital	4,374,962	4,374,962
Asset Revaluation Reserve	(109,157)	144,080
Retained Earnings / (Losses)	(2,150,259)	(2,290,024)
Total Shareholders' Equity	2,115,546	2,229,018
Profit of the Parent Entity	139,765	147,631
Other Comprehensive Income for the period	(253,237)	85,452
Total Comprehensive Income of the Parent Entity	(113,472)	233,083
<u>Contingent Liabilities of the Parent Entity:</u>		
Guarantees entered into by the Parent Entity in relation to the Debts of its Subsidiaries	0	0
Bank loans are secured by an unlimited guarantee provided by the Parent Entity	975,000	975,000
Contractual Commitments by the Parent Entity for the Acquisition of Property, Plant and Equipment	0	0

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

27 SUBSIDIARIES

Name/Country of Incorporation:

			Book Value of Investment	
			2020	2019
			\$	\$
		Group Interest		
Coalscan Pty Ltd	Australia	99.95%	6,393	6,393
Scantech Applications Pty Ltd	Australia	100.00%	0	0
Mineral Control Instrumentation Pty Limited	Australia	100.00%	2	2
Scan Technologies Inc	Pennsylvania USA	100.00%	0	0
Scan Technologies Inc	West Virginia USA	100.00%	0	0
Scantech Services Pty Ltd	Australia	100.00%	0	0
Scantech Properties Pty Ltd	Australia	100.00%	0	0
Scantech International Pty Ltd	Australia	100.00%	1,000	1,000
			7,395	7,395

28 CASH FLOW INFORMATION**i) Reconciliation of Cash:**

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank.

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:

		Consolidated Entity	
		2020	2019
		\$	\$
Cash		5,601,726	3,178,123
ii) Reconciliation of cash flow from operations with profit after income tax:			
Profit after income tax		3,105,179	2,630,253
Add / (Less) non-cash items:			
Depreciation and Amortisation		298,103	164,129
Loss on Investment in Other Companies		0	1,000
Change in assets and liabilities:			
Reduction / (Increase) in value of investment		(139,765)	(148,631)
Reduction / (Increase) in trade & other receivables		688,478	425,733
Reduction / (Increase) in contract balances		1,330,613	1,393,142
Reduction / (Increase) in inventories		(1,787,310)	935,400
Reduction / (Increase) in deferred tax asset		(129,459)	(18,027)
Increase / (Reduction) in deferred tax liability		56,381	32,670
Increase / (Reduction) in trade & other creditors		1,103,941	1,360,455
Increase / (Reduction) in provision for employee entitlements		79,010	5,944
Increase / (Reduction) in income tax provision		(358,571)	444,027
Net cash provided by operating activities		4,246,600	7,226,095

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

29 RELATED PARTY TRANSACTIONSParent entity

Scantech Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 27.

Compensation

In aggregate compensation made to directors and the members of key management personnel of the consolidated entity is set out below:

Key Management Personnel Compensation:

The total payment of Key Management Personnel compensation comprised:

	Consolidated Entity 2020 \$	2019 \$
Short-term employee benefits	1,174,100	1,047,047
Post-employee benefits	56,080	58,287
Termination benefits	0	0
	1,230,180	1,105,334

Mahshid Lindeberg, wife of Managing Director David Lindeberg, is employed by the Company as a Sales & Marketing Manager. Since 1 August 2011 she has been employed on a part time basis and her remuneration is paid on a similar basis to the other Sales & Marketing Managers. Her remuneration received in 2020 was \$70,712 and 2019 was \$96,387.

During the financial year ended 30 June 2020, Scantech Limited incurred fees in relation to legal services of \$19,920 (2019: \$38,644) from Duncan Basheer Hannon the legal firm where Peter Pedler is a partner. These transactions were entered into under normal commercial terms and conditions and at market rates. The current trade payable balance owing to Duncan Basheer Hannon as at 30 June 2020 was \$0 (2019: \$5,062).

Loans:

Loans between Group entities are at call basis. No interest revenue and expenses are brought to account on these loans.

30 FINANCIAL INSTRUMENTSa) Financial Risk Management:

The Group's financial instruments consists mainly of deposits with banks, short-term investments shares in Australian listed entities, accounts receivable and payable and banking facilities.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk, credit risk and other price risk. Senior management, in conjunction with the Board, reviews and agrees on policies for managing each of these risks.

Financial Risks:

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest Rate Risk:

Both financial assets and liabilities are subject to floating interest rates. The Company manages its cash at bank and loan balances through a mixture of fixed and variable interest rates.

Foreign Currency Risk:

The Group is exposed to fluctuations in foreign currencies arising from the sales, purchase of goods and services and term deposits in currencies other than the Group's measurement currency, predominantly in EUR, ZAR, USD and CAD. Refer to Notes 9, 12 and 17 for further details.

The Group is continuously monitoring the foreign currency exchange exposure. The Group's policy for dealing with the foreign currency risk does not include forward cover. The Group has natural hedges with amounts on term deposit invested in foreign currency.

Other Price Risk:

The Group is also exposed to securities price risk on investments. Such risk is managed through diversification of investments across industries and geographical locations.

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

30 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity Risk:

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Group manages its liquidity by forecasting liquidity reserves based on future cash flows and ensuring it has credit facilities available for immediate use should the need arise. Cash flow forecasts are reported to the Board monthly.

Credit Risk:

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in Notes 9, 11 and 19.

The Group tries to minimise credit risk by obtaining prepayments from major customers.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group. There are no significant concentrations of credit risk within the Group.

(b) Financial Instruments:

(i) Liquidity and Interest Rate Risk:

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 June 2020	Weighted Average Effective Interest Rate	Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years	Total
	%	\$	\$	\$	\$	\$
Financial Assets						
Trade and Other Receivables	0.00	0	1,671,964	0	0	1,671,964
Amounts due from customers	0.00	0	1,231,668	0	0	1,231,668
Cash and Cash Equivalents	0.01	5,601,726	0	0	0	5,601,726
Investments	1.24	0	3,027,419	0	0	3,027,419
Total Financial Assets		5,601,726	5,931,051	0	0	11,532,777
Financial Liabilities						
Trade and Other Payables	0.00	0	7,321,028	0	0	7,321,028
Amount due to customers	0.00	0	2,253,152	0	0	2,253,152
Loans	2.84	0	27,960	1,012,252	0	1,040,212
Total Financial Liabilities		0	9,602,140	1,012,252	0	10,614,392

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

30 FINANCIAL INSTRUMENTS (CONT'D)

30 June 2019	Weighted Average Effective Interest Rate	Floating Interest Rate	Within Year	1 to 5 Years	Over 5 Years	Total
	%	\$	\$	\$	\$	\$
Financial Assets						
Trade and Other Receivables	0.00	0	2,360,442	0	0	2,360,442
Amounts due from customers	0.00	0	2,310,779	0	0	2,310,779
Cash and Cash Equivalents	0.30	3,178,123	0	0	0	3,178,123
Investments	2.03	0	1,561,890	0	0	1,561,890
Total Financial Assets		3,178,123	6,233,111	0	0	9,411,234
Financial Liabilities						
Trade and Other Payables	0.00	0	6,217,087	0	0	6,217,087
Amount due to customers	0.00	0	2,001,650	0	0	2,001,650
Loans	4.12	0	37,830	838,214	234,441	1,110,485
Total Financial Liabilities		0	8,256,567	838,214	234,441	9,329,222

Refer Note 19 "Financing Arrangements" for details of bank facilities available

(ii) Fair Values:

Aggregate fair values and carrying amounts of financial assets and financial liabilities at reporting date. The fair value of non-current loans of \$975,000 approximates the carrying amount because the loan has a variable interest rate (level 3).

	2020		2019	
	\$		\$	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets:</u>				
Cash and Cash Equivalents	5,601,726	5,601,726	3,178,123	3,178,123
Trade and Other Receivables	1,671,964	1,671,964	2,360,442	2,360,442
Amounts due from customers	1,231,668	1,231,668	2,310,779	2,310,779
Held to Maturity Investments	3,055,687	3,055,687	1,555,081	1,555,081
Shares – Australian Listed Entities	3,094,830	3,094,830	3,304,352	3,304,352
<u>Financial Liabilities:</u>				
Trade and Other Payables	(7,321,028)	(7,321,028)	(6,217,087)	(6,217,087)
Amounts due to customers	(2,253,152)	(2,253,152)	(2,001,650)	(2,001,650)
Loans	(975,000)	(975,000)	(975,000)	(975,000)
Net Exposure	4,106,695	4,106,695	3,515,040	3,515,040

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

30 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Sensitivity Analysis:

As at 30 June 2020, the effect on post tax profit and equity as a result of changes in the interest rate, share price and foreign currency, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2020	2019
	\$	\$
<u>Interest Rate:</u>		
Increase in interest rate by 0.50%	38,412	18,791
Decrease in interest rate by 0.50%	24,139	(18,791)
<u>Investment Share Price:</u>		
Increase in share value by 5%	154,742	165,218
Decrease in share value by 5%	(154,742)	(165,218)
<u>Foreign Currency:</u>		
Improvement in AUD to USD by 5%	(102,075)	(85,183)
Decline in AUD to USD by 5%	112,819	94,148
Improvement in AUD to EUR by 5%	(98,787)	(45,651)
Decline in AUD to EUR by 5%	109,186	50,456
Improvement in AUD to ZAR by 5%	(29,750)	(9,334)
Decline in AUD to ZAR by 5%	32,881	10,316
Improvement in AUD to CAD by 5%	0	(1,985)
Decline in AUD to CAD by 5%	0	2,195

31 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.

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 THE YEAR ENDED 30 JUNE 2020

31 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 Below:

Fair Value Measurements at 30 June 2020:

	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			
Shares purchased in the year ending 30 June 2020 of - Australian Listed Entities	0	0	0
Reinvestment in shares for the year ending 30 June 2020 of - Australian Listed Entities	124,070	0	0
Investment in shares of - Australian Listed Entities	2,970,760	0	0
Land and Buildings	0	2,857,500	0
Non- Recurring fair value measurements	0	0	0

Fair Value Measurements at 30 June 2019:

	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 - Australian Listed Entities	3,304,352	0	0
Land and Buildings	0	2,885,000	0
Non- Recurring fair value measurements	0	0	0

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

Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 30 June 2020 \$	Description of Valuation Techniques	Inputs Used
Land and Buildings	2,857,500	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 balance date.

32 EVENTS AFTER THE REPORTING PERIOD

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

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on Pages 10 to 34, are in accordance with the Corporations Act, 2001 and:
 - (a) Comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) Give a true and fair view of the financial position as at 30 June 2020 and performance for the year ended on that date of the Consolidated Group;
2. The Managing Director and Chief Financial Officer have each declared that:
 - (a) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) The financial statements and notes for the financial year give a true and fair view;
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The financial report complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 2.

This declaration is made in accordance with a resolution of the Board of Directors.



Director
P. Pedler



Director
D. Lindeberg

Dated this 26th day of August 2020

**Bentleys SA Audit Partnership**

Level 5
63 Pirie Street
Adelaide SA 5000

GPO Box 939
Adelaide SA 5001

ABN 43 877 091 903

T +61 8 8372 7900
F +61 8 8372 7999

admin@adel.bentleys.com.au
bentleys.com.au

Independent Audit Report to the members of Scantech Limited

Opinion

We have audited the financial report of Scantech Limited (Reporting) and Controlled Entity (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, the accompanying financial report of Scantech Limited (Reporting) and Controlled Entity is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Scantech Limited (Reporting), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards – Reduced Disclosure Requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial is located at The Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

Bentleys SA Audit Partnership



DAVID FRANCIS
Partner

Dated this 26th day of August 2020.

