Annual Report 2013

“Every minute counts in process control”

GEOSCAN AND COALSCAN

Real Time Analysers for Cement, Coal and Minerals

SCANTECH

www.scantech.com.au

ACN: 007 954 627

Highlights For 2013

	2013	2012	2011	2010	2009
REVENUE	$17,723,583	$15,406,566	$9,545,508	$13,181,906	$15,665,041
CHANGE (%)	15%	61%	-28%	-16%	14%
PROFIT BEFORE TAX	$4,440,987	$2,324,726	$25,303	$237,248	$2,306,784
CHANGE (%)	91%	9,088%	-89%	-90%	118%
PROFIT AFTER TAX	$3,116,667	$1,696,459	$83,301	$441,362	$1,585,382
CHANGE (%)	84%	1,937%	-81%	-72%	37%
SHAREHOLDERS FUNDS	$12,592,074	$10,276,907	$10,336,155	$9,635,104	$9,193,742
CHANGE (%)	23%	-1%	7%	5%	21%
DEBT TO EQUITY RATIO	60%	68%	60%	61%	92%
CHANGE (%)	8%	-8%	1%	31%	-14%
EQUIPMENT ORDERS ON HAND AT PERIOD END	$6,513,876	$7,653,126	$7,327,948	$3,601,199	$6,840,179
CHANGE (%)	-15%	4%	103%	-47%	-14%
CASH & CURRENT FINANCIAL ASSETS	$7,196,653	$5,200,005	$6,161,781	$5,326,196	$5,504,769
CHANGE (%)	38%	-16%	16%	-3%	8%
NUMBER OF EMPLOYEES (FTE)	36	34	32	31	38
CHANGE (%)	6%	6%	3%	-18%	-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)
The Hon. Dean Brown AO M.Rur.Sc, Fellow Dip. Bus. Admin., FAICD (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
BDO

ASX
Code: SCD

Principal Bankers
Bendigo Bank Limited

Solicitors
Duncan Basheer Hannon
Gilbert + Tobin Lawyers
Iles Selley Lawyers

Share Registry
Computershare Investor Services Pty Limited
GPO Box 1903
Adelaide, South Australia 5001
Telephone: 1300 556 161 (within Australia)
Telephone: + 61 3 9415 4000 (outside Australia)
Facsimile: 1300 534 987

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.

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 21 November 2013 at 11.00 a.m.

Company Background

OUR CORE BUSINESS

Scantech is the world-leader in the application of on-line real-time measurement technology for bulk materials. The Company has developed a broad range of industrial instrumentation utilising various measurement technologies, including microwave methods. The product's application is principally in the resource sector including cement, coal and minerals industries.

HISTORY

Scantech was founded by Dr Jim Howarth and Richard Kelly in 1981 following the licensing of research from the CSIRO. Since its formation in 1981 the company has grown from a small private company based in Adelaide, South Australia to a successful public enterprise listed on the Australian Stock Exchange. The company grew strongly 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 the largest and most diverse installed base of on-line analysers compared to any other supplier, with more than 1,000 systems installed in over 55 countries worldwide and in excess of 230 installations in Australia.

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 J Howarth along with three CSIRO 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 Howarth, Dr Sowerby, Mr. Watt and Dr Cutmore 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 McLennon Achievement for Industry Award won jointly with the CSIRO to recognise the commercial development of the COALSCAN 4500.

- The Electronics Association of South Australian Gold Cup for the 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 received a Certificate of Approval for ISO Quality Assurance Standard AS/NZS ISO 9001:2008 from the Bureau Veritas Certification (BVC).

ISO 9001
BUREAU VERITAS
Certification

Board of Directors

P D Pedler
LLB (Hons) (Adel)

Chairman of the Board
Chairman of the Nomination Committee
Member of the Audit Committee
Member of the Remuneration Committee

Peter Pedler is a partner of leading Adelaide law firm Duncan Basheer Hannon. He practices in the fields of commercial and property transactions and advises on due diligence and corporate governance issues. He also advises on Corporations Act and ASX compliance. 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.

Peter was appointed to the Board on 12 August 2003.

D J Lindeberg
B.Bus, FCA

Managing Director
Executive Director
Member of the Nomination Committee
Member of the Audit Committee

David Lindeberg is a Fellow of the Institute of Chartered Accountants in Australia and joined Scantech in December 1998 as the 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
Member of the Nomination Committee
Member of Remuneration Committee
Chairman of the Audit Committee

Laurance Brett is a principal of the Adelaide consulting actuarial firm, Brett & Watson Pty Ltd. Laurance has worked as an actuary in Adelaide since 1983 and commenced his own consulting actuarial firm in 1993.

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

Laurance was appointed to the Board on 1 September 2005.

The Hon. D C Brown AO
M.Rur.Sc, Fellow Dip. Bus. Admin., FAICD

Non - Executive Director
Member of the Nomination Committee
Member of the Audit Committee
Chairman of the Remuneration Committee

Dean Brown is currently Chairman of Hillgrove Resources Limited which operates a copper mine at Kanmantoo in the eastern Adelaide Hills. Dean, who was South Australia’s Premier for three years from 1993, retired as Member for Finniss and as a Parliamentarian in 2006 after 27 years in Parliament. He has been a Non Executive Director of Mission Australia since November 2012.

Dean is involved in a wide range of community organisations, he also undertakes corporate advisory work on innovation, government relations and community engagement for a number of companies. He is a Board member of Foodbank SA, and the Heritage Foundation of the University of Adelaide, and Chairman of the Playford Memorial Trust.

Dean was appointed to the Board on 29 June 2007.

CHAIRMAN'S REPORT 2013

On behalf of Scantech Limited board and management, I am pleased to present this report for the year ended 30 June 2013.

The Company was able to achieve a record result with strong growth in revenue and profit. After a strong growth in revenue during the previous year Scantech was able to increase revenue again to $17,723,583, a record result and an increase of more than $2 million on our previous record set in 2009. Profit before tax improved 91%, from $2,324,726 to $4,440,987 in FY2013. Profit after tax was $3,116,667, an increase of 84% on FY2012.

In last year's report, I noted that shareholders' funds were $10,276,907 (after return of capital of $0.10 per share during FY2012). At 30 June 2013 shareholder funds were $12,592,074, an increase of 23% on last year with cash reserves of $7,196,653. The net tangible asset backing per ordinary security increased from $0.4264 per share to $0.5639 per share. It is pleasing to be able to demonstrate that the board's strategy is providing real increases in shareholder wealth for members.

There was strong growth in both of the main sectors of the business. Product sales revenue increased from $10,890,825 in FY2012 to $12,508,528 while revenue from the service section increased from $4,515,741 to $5,215,055.

The improved profits were driven by strong revenue but the Company was at the same time able to contain expenses so that there was only a small increase in the expenses between FY2012 and FY2013.

The growth in revenue was particularly pleasing given the strength of the Australian dollar during the year. A reduction in the exchange rate towards the end of the year meant that the Company was able to bring to account an exchange gain of $237,460. The lower exchange rate is certainly welcome.

Most of the revenue earned by the Company continues to be generated outside of Australia. During the year under review more than 90% of the revenue was earned overseas. As in the past, the revenue was well spread and the Company is looking at exciting projects in countries where it has not previously earned significant revenue so that the geographic spread of revenue will continue.

Traditionally sales in the coal and cement industry have underpinned the performance of the Company although demand in the cement industry continues to weaken and prices are negatively impacted by strong competition. Sales in the coal industry were stronger in FY2013.

It is in the mining industry that the Company sees a strong future growth. The application of the Scantech GeoscanM analyser as an essential tool for managing process control in an iron ore mine is being recognised by our customers. As that recognition continues to grow, sales will follow.

While the downturn in the resources sector presents a challenge, it also presents a significant opportunity for the Company. As the need for efficiency increases, the cost benefit analysis of using Scantech analysers in process control becomes more obvious and is being demonstrated on a daily basis at the Company's installations.

Apart from iron ore, there are a range of minerals that can be measured by Scantech's analysers with the same degree of accuracy and with the same benefit for customers. Every application has its own challenges and the Company has been able to meet the challenge of every application. The reputation of Scantech for workable solutions is so strong that it is now regularly being approached by customers seeking solutions to a range of online analysis problems.

The increase in revenue in the service division is driven by both a continuing increase in the installed product base which therefore drives the need for regular service and an increase in the scope of services which the Company is able to provide to its customers.

The Company is now quoting for installation of its analysers. In the past that work has been sub-contracted to third parties but the strategy of the Company is now to try and capture as much of that work as we can. It will be a lucrative source of revenue in the future. The Company has already demonstrated the capacity to perform this work with successful installations during the year. The Company therefore expects a further increase in service revenue in the current year over that achieved in YE2013.

The reputation of Scantech is being more widely acknowledged. In May, the Company received a large delegation from Innovation Australia. The purpose of the visit was to present Scantech with a certificate acknowledging the contribution of the company to improving Australia's productivity. You will see more about this visit elsewhere in the report. During the visit, the delegation was provided with a presentation on the company's technology and products and a tour of our facility. The feedback from the Chairman, David Miles after the presentation and tour was very positive.

CHAIRMAN'S REPORT 2013 (CONT'D)

Scantech is a small organisation and is only successful because of the dedicated efforts of our staff across each team. The contribution of the Scantech marketing team is a key part of the success of the Company as is the service and product optimisation teams. The manufacturing team, contracts management and finance and administration are also key to the success of the Company. I would like to acknowledge and thank each member of the Scantech team for their efforts during the year and particularly acknowledge the contributions from our Managing Director, David Lindeberg and our Company Secretary, Valerie Steer.

My sincere thanks again to my fellow directors, Laurie Brett and Dean Brown for their support during the year. We look forward with confidence for the Company and its shareholders in the current year.

P. Pedler
Chairman
Dated: 30 September 2013

REVIEW AND RESULTS OF OPERATIONS FOR 2013

Scantech has recorded a record profit in 2013. This is its second record profit in as many years and third in the last five years. The financial years of 2011 and 2010 were severely affected by the Global Financial Crisis.

Ongoing operations resulted in a profit before tax for the year ended 30 June 2013 of $4,440,987 (2012: $2,324,726) an increase of $2,116,261 or 91% over 2012.

Profit after tax for the year ended 30 June 2013 was $3,116,667 (2012: $1,696,459) an increase of $1,420,208 or 84% over last year.

Revenue was $17,723,583 (2012: $15,406,566) an increase of 15% over last year.

All areas of Scantech's business are performing well and our service revenue is particularly strong. Increased revenue and profits are from all areas of our business and this is particularly pleasing as Scantech is not reliant on any particular industry for its business success.

As Scantech's installed base continues to grow the Service income will continue to be a major contributor to Scantech's growth. Scantech is very proud of its service record with customer satisfaction ratings at record high approval levels. Scantech has 24 hour 7 day per week services availability and Scantech engineers can access Analysers remotely via the internet anywhere in the world. For local support Scantech has service engineers based in Australia as well as regional service centres in Europe, Africa, China, India and North America.

Customers are now looking at Scantech to provide a broader range of services to support Analyser purchases and these services include design, installation and radiation services. With these services Scantech can offer peace of mind to customers ensuring there is a seamless project delivery without disruption to the client production and business.

Clients are engaging Scantech to allocate Analyser Performance Managers to sites with multiple Analysers. This ensures that skilled resources are available to implement the requirements of calibration, optimisation and verification programs for Analysers. Scantech Analysers play a pivotal role in the Operational Control Philosophy, Grade Control and Blending Programs.

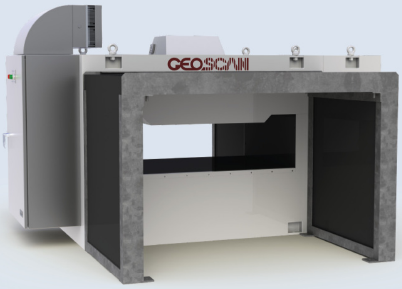
Scantech analysers allow operators to better utilise their available resources. This means that mines and quarries can produce more consistent product, which increases efficiency in all downstream industries. Operating costs are thereby reduced along with associated environmental benefits of increasing the lifetime of the mine, reducing waste product, minimising the water used in washing processes and decreasing atmospheric emissions.

D. Lindeberg FCA
Managing Director
Dated: 30 September 2013

Scantech Products

GEOSCAN-M
On-belt Elemental Analyser for Minerals

Real time elemental analysis provides active control over ore and concentrate quality. Timely information on key elements is used to make decisions that optimise process control, maximise the value of the resource and minimise operating costs. Superior detector technology and exclusive non-contact design provide improved overall performance.



GEOSCAN-C
On-belt Elemental Analyser for Cement

Measures the composition of materials used in the cement manufacturing process, using Prompt Gamma Neutron Activation Analysis. Used for stockpile pre-blending and raw mix blending control. This analyser performs a full stream elemental analysis of materials directly on the conveyor without contacting the belt or load.

COALSCAN Model 9500X
On-belt Elemental Analyser for Coal

Provides real time on-belt elemental analysis of coal to report ash, moisture, sulphur, chlorine and energy, without the need for sampling. This COALSCAN uses Prompt Gamma Neutron Activation Analysis (PGNAA) with Scantech's patented technology.

CIFA Model 350
Carbon In Fly Ash Monitor

Using microwave technology, the CIFA Model 350 is highly accurate, using three to five minute sampling increments to monitor unburnt carbon levels. Up to sixteen CIFA units can be connected to one central control cabinet.

COALSCAN Model 1500
On-belt Natural Gamma Ash Monitor

Measures the ash content of coal using the natural gamma radiation emitted by the ash minerals. This COALSCAN is installed directly on the conveyor, and does not incorporate any radiation sources. There is no maximum bed depth limit for this unit.

IRONSCAN Model 1500
On-belt Natural Gamma Iron Ore Monitor

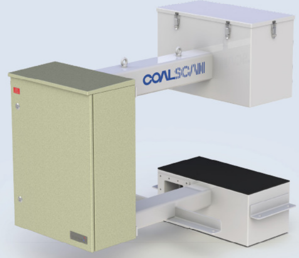
Measures the composition of iron ore using the natural gamma radiation emitted by the sediment associated with the ore. Elemental composition is derived and reported in real time. This technology also has applications for uranium ore and mineral sands.

COALSCAN Model 2100
On-belt Ash Monitor

Measures ash content of coal in real time on the conveyor belt, using dual energy gamma rays which pass through the total coal bed.

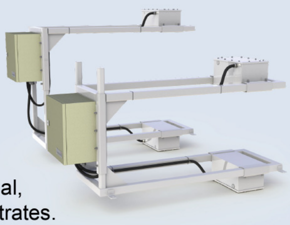
COALSCAN Model 2800
On-belt Ash & Moisture Monitor

Measures ash content by transmitting dual energy gamma rays through the coal bed on the conveyor. Moisture measurement using microwave technology is incorporated with the ash monitor.



TBM 200 Series
On-belt Microwave Moisture Monitor

Uses continuous microwave technology to provide through-belt real time measurement for a wide range of materials including coal, limestone, mineral ores and concentrates. Two models: high and low frequency, are offered to cater for shallow and deep bed depths respectively.



CM Model 100
On-belt Conductive Materials Monitor

The CM Model 100 Moisture Monitor is a direct, on-conveyor monitor for measuring moisture in conductive materials. It is particularly suited to measuring the moisture content of coke, sinter and materials such as metallic concentrates, including magnetite.

Product Applications

MINERALS PROCESSING	
GEOSCAN - M real time elemental analyser is used for:	• A range of industries including iron, copper, phosphate, nickel, manganese, bauxite and zinc-lead • Automated blending and sorting • Stockpile management • Mine feedback and treatment control • Product compliance monitoring
IRONSCAN and MINERALSCAN Model 1500 Natural Gamma Minerals Monitor are used for:	• Dilution monitoring • Mine optimisation • Plant process control • Uranium ore grade monitoring • Bulk sorting through flow redirection
CM100 Moisture Monitor is used for:	• Moisture in conductive materials
COAL PRODUCTION	
COALSCAN real time coal quality analysers are used for:	• Automated blending • Sorting • Washery optimisation • Loadout quality control • Moisture
CEMENT MANUFACTURING	
GEOSCAN - C real time elemental analyser, with or without BLENDSCAN software, is used for:	• Mine feedback and control • Limestone sorting • Stockpile building • Raw mix proportioning
POWER GENERATION	
COALSCAN real time coal quality analysers are used for:	• Stockpile management • Contract surveillance • Automated blending • Bunker-feed monitoring • Moisture, ash, elemental (e.g. Sulphur) • Mine and wash plant control
CIFA is used for:	• Carbon in fly ash monitoring
STEEL PRODUCTION	
CM100 Moisture Monitor is used for:	• Moisture monitoring of coke and sinter feed for blast furnaces
MOISTURE	
TBM 200 Series Microwave Moisture Monitors are used for:	• Moisture monitoring • Dust management • Filter and dryer control • Tonnage correction • Metal accounting

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, and other minerals. However, it is not so widely known that significant environmental benefits are also achieved.

✓ Reduce Greenhouse Gas Emissions ✓ Reduce Sulphur Emissions ✓ Reduce "Acid" Rain ✓ Reduce "Unburnt" Carbon ✓ Reduce Raw Material Consumption ✓ Reduce Shipping Costs	✓ Enhances Consistency of Quality Product ✓ Reduces Energy Consumption ✓ Increase Life of Kilns ✓ Improves Process Control ✓ Extend the Life of Mineral Deposits ✓ Reduces Waste

COAL

The world coal consumption is approximately 6,000 million tonnes per year, producing about 12,000 million tonnes of carbon dioxide which is released to the atmosphere. Therefore, even a relatively small improvement in the efficiency of use can result in a significant saving in greenhouse gas emissions.

Scantech's coal analysers allow coal mining to be carried out more efficiently with more saleable product produced 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 expensive process, so reduction in the tonnes of coal washed results in energy savings.

Blending by using coal analysers achieves a more consistent coal quality which can improve the efficiency of coal burning power stations. Also, power stations which have analysers can detect variations in the quality of coal before it is burnt which allows the poor 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 burning 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.

CEMENT MAKING

The worldwide production of cement is approximately 1,000 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 5% of the world's greenhouse gas emissions come from the cement industry.

Cement plants are usually located close to a limestone quarry. Other materials such as sand, shale, clay, bauxite and iron may also be required and these are typically shipped to the cement plant from other sources. The use of an 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 quite variable. The analyser allows these variations to be tracked and enables more efficient use of the locally available material. This reduces the high financial and environmental costs of shipping 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 quarrying activity.

Analysers allow more consistent raw mix to be delivered to the cement making process. This reduces energy consumption as well as increasing the life of the kiln. This produces both financial as well as environmental benefits.

MINERALS

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

SCANTECH / PLAYFORD HONOUR PHYSICS SCHOLARSHIPS

Left to Right: Mr Peter Pedler (Chairman of Scantech Board), Phong Huy Nguyen, James Cheuk-Heng Lau, Mr Dean Standish (Playford Trust)

Scantech sponsors the Playford Trust yearly with two scholarships of $5,000 each as an investment in the future of young South Australian Physicists.

The Playford Trust is an independent organisation which enjoys the bi-partisan support of government. It operates under its own deed with its Board, including the Chairman and Deputy Chairman, being appointed by the Premier. Its original objective, as expressed in the trust deed was: To establish a fund to promote, encourage and finance research and development of projects relating to the primary, secondary, tertiary and mining industries which will be of practical use and benefit to South Australians. Hon. Dean Brown (Scantech Director) is the Chairman.

Nominations for Scantech / Playford Honours Physics Scholarships are sought each year from the three South Australian universities for the consideration of the Trust. It is expected that the universities will select the highest calibre students through an internal process that takes account of the selection criteria given below. Scantech prefers at least one of the scholars each year to have a specialisation in nuclear physics.

The Playford Trust Selection Criteria:

- Nominees must be South Australian residents who are likely to spend a significant part of their career in South Australia or are otherwise likely to be providing a benefit to the State (clearly it is often difficult to assess the future career prospects of students, however, the Trust is not looking to support students from outside the State or Australia, who are merely undertaking studies in South Australia).
- Nominees must be high achievers with an excellent undergraduate academic record.
- Nominees should be of good character and preferences should be given to students that display leadership potential.

The winners of the 2013 scholarship from The University of Adelaide, Phong Huy Nguyen and James Cheuk-Heng Lau are pictured above.

AUSINDUSTRY - INNOVATION AUSTRALIA

Left to Right: Mr Andrew Harris (Scantech's Product Optimisation Manager), Mr Peter Pedler (Chairman of Scantech Board), Mr David Miles AM (Chair of Innovation Australia)

Innovation Australia is an independent statutory body established to assist with the administration of the Australian Government's innovation and venture capital programs designed to support industry innovation. Established in September 2007 Innovation Australia assumed the roles and responsibilities and powers of the former Industry Research and Development Board and the Venture Capital Registration Board.

Since 1998 Scantech has received financial assistance in the form of grants for development projects from AusIndustry which has contributed to the success of Scantech's technology today. In particular, the MKIV elemental on-belt analyser developed by Andrew Harris and Chief Scientist Ken Smith in 2005 has since been Scantech's flagship product sold worldwide to the coal, cement and minerals industries.

On 1 May 2013 the Innovation Australia Board and the senior members of the Department of Industry visited Scantech to see first-hand the research, development and innovation capability of Scantech.

Innovation Australia presented Scantech with a certificate for working with the Australian Government to increase Australia's Productivity.

STATUTORY REPORT OF THE DIRECTORS

Your Directors present the consolidated accounts for the financial year ended 30 June 2013.

DIRECTORS

The following persons held office as Directors of Scantech Limited for the entire period and at the date of this report:

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

Details of qualifications, experience and responsibilities of Directors are set out on Page 4 of the Annual Report.

The number of meetings of the Company's Directors (including the number of committees of Directors) held during the year ended 30 June 2013 and the number of meetings attended by each Director was:

Name of Director	Full Directors Meetings		Audit Committee		Remuneration Committee		Nomination Committee	
	Held whilst a Director	Attended	Number of Meetings the Director Required to Attend	Attended	Number of Meetings the Director Required to Attend	Attended	Number of Meetings the Director Required to Attend	Attended
Peter Pedler	5	5	2	2	2	2	1	1
David Lindeberg	5	5	2	2	0	0	1	0
Laurance Brett	5	5	2	2	2	2	1	1
Dean Brown	5	5	2	2	2	2	1	1

Details of each Director's relevant interest in shares, and options in shares of the Company as at the date of this report are as set out in Note 26 to the Financial Statements.

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 Chartered Secretaries Australia. Ms Steer has worked for Scantech for the past 12 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 and minerals industries and in-field support of scientific and industrial instruments

REVIEW OF OPERATIONS

The consolidated entity had a net consolidated profit for the year of $3,116,667 (2012: $1,696,459) after attributable income tax and outside equity interest. No dividends have been paid or proposed for the year. The net assets for the consolidated entity for the year was $12,592,074 (2012: $10,276,907), being an increase of 22.5% which was mainly attributable to the current year's profit after tax.

The valuation of land and buildings at 141-145 Mooringe Avenue, Camden Park was conducted by a local independent valuer on the 3 July 2013, to determine the fair value of the land and buildings at 30 June 2013. The valuation was determined by reference to recent market transactions on arm's length terms. As a result of this valuation, the fair value of the land and buildings has been decreased showing a $801,500 loss on comprehensive income net of tax and a reduction of $343,500 in carrying amount of deferred tax liability.

Scantech was able to reduce the amounts classified as "Amounts due to customers" under current liabilities as the Company was able to ship in 2013, a higher proportion of the orders received in this financial year. A larger proportion of orders that were received in the final quarter where deposits had been received, were able to be shipped by 30 June 2013 than in previous years. This had the effect of reducing the amounts owing to customers for deposits held and increasing revenues.

Further review of the operations of the consolidated entity and its principal businesses during the financial year and the results of those operations are set out in the Chairman's Report and the Managing Director's report set out on Pages 5 to 7 inclusive.

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REVIEW OF OPERATIONS (CONT'D)

Earnings Per Share (EPS)	2013	2012
Basic EPS	$ 0.2	$ 0.1
Diluted EPS	$ 0.2	$ 0.1

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 other than as described above.

EVENTS AFTER THE BALANCE SHEET 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 2013

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 13) 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 (BDO) for audit and non-audit services provided during the year are set out in Note 5 of the Financial Statements.

AUDITOR INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors (BDO), to provide the Directors of the Company with an Independence Declaration in relation to the review of the full year financial statements. This Independence Declaration appearing on Page 22, forms part of this Directors Report.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

At the date of this report, the unissued ordinary shares under option are as follows:

Issuing Entity	Number of Shares under Option	Class of Shares	Exercise Price of Options	Expiry Date of Options
Scantech Limited	20,000	Ordinary	$0.70	31/12/2013

No shares were issued as a result of options exercised during the year and up to the date of this report.

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2013 outlines the remuneration arrangements of the group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel (KMP) of the group, who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any Director (whether executive or otherwise) of the parent Company.

For the purposes of this report, the term 'executive' encompasses the Managing Director, Non-Executive Directors, and Chief Financial Officer/ Company Secretary of the group.

The Remuneration Report is presented under the following sections:

1. Individual Key Management Personnel (KMP) disclosures;
2. Remuneration at a glance;
3. Board oversight of remuneration;
4. 2012 Annual General Meeting
5. Non-Executive Director (NED) remuneration arrangements;
6. Executive remuneration arrangements;
7. Company performance and link to remuneration;
8. Executive contractual arrangements; and
9. Key Management Personnel (KMP) remuneration Table.

1. Individual Key Management Personnel *(KMP)* disclosures

Details of remunerated Individual KMP of the Company are set out in the following sections.

Mr Peter David Pedler	Chairman (Non-Executive Director)
Mr David Lindeberg	Managing Director (Executive Director)
Mr Laurance Brett	Director (Non-Executive Director)
Mr Dean Brown	Director (Non-Executive Director)
Ms Valerie Steer	Chief Financial Officer/ Company Secretary

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration at a glance

Remuneration strategy and policy

Managing Director and Key Management Personnel (KMP)

Consistent with contemporary Corporate Governance standards the Company's remuneration strategy and policies aims to set executive remuneration that is fair, competitive and appropriate for the markets in which it operates and mindful of internal relativities. The Company will aim to ensure that the mix and balance of remuneration is appropriate to reward fairly, attract, motivate and retain senior executives and key employees.

Specific objectives of this policy will include the following:

- Provide fair and competitive fixed remuneration for all positions under transparent policies and review procedures tested on a regular basis by independent benchmark assessment;
- Provide Short Term Incentives (STI) based on key short term objectives;
- Provide competitive total rewards to attract and retain high calibre executives; and
- Consider Long Term Incentives (LTI) from time to time, where appropriate.

Appropriate remuneration policy settings will be achieved by consistently applying a clear remuneration strategy directed at supporting the Board approved business strategy with appropriate and flexible processes, policies and procedures established by the Board from time to time.

Board remuneration

The Board seeks to set aggregate remuneration at a level for the Non-Executive Directors (NED's) that provides the Company with the ability to attract and retain directors of the highest calibre, recognising both the time commitment and risks inherent in the position, whilst incurring a cost that is acceptable to the shareholders.

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

2. Remuneration at a glance (Cont'd)

Use of Remuneration Consultants

The Remuneration Committee engages external consultants as required from time to time. During the year 30 June 2013 no external consultants were engaged to provide advice.

3. Board oversight of remuneration

Remuneration Committee

The Remuneration Committee currently comprises three independent Non-Executive Directors (NED's): Mr Brown (Committee Chairman), Mr Pedler and Mr Brett. The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements of NED's and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of NED's and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Directors and executive team. In determining the level and composition of executive remuneration, the Remuneration Committee may also seek external advice, as set out.

Mr Lindeberg, Managing Director, does not attend Remuneration Committee meetings.

Remuneration approval process

The Board is responsible for determining the remuneration of the Managing Director on the advice of the Remuneration Committee, which obtains independent remuneration advice as necessary. The Board approves the remuneration arrangements for the Managing Director and executives and all awards made under any long-term incentive (LTI) plan, which are then subject to shareholder approval, following recommendations from the Remuneration Committee.

The Board also sets the aggregate remuneration of NED's, which is then subject to shareholder approval.

The Chairman oversees the Managing Director's recommendations for remuneration of senior executives with the assistance of the Remuneration Committee and independent remuneration advice, where necessary.

The Remuneration Committee approves, having regard to the recommendations made by the Managing Director, the level of any Company short-term incentive (STI) payments to employees, including KMPs and therefore the amount of any STI entitlement, the level of STI payments to the Managing Director is determined separately by the Board.

4. 2012 Annual General Meeting

In accordance with section 250R (2) of the Corporations Act, a resolution to adopt the Remuneration Report as set out in the "Statutory Report of the Directors" is put to shareholders for a vote each year at the Annual General Meeting.

While the resolution is advisory only and does not bind Directors or the Company, if at least 25% of the votes cast are against approving the Remuneration Report, for two consecutive years, then a Board 'spill' will result.

At the 2012 Annual General Meeting the resolution to adopt the Remuneration Report was put to shareholders and more than 25% of votes were cast against the resolution so the Company received what was constituted as its "second strike".

Due to the "second strike" the Company was required to put a Board Spill Meeting Resolution to the shareholders. A poll was conducted for this resolution and as no more than 50% of the votes cast were in favour of the Board Spill Meeting the resolution failed.

During consideration of the spill motion, the only issue raised by the shareholders who voted against the Remuneration Report was that the Board remuneration was excessive. There was also support for the Board and the remuneration paid to the Directors from shareholders at the Annual General Meeting.

The Board always takes account of shareholder opinions but as the Board remuneration was within the band of what was considered by an independent consultant appointed to consider remuneration the previous year to be reasonable and there had been no material increase in Board remuneration, the Board did not consider that any further action was required.

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

5. Non-Executive Director (NED) remuneration arrangements

Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NED's of comparable companies. The Board considers advice from external consultants when undertaking the annual review process.

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of NED's shall be determined, from time to time, by general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination approved an aggregate remuneration of $300,000 per year. Of that, the total amount determined to be used in the 2013 financial year was $179,999.

Structure

The remuneration of NED's consists of Directors' fees. NED's do not receive retirement benefits other than superannuation, nor do they participate in any executive incentive programs. Selected Non-Executive Directors received options to acquire shares more than five (5) years ago. These options expired on 30 December 2012. No new options will be granted to Non-Executive Directors without shareholder approval.

Each NED receives a base fee for being a Director of the Company, inclusive of any compulsory superannuation. No additional committee fees are paid.

NED's are encouraged to hold shares in the Company.

The remuneration of NED's for the year ended 30 June 2013 is included in Table 1 on Page 21 of this report.

6. Executive remuneration arrangements

Structure

Remuneration is determined as part of an annual performance review process, having regard to market factors, relevant comparative data, a performance evaluation process and independent remuneration advice, where necessary.

In the 2013 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable or 'at risk' remuneration comprising a Short Term Cash Incentive.

No Long Term Equity Incentive (LTI) were considered, because the Managing Director already has a substantial shareholding in the Company and additional retention and incentive were not deemed necessary at this stage, although will remain under review.

Total fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases. Total fixed remuneration comprises cash and other benefits and entitlements to provide a base level of remuneration which is both appropriate to the role and responsibilities, reflects current market conditions, the individual's seniority and internal relativities.

Total fixed remuneration is reviewed annually, as part of a review that takes into account the individual's performance, the overall performance of the Company and current comparative remuneration data. The total remuneration for the Managing Director to apply for the period from 1 July 2012 has been determined in line with recommendations received from the independent remuneration consultant.

The fixed component of executives' base fixed remuneration is detailed in Table 1 on Page 21 of this report.

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

6. Executive remuneration arrangements (Cont'd)

Variable remuneration - short term incentive (STI)

The Managing Director has performance based short term incentives. The Company believes that the key short term performance drivers are the receiving of contractual orders (Marketing Group) and invoiced sales, at an acceptable margin (Services Group). The Managing Director is entitled to receive 50% of the total Marketing and Service Group bonus if KPIs for the year have been achieved.

The Managing Director is entitled to an STI comprising both a Service Group bonus (calculated based on invoiced sales) and a Marketing Group bonus (calculated based on orders received).

The Service Group bonus is calculated based on achievement against budgeted invoice level. At a target level the base 'bonus' rate accelerates. The Managing Director is entitled to receive $165,167 (including 9.25% superannuation) for achievement of the Service Group invoicing KPI set at $3.96M for year 2013.

The Marketing Group did not achieve their order KPI set at $13.5M for 2013 and therefore no STI has been awarded for this component.

The KPIs are set annually based on the Company budget which the Board believes holds the potential for the Company's growth and profit. The Managing Director has a key role in achieving those KPIs.

The Managing Director assesses the performance of other senior executives against their targets and determines the actual short term incentive payments with oversight by the Board through the Chairman and the Remuneration Committee.

Variable remuneration - long term incentive (LTI)

No LTI was considered this financial year. A decision on future awards will be considered from time to time.

7. Company performance and link to remuneration

The Company's performance has been inconsistent over the past 5 years and below the Board's expectations. Some key performance measures include:

Year	Earnings after Tax	Shareholder Funds	Share Price	
			Beginning of the year	End of the year
2013	$3,116,667	$12,592,074	$0.40	$0.42
2012	$1,696,459	$10,276,907	$0.45	$0.40
2011	$83,301	$10,336,155	$0.28	$0.45
2010	$441,362	$9,635,104	$0.30	$0.28
2009	$1,585,382	$9,193,742	$0.52	$0.30

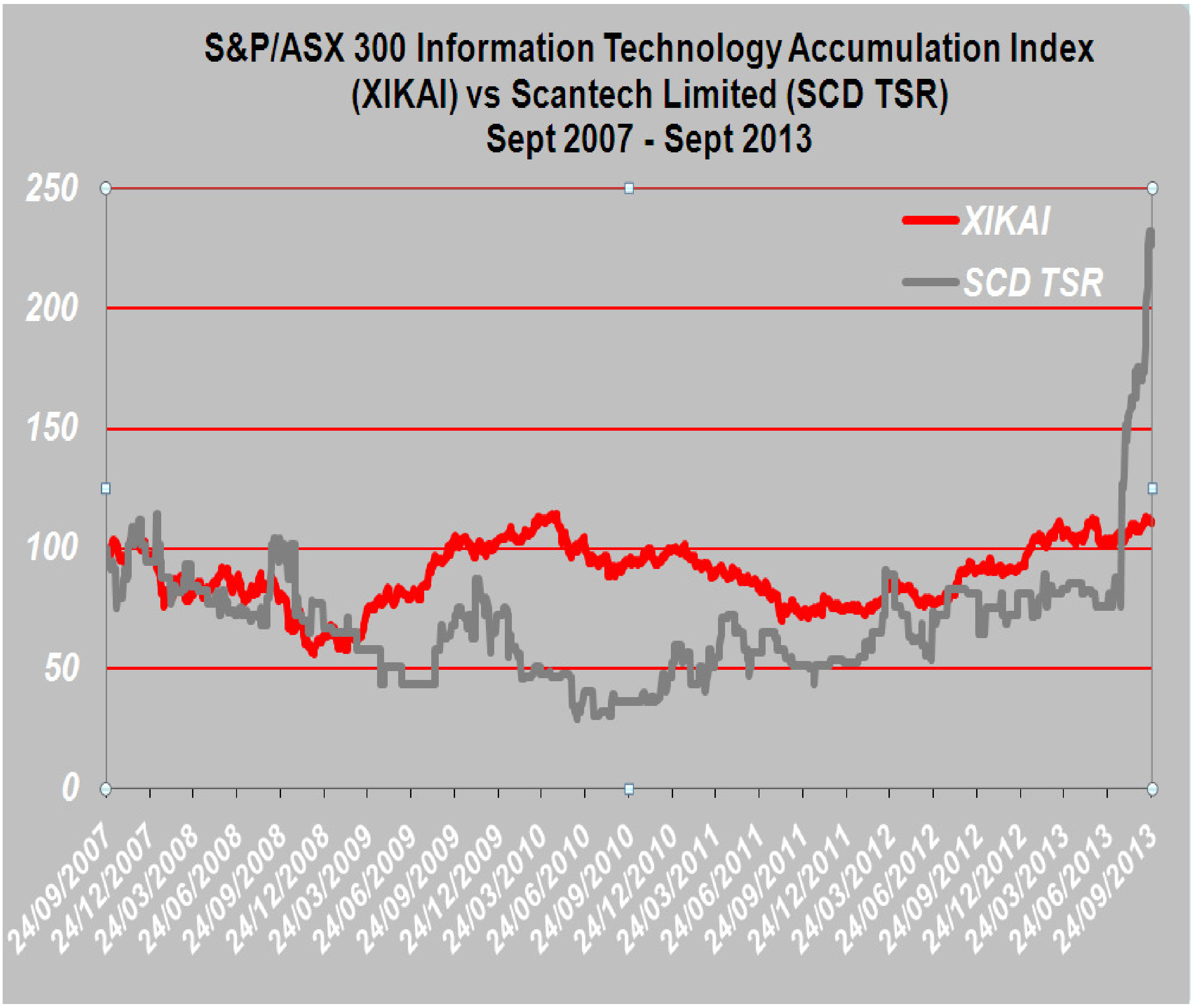
As set in the chart on Page 19, the Company's overall performance can be observed when compared to XIKAI over the last 6 years. The Company (SCD) virtually tracked this index from June 2007 to June 2009. From June 2009 to June 2013 it underperformed the Index. Since then SCD has enjoyed substantial share price improvement reflecting the underlying improvement in financial performance.

The Board believes the alignment of KMP remuneration to Company performance remains conservative and will remain under review.

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

7. Company performance and link to remuneration (Cont'd)



Short term incentives

In 2012 a bonus of only $54,569 (excluding 9% superannuation) was payable and in 2013 a bonus of $151,184 (excluding 9.25% superannuation) is payable to the Managing Director.

Long term incentives

Achieving consistent annual performance results is the focus of the Company. Because the Managing Director holds a substantial shareholding in the Company the Board decided against granting any additional LTI again this year.

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

8. Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

Managing Director

The Managing Director is employed under an executive service agreement. The agreement was renewed on 19 September 2012 and provides that:

- The Managing Director may terminate his employment by giving 3 months written notice. No STI's or LTI's will apply to any financial year during which employment ceases and the treatment of LTI, if any, previously issued will be determined at the Board's discretion;
- The Company may terminate the Managing Director's employment by 6 months written notice or provide payment in lieu of the notice period based on the Managing Director's fixed component plus a variable component in recognition that termination during a financial year affects the ability to earn a performance incentive during that year. The treatment of LTI, if any, previously issued will be determined at the Board's discretion; and
- The Company may summarily terminate the Managing Director's employment if serious misconduct has occurred or 3 months notice for any other cause.

Mr Lindeberg was appointed Managing Director on 2 March 2001.

Under the terms of the present contract:

- The Managing Director receives fixed remuneration of $360,000 per annum.
- The Managing Director's STI opportunity is a cash bonus determined at Board's discretion on recommendation of the Remuneration Committee.
- The Managing Director will be entitled to an LTI benefit to be determined at the Board's discretion and subject to shareholder approval if involving an issue of securities.
- After cessation of employment the Managing Director will be restrained from participating in a business in competition with the Company, in the industry and soliciting Company staff for the 12 month period from termination date.

The Managing Director's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI, if any, on termination
Employer-initiated termination	6 months	Part or all of 6 months	Board discretion	Board discretion
Termination for serious misconduct	Nil	Nil	Board discretion	Board discretion
Employee-initiated termination	3 months	Part or all of 3 months	Board discretion	Board discretion

Other Key Management Personnel

The executive service agreement for other senior executives generally reflects that of the Managing Director.

Standard Key Management Personnel termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI, if any, on termination
Employer-initiated termination	3 months	Part or all of 3 months	Board discretion	Board discretion
Termination for serious misconduct	Nil	Nil	Board discretion	Board discretion
Employee-initiated termination	1 months	Part or all of 1 months	Board discretion	Board discretion

STATUTORY REPORT OF THE DIRECTORS (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

9. Key Management Personnel Remuneration – Table 1

Remuneration of Key Management Personnel of the Company

Name	***Year***	***Short-term Benefit***			***Post Employment***	***Share-based Payments***	***Other Long Term Employee Benefits***	***Total***
		Salaries and Fees	*Cash Performance Bonus*	*Non-Monetary FBT*	*Superannuation*	*Options Granted*	*LSL Movement*	
D Lindeberg	***2013***	*$311,055 (1)*	*$151,184 (2)*	*$13,944*	*$42,375*	*$0*	*$11,568*	***$530,126***
Managing Director (Executive)	***2012***	*$266,141*	*$54,569*	*$16,477*	*$53,296*	*$0*	*$1,184*	***$391,667***
P Pedler	***2013***	*$70,773*	*$0*	*$0*	*$6,370*	*$0*	*$0*	***$77,143***
Chairman of the Board	***2012***	*$69,500*	*$0*	*$0*	*$6,255*	*$0*	*$0*	***$75,755***
L Brett	***2013***	*$47,182*	*$0*	*$0*	*$4,246*	*$0*	*$0*	***$51,428***
Non Executive Director	***2012***	*$46,334*	*$0*	*$0*	*$4,170*	*$0*	*$0*	***$50,504***
D Brown	***2013***	*$47,182*	*$0*	*$0*	*$4,246*	*$0*	*$0*	***$51,428***
Non Executive Director	***2012***	*$46,334*	*$0*	*$0*	*$4,170*	*$0*	*$0*	***$50,504***
V Steer	***2013***	*$126,270*	*$0*	*$13,354*	*$11,149*	*$0*	*$4,486*	***$155,259***
Chief Financial Officer / Company Secretary	***2012***	*$118,896*	*$0*	*$8,861*	*$10,701*	*$0*	*$4,044*	***$142,502***
Total	***2013***	***$602,462***	***$151,184***	***$27,298***	***$68,386***	***$0***	***$16,054***	***$865,384***
Total	***2012***	***$547,205***	***$54,569***	***$25,338***	***$78,592***	***$0***	***$5,228***	***$710,932***

(1) The Managing Director's fixed annual remuneration was increased following an independent remuneration review in FY 2012.

(2) The performance bonus was determined based on invoiced sales against a budget set by the board. The budget was exceeded in FY2013. Refer section 6 and 7 earlier in the report for further explanation.

END OF AUDITED REMUNERATION REPORT

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 30th day of September 2013 in accordance with a resolution of the Directors.

P. Pedler
Chairman

D. Lindeberg
Managing Director

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AUSTRALIA

DECLARATION OF INDEPENDENCE

BY G K EDWARDS

TO THE DIRECTORS OF SCANTECH LIMITED

This auditor's independence declaration has been provided pursuant to s.307C of the Corporations Act 2001.

As lead auditor for the audit of Scantech Limited for the year ended 30th June 2013, I declare that, to the best of my knowledge and belief, there have been -

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

G K Edwards
Partner

BDO Audit Partnership (SA)

Adelaide, 30 September 2013

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Entity 2013 $	Consolidated Entity 2012 $
Revenue	3	17,723,583	15,406,566
Cost of Sales		(6,925,810)	(6,595,146)
Gross Profit		10,797,773	8,811,420
Other Income	3	193,643	25,540
Interest Received	3	243,849	275,849
Manufacturing Expenses		(747,224)	(634,393)
Engineering and Scientific Expenses		(1,971,902)	(1,720,278)
Marketing Expenses		(2,306,775)	(2,179,761)
Administration Expenses		(1,641,235)	(2,103,333)
Borrowing Costs		(127,142)	(150,318)
Profit / (Loss) before Income Tax		4,440,987	2,324,726
Income Tax Benefit / (Expense)	6	(1,324,320)	(628,267)
Profit / (Loss) after Income Tax Attributable to Owners of the Parent Entity		3,116,667	1,696,459
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss in future			
Gain / (Loss) on the Revaluation of Land (Net of Tax $343,500)		(801,500)	0
Total Comprehensive Income attributable to Owners of the Parent Entity		2,315,167	1,696,459
Basic Earnings per Share	9	0.2	0.1
Diluted Earnings per Share	9	0.2	0.1

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 2013

	Note	Consolidated Entity 2013 $	2012 $
CURRENT ASSETS			
Cash and Cash Equivalents	27	336,843	43,158
Trade and Other Receivables	10	2,413,735	3,348,607
Inventories	11	3,806,483	2,617,519
Amount due from Customers	11	2,056,910	1,974,141
Financial Assets	12	6,859,810	5,156,847
TOTAL CURRENT ASSETS		15,473,781	13,140,272
NON-CURRENT ASSETS			
Financial Assets	12	1,000	1,000
Property, Plant and Equipment	13	3,252,841	4,466,747
Patents, Trademarks and Licences	14	975,333	1,074,077
Product Development	15	1,716,045	1,716,045
Deferred Tax Asset	7	199,764	237,254
TOTAL NON-CURRENT ASSETS		6,144,983	7,495,123
TOTAL ASSETS		21,618,764	20,635,395
CURRENT LIABILITIES			
Trade and Other Payables	16	2,946,503	3,101,906
Amount due to Customers	11	1,422,157	3,400,171
Provision for Income Tax	6	1,251,080	235,702
Other Provisions	19	420,347	357,411
TOTAL CURRENT LIABILITIES		6,040,087	7,095,190
NON-CURRENT LIABILITIES			
Financial Liabilities	17	2,000,000	2,000,000
Other Provisions	19	90,485	53,628
Deferred Tax Liability	7	896,118	1,209,670
TOTAL NON-CURRENT LIABILITIES		2,986,603	3,263,298
TOTAL LIABILITIES		9,026,690	10,358,488
NET ASSETS		12,592,074	10,276,907
EQUITY			
Contributed Equity	20	14,960,462	14,960,462
Reserves	21	519,491	1,320,991
Retained Earnings (Losses)		(2,887,879)	(6,004,546)
TOTAL EQUITY		12,592,074	10,276,907

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 2013

	Ordinary Share Capital $	Retained Earnings/ (Accumulated Losses) $	Premium on Consolidation $	Asset Revaluation Reserve $	Total $
Consolidated Entity Balance as at 1 July 2011	16,716,169	(7,701,005)	13,139	1,307,852	10,336,155
Profit for the Period	0	1,696,459	0	0	1,696,459
Reduction of Capital	(1,755,707)	0	0	0	(1,755,707)
Consolidated Entity Balance as at 30 June 2012	14,960,462	(6,004,546)	13,139	1,307,852	10,276,907
Consolidated Entity Balance as at 1 July 2012	14,960,462	(6,004,546)	13,139	1,307,852	10,276,907
Profit for the Period	0	3,116,667	0	0	3,116,667
Other comprehensive income	0	0	0	(801,500)	(801,500)
Consolidated Entity Balance as at 30 June 2013	14,960,462	(2,887,879)	13,139	506,352	12,592,074

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 2013

	Note	Consolidated Entity 2013 $	2012 $
Cash flows from operating activities:			
Receipts from Customers		17,029,388	13,252,462
Payments to Suppliers and Employees		(15,031,987)	(12,553,871)
Interest Received		203,770	275,849
Interest Paid		(127,142)	(150,318)
Income Taxes Received / (Paid)		(241,504)	0
Other Income		193,643	25,540
Net cash provided by / (used in) operating activities	27	2,026,168	849,662
Cash flows from investing activities:			
Payments for Property, Plant and Equipment		(15,630)	(53,209)
Payments for Patents, Trademarks and Licences		(13,890)	(2,522)
Receipts / (Payments) for Financial Assets		(1,702,963)	503,157
Net cash provided by / (used in) investing activities		(1,732,483)	447,426
Cash flows from financing activities:			
Payment in relation to reduction of capital		0	(1,755,707)
Net cash provided by / (used in) financing activities		0	(1,755,707)
Net increase (decrease) in cash held		293,685	(458,619)
Cash at the beginning of the financial year		43,158	501,777
Cash at the end of the financial year	27	336,843	43,158

Reconciliation of Cash:

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

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2013 $	2012 $
Cash and Cash Equivalents	336,843	43,158

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 2013

1 INTRODUCTION

Scantech Limited is a listed public company limited by shares, incorporated and domiciled in Australia and is the parent entity of Scantech Limited Group of companies. This financial statement is prepared for the period of 1 July 2012 to 30 June 2013 and was authorised for issue in accordance with a resolution of the Directors on the 30 September 2013.

(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 authoritive 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. 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.

<u>Contract Revenue Percentage Completion:</u>

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

A change in the estimate of percentage of completion of contracts at 30 June 2012 resulted in recognition of profit before tax of $1,371,355. This change in the estimated percentage of completion was due to a revision in overhead assignment to ensure a proportional allocation of overheads over the period of the contracts. For future periods this change in revised overhead assignment will result in a higher percentage completion of the contract being recognised at the time when machines are shipped to the customer. The total profit on completion of the contract will remain unchanged.

<u>Impairment of Product Development Costs :</u>

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 2013 was $1,716,045 (30 June 2012: $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(p) and Note 15 for further details.

(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.

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 2013. These are outlined in the table below:

Reference	Title	Summary	Impact on Group Financial Report	Application Date for Group
AASB 9	Financial Instruments	The revised AASB 9 incorporates the IASB's completed work on Phase 1 of its project to replace IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities. In addition, the IASB completed its project on derecognition of financial instruments.	The amendments are not expected to have any impact on the Group's treatment of its financial assets in the financial report.	1-Jul-15
AASB 10	Consolidated Financial Statements	This Standard replaces AASB 127 and 3 key elements of control. Additional guidance is provided in how to evaluate each of the three key elements.	The amendments are not expected to have any impact on the Group's financial report.	1-Jul-13
AASB 11	Joint Arrangements	This Standard replaces AASB 131 Interests in Joint Ventures with two types of Joint Ventures instead of three types.	The amendments are not expected to have any impact on the Group's financial report.	1-Jul-13
AASB 12	Disclosure of Interests in Other Entities	This Standard provides the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It is attempting to improve the level of disclosure.	The amendments are not expected to have any impact on the Group's financial report.	1-Jul-13
AASB 13	Fair Value Measurement	This Standard defines fair value sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.	The amendments are expected to increase the extent of some disclosures in the Group's financial report.	1-Jul-13
AASB 119	Employee Benefits	The main changes are the timing measurement for recognition employee benefits liabilities and any actuarial gains / losses will be recognised through other comprehensive income rather than in profit and loss.	The revisions to AASB 119 are expected to have impact on employers' measurement of employee annual leave liabilities. The amount of changes through the re-measurement will have no significant moves.	1-Jul-13
AASB 2013-5	Amendments to Accounting Standards – Investment Entities	The amendment requires a parent investment entity to measure its investments in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements as well as introduces disclosure requirements for investment entities.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the financial report.	1-Jul-14

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(d) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Reference	Title	Summary	Impact on Group Financial Report	Application Date for Group
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard deletes the disclosure requirements for individual Key Management Personnel from AASB 124 Related Party Disclosures.	Individual Key Management Personnel disclosures relating to reconciliations of their option and shareholding balances, loans, and other transactions and balances, will no longer be presented in the notes to the financial statements under AASB124. Instead, Regulation 2M.3.03 (1) of the Corporations Act 2001 requires that these disclosures be included as part of the audited remuneration report.	1-Jul-13
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	This Standard results from the International Accounting Standards Board's annual improvements project 2009-2011. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-13
AASB 2012-6	Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	The amendments to AASB 9 are no longer requiring to restate comparatives. Instead, additional disclosures on the effects of transition are required.	The amendments are expected to have no or minimal effect on the measurement and recognition of amounts in the Group's financial report.	1-Jul-15
AASB 2012-9	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	The amendment to AASB 1048 is to arising from the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australian to be applied by entities preparing financial statements under the Corporations Act 2001 or other general purpose financial statements.	The amendments are not expected to have any impact on the Group's financial report.	1-Jul-13

(e) REVENUE RECOGNITION

Product 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 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 are provided, or when the fee in respect of services provided is receivable.

Interest Income:

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

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(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, and bank overdrafts.

(g) TRADE RECEIVABLES

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

Transactions:

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 the 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.

(i) TAXATION

Income Tax:

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the 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 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 (income) is charged or credited directly to equity instead of the 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.

(i) TAXATION (CONT'D)

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.

(k) INVESTMENTS IN SUBSIDIARIES

Subsidiaries:

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 the profit or loss when proposed by the subsidiaries.

Other Companies:

Investments in other companies are carried at the lower of cost, or recoverable amount, being a Directors' valuation based on market values at the time of the valuation. Dividends are brought to account as they are received.

(l) INVENTORIES

Manufacturing 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 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.

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 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).

(m) PROPERTY, PLANT AND EQUIPMENT

Acquisition:

Plant and equipment is recorded at cost and depreciated as outlined below. The cost of plant and equipment constructed by subsidiaries includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads. 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.

(m) PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Acquisition (Cont'd):
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 International Valuations Standards Committee International Valuation Standards, 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 the profit or loss.

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

Depreciation and Amortisation:
Property, plant and equipment are depreciated over its useful life (3 to 10 years) on straight line method. Amortisation of leasehold improvements is provided using the diminishing value method over the period of the lease (3 to 5 years). 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.

(n) LEASES

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

(o) INTANGIBLES

Patents, Trademarks and Licences:
Measured initially at cost less an 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.

(p) PRODUCT DEVELOPMENT COSTS

No development costs have been capitalised in the current year.

No research costs are carried forward.

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

(q) TRADE AND OTHER PAYABLES

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

(r) 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.

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(s) PROVISIONS

Employee Benefits:

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(t) SHARE-BASED PAYMENTS

The Group operates equity-settled share-based payment employee and Director's share and option schemes. There are no vesting conditions under these schemes. The fair value of the equity to which employees become entitled is recognised as an expense on grant date. The fair value of options is ascertained using a Binomial pricing model.

(u) EARNINGS PER SHARE

Basic earnings per share:

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) 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.

(w) 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.

(x) FINANCIAL INSTRUMENTS

Recognition 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.

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(x) FINANCIAL INSTRUMENTS (CONT'D)

Classification and Subsequent Measurement (Cont'd):

(iii) Financial Liabilities

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

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.

		Consolidated Entity	
		2013	**2012**
		$	**$**
3	**REVENUE AND OTHER INCOME**		
	Included in profit or loss are the following revenue and other income items:		
	Products Revenue	12,508,528	10,890,825
	Services Revenue	5,215,055	4,515,741
	Total Revenue	17,723,583	15,406,566
	Other Income – AusIndustry Grant	168,730	0
	– Sundry	24,913	25,540
	Total Other Income	193,643	25,540
	Interest Received	243,849	275,849
	Net Foreign Exchange Gain / (Loss)	237,460	(224,913)
4	**EXPENSES**		
	Included in the Profit before Income Tax are the following expenses:		
	Operating Lease Rental Costs	208,481	203,379
	Research and Development Costs	428,426	541,387
	Depreciation of Property, Plant and Equipment	84,536	113,423
	Amortisation of Patents, Trademarks and Licences	112,634	71,526
	Total Depreciation and Amortisation	197,170	184,949
	Wages and Salaries	3,195,964	2,785,175
	Superannuation	288,071	279,895
	Other Employee Benefits Expenses	811,486	464,610
	Total Employee Benefits Expenses	4,295,521	3,529,680
5	**AUDITORS' REMUNERATION**		
	Amounts received or due and receivable for audit and review of financial reports:		
	– Auditors of the Parent Entity – BDO	65,950	64,050
	Amounts received or due and receivable for other services of auditor of parent entity by:		
	– Taxation services – BDO	30,468	26,627
	– Other accounting services – BDO	1,600	10,037
	Total Auditor's Remuneration	98,018	100,714
6	**INCOME TAX EXPENSE**		
	The components of tax benefit / (expense) comprise:		
	Current tax	(1,251,080)	(235,702)
	Deferred tax	(74,374)	(392,905)
	Over / (Under) provision in respect of prior years	1,134	340
		(1,324,320)	(628,267)

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	Consolidated Entity 2013 $	Consolidated Entity 2012 $
6 INCOME TAX EXPENSE (CONT'D)		
A reconciliation between tax expense and the product of the accounting profit before income tax multiplied by the consolidated entity's applicable tax rate is as follows:		
Accounting Profit before Income Tax	4,440,987	2,324,726
Tax at 30%	(1,332,296)	(697,418)
Non Deductible Permanent Differences	(46,654)	(163,862)
Other Temporary Differences not Previously Recognised	1,134	340
Impact of R&D Tax Incentive	53,496	232,673
Income Tax Benefit / (Expense)	(1,324,320)	(628,267)
7 RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
Deferred income tax as at 30 June 2013 relates to the following:		
Deferred Tax Liabilities:		
Other Debtors and Prepayments	18,080	5,267
Land and Buildings	217,009	560,509
Patents, Trademarks and Licences	113,166	129,081
Product Development	514,813	514,813
Foreign Exchange Differences	33,050	0
	896,118	1,209,670
Deferred Tax Assets:		
Foreign Exchange Differences	0	48,931
Contracts in Progress	777	1,238
Land and Buildings	14,055	21,620
Plant and Equipment	17,586	22,422
Other Payables and Accruals	7,535	10,724
Provisions	153,250	123,312
Other Assets	6,561	9,007
	199,764	237,254

Other than tax in relation to the loss on the revaluation of land of $343,500 (2012:Nil) that was recognised in Other Comprehensive Income, all movements on Deferred Tax Liabilities and Deferred Tax Assets have been recognised in profit or loss.

	2013 $	2012 $
8 DIVIDENDS		
Dividends provided for or paid by the Parent Entity are:		
(i) No final dividend was paid	0	0
(ii) No interim dividend was paid	0	0
(iii) No final dividend is recommended by the Directors	0	0
Dividend Franking Account:		
Retained profits and reserves that could be distributed as franked dividends using franking credits already in existence or which will arise from income tax payments and in the following period, and after deducting franking credits to be used in payment of the above dividends, franked at 30% (2012: 30%)	4,492,308	1,559,583
9 EARNINGS PER SHARE		
Profit attributable to owners of the parent entity after income tax	3,116,667	1,696,459
Basic Earnings per Share	0.2	0.1
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	17,557,066	17,557,066
Diluted Earnings per Share	0.2	0.1
Weighted average number of ordinary shares used in the calculation of the diluted earnings per share	17,557,066	17,557,066

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9 EARNINGS PER SHARE (CONT'D)

In Accordance with AASB 133 "Earnings per Share", earnings per share have not been diluted for options existing at balance date as the average market price of ordinary shares during the year does not exceed the exercise price of the options of issue.

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
10 TRADE AND OTHER RECEIVABLES		
Current:		
Trade Accounts Receivable outstanding:		
Current	1,971,056	2,694,957
1 – 30 days	51,436	122,116
30 – 60 days	71,994	31,029
60 – 90 days	45,785	78,299
Over 90 days	64,529	225,642
Total	2,204,800	3,152,043
Other Debtors and Prepayments	208,935	196,564
	2,413,735	3,348,607

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 but not impaired as they are still considered to be receivable.

Current Amounts Receivable in Foreign Currencies:
The Australian dollar equivalent of unhedged amounts receivable in foreign currencies, calculated at year end exchange rates, are as follows:

	2013 $	2012 $
United States Dollars (USD)	1,228,165	678,862
Euro (EUR)	184,928	358,676
South African Rand (ZAR)	77,362	634,326
	1,490,455	1,671,864

	2013 $	2012 $
11 INVENTORIES		
Current:		
Raw Materials and Stores at cost	1,064,042	805,189
Work in Progress	2,742,441	1,812,330
	3,806,483	2,617,519
Contracts in Progress:		
Cost Incurred plus Profit to Date	31,772,680	30,570,707
Less Billings	(31,137,927)	(31,996,737)
Net Amount	634,753	(1,426,030)
Represented By:		
Amounts due from Customers (Asset)	2,056,910	1,974,141
Amounts due to Customers (Liability)	(1,422,157)	(3,400,171)
Contracts in Progress (Net Amount)	634,753	(1,426,030)
12 FINANCIAL ASSETS		
Non-Current:		
Shares - Other Corporations (at cost)	1,000	1,000
	1,000	1,000
Current:		
Amounts on Deposit at Banks	6,859,810	5,156,847

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	Consolidated Entity 2013 $	Consolidated Entity 2012 $
12 FINANCIAL ASSETS (CONT'D)		
Current Term Deposit Amounts in Foreign Currencies:		
The Australian dollar equivalent of unhedged amounts term deposit in foreign currencies, calculated at year end exchange rates, are as follows:		
United States Dollars (USD)	41,144	230,509
Euro (EUR)	246,796	302,312
South African Rand (ZAR)	0	103,000
13 PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment – at cost	562,479	553,080
Accumulated Depreciation	(409,638)	(358,833)
	152,841	194,247
Leasehold Improvements – at cost	112,983	112,983
Accumulated Amortisation	(112,983)	(112,983)
	0	0
Land and Buildings – at fair value	3,237,500	4,382,500
Accumulated Depreciation	(137,500)	(110,000)
	3,100,000	4,272,500
Total Property, Plant and Equipment	3,252,841	4,466,747

Movement In Carrying Amounts:

Movement in the carrying amounts for each class of Property, Plant and Equipment between the beginning and the end of the current financial year.

	2013 $	2012 $
Plant and Equipment at cost at the beginning of the year	553,080	499,871
Additions	15,630	53,209
Disposals	(6,231)	0
Plant and Equipment at cost at the end of the year	562,479	553,080
Accumulated Depreciation at the beginning of the year	(358,833)	(272,910)
Depreciation Expense	(57,036)	(85,923)
Depreciation Expense write back	6,231	0
Accumulated Depreciation at the end of the year	(409,638)	(358,833)
Carrying Amount of Plant and Equipment at the end of the year	152,841	194,247
Leasehold Improvements at cost at the beginning of the year	112,983	112,983
Leasehold Improvements at cost at the end of the year	112,983	112,983
Accumulated Amortisation at the beginning of the year	(112,983)	(112,983)
Amortisation Expense	0	0
Accumulated Amortisation at the end of the year	(112,983)	(112,983)
Carrying Amount of Leasehold Improvements at the end of the year	0	0
Land and Buildings at fair value at the beginning of the year	4,382,500	4,382,500
Revaluations	(1,145,000)	0
Land and Buildings at fair value at the end of the year	3,237,500	4,382,500
Accumulated Depreciation at the beginning of the year	(110,000)	(82,500)
Depreciation Expense	(27,500)	(27,500)
Accumulated Depreciation at the end of the year	(137,500)	(110,000)
Carrying Amount of Land and Buildings at the end of the year	3,100,000	4,272,500
Total Property, Plant and Equipment at the end of the year	3,252,841	4,466,747

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13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)		
Carrying amounts of the land and buildings if they were not re-valued and measured at cost less accumulated depreciation would be as follows:		
Carrying Amount of Land & Buildings at the end of the year	2,376,640	2,404,140

The valuation of land and buildings at 141-145 Mooringe Avenue, Camden Park was conducted by a local independent valuer on the 3 July 2013, to determine the fair value of the land and buildings at 30 June 2013. The valuation was determined by reference to recent market transactions on arm's length terms. As a result of this valuation, the fair value of the land and buildings has been decreased showing a $801,500 loss on comprehensive income net of tax and a reduction of $343,500 in carrying amount of deferred tax liability.

Assets pledged as security:
Freehold Land and Buildings with a carrying amount of $3,100,000 (2012: $4,272,500) have been pledged to secure borrowings of the Group (refer to Note 17).

	2013 $	2012 $
14 PATENTS, TRADEMARKS AND LICENCES		
Patents and Licences – at cost at the end of the year	1,671,804	1,705,607
Accumulated Amortisation at the end of the year	(696,471)	(631,530)
	975,333	1,074,077
Movement In Carrying Amounts:		
Patents and Licences at cost at the beginning of the year	1,705,607	1,703,085
Additions	13,890	10,952
Disposals	(47,693)	(8,430)
Patents and Licences at cost at the end of the year	1,671,804	1,705,607
Accumulated Amortisation at the beginning of the year	(631,530)	(560,004)
Amortisation Expense	(112,634)	(71,526)
Amortisation Expense Write Back	47,693	0
Accumulated Amortisation at the end of the year	(696,471)	(631,530)
Carrying Amount of Patents and Licences at the end of the year	975,333	1,074,077
15 PRODUCT DEVELOPMENT		
Development – at cost	1,716,045	1,716,045
Movement In Carrying Amounts:		
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.

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.

15 PRODUCT DEVELOPMENT (CONT'D)

Impairment Testing (Cont'd):

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.13% (2012: 13%) pre-tax discount rate;

b. 2% (2012: 2%) per annum for 6 years, 0% per annum thereafter, projected revenue growth rate for net operating cash flows.

The discount rate of 13% 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 and the volatility of the share price relative to market movements.

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 net operating cash flows would need to decrease by 33% 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 more than 25% 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.

	Consolidated Entity	
	2013	2012
	$	$
16 TRADE AND OTHER PAYABLES		
Current:		
Trade Accounts Payable	276,519	1,200,679
Other Payables and Accruals	2,669,984	1,901,227
	2,946,503	3,101,906
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)	83,490	112,093
Euro (EUR)	140,915	99,981
South African Rand (ZAR)	0	34
United Kingdom Pounds (GBP)	3,628	1,842
	228,033	213,950
17 FINANCIAL LIABILITIES		
Non-Current:		
Bank Loans	2,000,000	2,000,000
	2,000,000	2,000,000

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 Collaterisation 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.

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	Consolidated Entity 2013 $	Consolidated Entity 2012 $
18 FINANCING ARRANGEMENTS		
The Consolidated Entity had access to the following lines of credit:		
Total facilities available at balance date:		
Bank Overdraft	1,000,000	1,000,000
Bank Loans	2,000,000	2,000,000
Bank Guarantee / Performance Guarantee	4,970,121	4,206,518
Forward Cover	1,000,000	1,000,000
	8,970,121	8,206,518
Facilities utilised at balance date:		
Bank Overdraft	0	0
Bank Loans	(2,000,000)	(2,000,000)
Bank Guarantee / Performance Guarantee	(1,939,353)	(1,462,285)
Forward Cover	0	0
	(3,939,353)	(3,462,285)
Facilities not utilised at balance date:		
Bank Overdraft	1,000,000	1,000,000
Bank Loans	0	0
Bank Guarantee / Performance Guarantee	3,030,768	2,744,233
Forward Cover	1,000,000	1,000,000
	5,030,768	4,744,233
19 PROVISIONS – OTHER		
Current:		
Employee Benefits	420,347	357,411
	420,347	357,411
Non-Current:	90,485	53,628
Employee Benefits	90,485	53,628
20 CONTRIBUTED EQUITY		
Issued and Paid Up Capital:		
At the beginning of the reporting period	14,960,462	16,716,169
Shares issued during the year	0	0
Reduction of Capital*	0	(1,755,707)
At reporting date	14,960,462	14,960,462

*On the 30 March 2012, the Company reduced its share capital by $1,755,707 with of an equal capital reduction under which, each shareholder registered on the share register on the 19 March 2012 was paid $0.10 per share.

Ordinary Shares:	2013 Number of shares	2012 Number of shares
At beginning of the reporting period	17,557,066	17,557,066
At reporting date	17,557,066	17,557,066

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.

Options:
For information relating to Scantech's director and employee options, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 31 Share-Based Payments.

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20 CONTRIBUTED EQUITY (CONT'D)

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 and share issues.

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 2013 and 30 June 2012 are detailed below.

	Consolidated Entity	
	2013	**2012**
	$	**$**
Debts:		
Trade & Other Payables	2,946,503	3,101,906
Financial Liabilities - Loans	2,000,000	2,000,000
Total Borrowings	4,946,503	5,101,906
Less Financial Assets	(6,859,810)	(5,156,847)
Less Cash and Cash Equivalents	(336,843)	(43,158)
Net Debt	(2,250,150)	(98,099)
Total Equity	12,592,074	10,276,907
Total Capital	10,341,924	10,178,808
Gearing Ratio	-22%	-1%

21 RESERVES

	2013	2012
Premium on Consolidation	13,139	13,139
Asset Revaluation Reserve - Land	506,352	1,307,852
	519,491	1,320,991

The Asset Revaluation Reserve arises on the revaluation of land. When revalued land is 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.

22 CAPITAL AND LEASING COMMITMENTS

The Group has no capital expenditure commitments at year end.

	2013	2012
The Underwood, Queensland property lease is a non-cancellable lease with a five year term to expire on 31/12/2013.		
Payable – minimum lease payments		
- not later than 1 year	94,360	185,563
- between 1 year and 5 years	0	92,782
	94,360	278,345
The operating lease for Xerox Photocopier is a non-cancellable lease with a five year term. Lease term extended from 22/05/2012 to 15/05/2014.		
Payable – minimum lease payments		
- not later than 1 year	17,181	18,520
- between 1 year and 5 years	0	16,977
	17,181	35,497

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	Consolidated Entity 2013 $	Consolidated Entity 2012 $
22 CAPITAL AND LEASING COMMITMENTS (CONT'D)		
The operation lease for IBC Network solution is a non-cancellable lease with a two year term is under contract at the end of the reporting period, and is due to commence in October 2013.		
Payable – minimum lease payments		
- not later than 1 year	12,272	0
- between 1 year and 5 years	20,454	0
	32,726	0
23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS		
The group has a contingent liability of $1,678,821 (2012: $1,045,947) 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.		
24 PARENT ENTITY INFORMATION		
Information relating to Scantech Limited the Parent Entity:		
Current Assets	2,268,189	2,268,189
Total Assets	2,276,584	2,276,584
Current Liabilities	0	0
Total Liabilities	0	0
Issued Capital	14,960,462	14,960,462
Retained Earnings	(12,683,878)	(12,683,878)
Total Shareholders' Entity	2,276,584	2,276,584
Profit or loss of the Parent Entity	0	0
Total Comprehensive Income of the Parent Entity	0	0
Contingent Liabilities of the Parent Entity:		
Guarantees entered into by the Parent Entity in relation to the Debts of its Subsidiaries	969,232	1,255,767
Bank loans are secured by an unlimited guarantee provided by the Parent Entity.	2,000,000	2,000,000
Contractual Commitments by the Parent Entity for the Acquisition of Property, Plant or Equipment	0	0

25 SUBSIDIARIES

Name/Country of Incorporation:		Group Interest	Book Value of Investment 2013 $	Book Value of Investment 2012 $
Coalscan Pty Ltd	Australia	100%	6,393	6,393
Scantech Applications Pty Ltd	Australia	100%	0	0
Mineral Control Instrumentation Pty Limited	Australia	100%	2	2
Scan Technologies Inc	Pennsylvania USA	100%	0	0
Scan Technologies Inc	West Virginia USA	100%	0	0
Scantech Services Pty Ltd	Australia	100%	0	0
Scantech Properties Pty Ltd	Australia	100%	0	0
Scantech International Pty Ltd	Australia	100%	1,000	1,000
			7,395	7,395

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	Book Value of Investment 2013 $	2012 $
25 SUBSIDIARIES (CONT'D)		
Investment in Other Companies:		
Saindo Trading Company Pty Ltd (1 trust unit)	1,000	1,000
	1,000	1,000

26 DIRECTORS SHAREHOLDINGS AND OPTIONS – DIRECT AND INDIRECT INTEREST AS AT 30 JUNE 2013

There is no Director Share Option Deeds were executed and no options remain outstanding as at 30 June **2013**:

Directors Shareholdings (Beneficial Interests) – Direct and Indirect Interest:

Name of Director	30 June 2013 Number of Shares	30 June 2012 Number of Shares
David Lindeberg	3,588,301	3,501,023
Dean Brown	55,000	25,000
Laurance Brett	827,476	827,476
Peter Pedler	728,885	708,885
Total	**5,199,662**	**5,062,384**

A reconciliation of opening and closing interests in shares and share option deeds is provided in Note 28. Directors share options Deeds and Shareholdings were unchanged at the date of this report from the end of the reporting period.

	Consolidated Entity 2013 $	2012 $
27 CASH FLOW INFORMATION		
i) Reconciliation of Cash:		
For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank, net of outstanding bank overdrafts.		
Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash	336,843	43,158
ii) Reconciliation of cash flow from operations with profit after income tax:		
Profit / (Loss) after income tax	3,116,667	1,696,459
Add / (Less) non-cash items:		
Depreciation and Amortisation	197,170	184,949
Change in assets and liabilities:		
Reduction / (Increase) in trade & other receivables	934,872	(800,680)
Reduction / (Increase) in contract balances	(2,060,783)	(1,283,974)
Reduction / (Increase) in inventories	(1,188,964)	(52,396)
Reduction / (Increase) in deferred tax asset	37,490	392,366
Increase / (Reduction) in deferred tax liability	29,948	199
Increase / (Reduction) in trade & other creditors	(155,403)	425,076
Increase / (Reduction) in provision for employee entitlements	99,793	51,961
Increase / (Reduction) in income tax provision	1,015,378	235,702
Net cash provided by / (used in) operating activities	2,026,168	849,662
28 RELATED PARTY DISCLOSURE		
Key Management Personnel Compensation:		
The total payment of Key Management Personnel compensation comprised:		
Short-term employee benefits	780,944	627,112
Post-employee benefits	68,386	78,592
Termination benefits	0	0
Other long term benefits	16,054	5,228
Share-based payments	0	0
	865,384	710,932

28 RELATED PARTY DISCLOSURE (CONT'D)

Directors and Key Management Personnel Shares and Share Options:

The relevant interests of Directors and the Key Management Personnel of the Parent Entity and their Director-related entities in shares and share options of entities within the Consolidated Entity at year end are set out below:

	2013 Number of shares	2012 Number of shares
Ordinary Shares:		
Opening Balance at beginning of the year		
David Lindeberg	3,501,023	3,501,023
Dean Brown	25,000	0
Laurance Brett	827,476	577,476
Peter Pedler	708,885	483,885
Valerie Steer	0	0
	5,062,384	4,562,384
Increase in the aggregate number of Ordinary Shares during the year		
David Lindeberg	87,278	0
Dean Brown	30,000	25,000
Laurance Brett	0	250,000
Peter Pedler	20,000	225,000
Valerie Steer	0	0
	137,278	500,000
Closing Balance at end of the year		
David Lindeberg	3,588,301	3,501,023
Dean Brown	55,000	25,000
Laurance Brett	827,476	827,476
Peter Pedler	728,885	708,885
Valerie Steer	0	0
Total Ordinary Shares held by Directors and the Senior Executive	5,199,662	5,062,384

	2013 Number of options	2012 Number of options
Options over Ordinary Shares:		
All options listed below are vested and exercisable until the date of expiry.		
Options exercisable at $1.30 each and expire 31 December 2012:		
Opening Balance at beginning of the year		
David Lindeberg	0	500,000
Dean Brown	150,000	150,000
Laurance Brett	150,000	150,000
	300,000	800,000
Decrease in the aggregate number of Options during the year		
David Lindeberg	0	(500,000)
Dean Brown	(150,000)	0
Laurance Brett	(150,000)	0
	(300,000)	(500,000)
Closing Balance at end of the year		
David Lindeberg	0	0
Dean Brown	0	150,000
Laurance Brett	0	150,000
	0	300,000
Options exercisable at $0.70 each and expire 31 December 2013:		
Opening Balance at beginning of the year		
Valerie Steer	5,000	5,000
	5,000	5,000
Closing Balance at end of the year		
Valerie Steer	5,000	5,000
	5,000	5,000

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28 RELATED PARTY DISCLOSURE (CONT'D)

Options over Ordinary Shares (Cont'd):

	2013 Number of options	2012 Number of options
Options exercisable at $0.87 each and expire 31 December 2012:		
Opening Balance at beginning of the year		
Valerie Steer	5,000	5,000
	5,000	5,000
Decrease in the aggregate number of Options during the year		
Valerie Steer	(5,000)	0
	(5,000)	0
Closing Balance at end of the year		
Valerie Steer	0	5,000
	0	5,000
Options exercisable at $0.67 each and expire 31 December 2011:		
Opening Balance at beginning of the year		
Valerie Steer	0	25,000
	0	25,000
Decrease in the aggregate number of Options during the year		
Valerie Steer	0	(25,000)
	0	(25,000)
Closing Balance at end of the year		
Valerie Steer	0	0
	0	0

Details of interests in wholly owned controlled entities are set out at Note 25.

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 or due to be received in both year 2013 and 2012 is listed below:

Year	Primary			Post Employment	Share-based Payments	Other Long Term Employee Benefits	Total
	Salaries and Fees*	Cash Performance Bonus*	Non-Monetary FBT	Superannuation*	Options Granted**	LSL Movements	
2013	$51,528	$0	$0	$4,505	$0	$0	**$56,033**
2012	$59,191	$0	$0	$5,324	$0	$0	**$64,515**

* Salaries and Fees, Performance Bonus and Superannuation figures are based on the amounts received or due to be received for the relevant year.

* * Value of options granted at date of issue.

During the financial year ended 30 June 2013, Scantech Limited incurred fees in relation to legal services of $26,354 (2012: $65,474) from Duncan Basheer Hannon the legal firm where Peter Pedler is a partner. These transactions were entered into under normal terms and conditions. $4,559 (2012: $8,128) was owing to Duncan Basheer Hannon at the end of the reporting period.

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

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29 FINANCIAL INSTRUMENTS

(a) Financial Risk Management:

The Group's financial instruments consists mainly of deposits with banks, short-term investments, 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 and credit 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 deposit in currencies other than the Group's measurement currency, predominantly in EUR, ZAR and USD. Refer to Notes 10, 12 and 16 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.

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 balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in Notes 10,11 and 12.

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 2013	**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	2,413,735	0	0	2,413,735
Cash and Cash Equivalents	0.83	336,843	0	0	0	336,843
Investments	3.96	0	6,990,076	0	0	6,990,076
Total Financial Assets		**336,843**	**9,403,811**	**0**	**0**	**9,740,654**
Financial Liabilities						
Trade and Other Payables	0.00	0	2,946,503	0	0	2,946,503
Bank Overdrafts and Loans	5.79	0	115,800	882,099	1,853,030	2,850,929
Total Financial Liabilities		**0**	**3,062,303**	**882,099**	**1,853,030**	**5,797,432**

29 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Instruments (Cont'd):

(i) Liquidity and Interest Rate Risk (Cont'd):

30 June 2012	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	3,348,607	0	0	3,348,607
Cash and Cash Equivalents	0.01	43,158	0	0	0	43,158
Investments	4.48	0	5,211,498	28,688	0	5,240,186
Total Financial Assets		**43,158**	**8,560,105**	**28,688**	**0**	**8,631,951**
Financial Liabilities						
Trade and Other Payables	0.00	0	3,101,906	0	0	3,101,906
Bank Overdrafts and Loans	6.03	0	120,600	736,067	2,152,885	3,009,552
Total Financial Liabilities		**0**	**3,222,506**	**736,067**	**2,152,885**	**6,111,458**

Refer Note 18 "Financing Arrangements" for details of bank facilities available.

(ii) Fair Values:

Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date.

	Consolidated Entity 2013 $		Consolidated Entity 2012 $	
Financial Assets:	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	336,843	336,843	43,158	43,158
Trade and Other Receivables	2,413,735	2,413,735	3,348,607	3,348,607
Held to Maturity Investments	6,859,810	6,859,810	5,156,847	5,156,847
Financial Liabilities:				
Trade and Other Payables	(2,946,503)	(2,946,503)	(3,101,906)	(3,101,906)
Loans	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Net Exposure	4,663,885	4,663,885	3,446,706	3,446,706

(iii) Sensitivity Analysis:

As at 30 June 2013, the effect on post tax profit and equity as a result of changes in the interest rate and foreign currency, with all other variables remaining constant would be as follows:

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
Interest Rate:		
Increase in interest rate by 0.50%	35,983	16,000
Decrease in interest rate by 0.50%	(34,544)	(13,380)
Foreign Currency:		
Improvement in AUD to USD by 5%	(56,660)	(37,965)
Decline in AUD to USD by 5%	62,623	41,962
Improvement in AUD to EUR by 5%	(14,886)	(27,615)
Decline in AUD to EUR by 5%	16,453	30,521
Improvement in AUD to ZAR by 5%	(3,683)	(34,913)
Decline in AUD to ZAR by 5%	4,072	38,587
Improvement in AUD to GBP by 5%	172	88
Decline in AUD to GBP by 5%	(191)	(97)

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Entity 2013 $	Consolidated Entity 2012 $
30 SEGMENT INFORMATION		
Business Segments:		
Sales Revenue		
Products	12,508,528	10,890,825
Service	5,215,055	4,515,741
	17,723,583	15,406,566
Segment Results Profit / (Loss) after Tax		
Products	2,199,607	1,199,218
Service	917,060	497,241
	3,116,667	1,696,459
Depreciation, Amortisation, Interest Received, Interest Paid and Income Tax are all allocated to Products.		
Geographical Segments:		
Non-current assets are all located in Australia.		
Revenue by geographical location is not available and the cost to develop it would be excessive.		
Major Customers:		
There is one external customer with 32.08% (2012: 10.7%) of the entity's revenue for year ended 30 June 2013		
Products Revenue	4,238,830	1,066,593
Service Revenue	1,446,020	583,765
	5,684,850	1,650,358

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Company's segments comprise of Products and Service. The Products segment includes the sale and commissioning of the Company's on-line analysers. The Service segment includes design, installation and radiation services to existing and new customers.

31 SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2013:

On 01 January 2008, 800,000 share options were granted to Directors to accept ordinary shares at an exercise price of $1.30 each. The options were exercisable on or before 31 December 2012. The options held no voting or dividend rights and were non transferrable. At 30 June 2012, 500,000 share options were forfeited, and the remaining 300,000 lapsed during the year ended 30 June 2013.

On 01 January 2008, 60,000 share options were granted to employees with more than five years full-time service under the Scantech Limited employee option plan to take up ordinary shares at an exercise price of 87 cents each. The options were exercisable on or before 31 December 2012. The options held no voting or dividend rights and were non transferrable. At balance date, 60,000 share options lapsed and no share options have been exercised.

On 01 January 2009, 55,000 share options were granted to employees with more than five years full-time service under the Scantech Limited employee option plan to take up ordinary shares at an exercise price of 70 cents each. The options are exercisable on or before 31 December 2013. The options hold no voting or dividend rights and are non transferrable. At balance date, 35,000 share options lapsed and no share options have been exercised.

31 SHARE-BASED PAYMENTS (CONT'D)

	Consolidated Entity			
	2013		2012	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	380,000	1.20	940,000	1.22
Granted	0	0.00	0	0.00
Forfeited	0	0.00	(500,000)	1.30
Exercised	0	0.00	0	0.00
Lapsed	(360,000)	1.23	(60,000)	0.67
Outstanding at year-end	20,000	0.70	380,000	1.20
Exercisable at year-end	20,000	0.70	380,000	1.20

There were no share options exercised during the year ended 30 June 2013.

Employee benefits expense in relation to issuing the options to directors and employees during the current year is $0 (2012: $0), and relates, in full, to equity-settled share-based payment transactions.

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.

Scantech Limited Public Company A.C.N. 007 954 627
And Controlled Entities

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on Pages 23 to 49, and the Remuneration Report in the Directors Report set out on Pages 15 to 21 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 2013 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 30th day of September 2013

ADDITIONAL INFORMATION – DISCLOSURE

The following information required by the Australian Stock Exchange is extracted from the records as at 12 September 2013.

The holdings of the twenty largest holders of shares represent 76.5% (2012: 78.2%) of the total voting power of Scantech Limited.

The twenty largest shareholders of Scantech Limited as shown in the Company's Register of Members were:

Names	Number of Fully Paid Ordinary Shares	% of Fully Paid Ordinary Shares
RIDGWAY CONSULTING PTY LTD <SUPER FUND A/C>	2,288,301*	13.03
OUWENS CORPORATE SERVICES PTY LIMITED <OUWENS SUPER FUND A/C>	2,117,679	12.06
C H ADMINISTRATION PTY LTD <D R WATSON SUPER FUND A/C>	1,456,885	8.30
RIDGWAY CONSULTING PTY LTD	1,300,000	7.40
BODKIN PTY LTD <KYRE AVENUE SUPER FUND A/C>	728,885*	4.15
MELBOURNE STREET INVESTMENTS PTY LIMITED	669,646*	3.81
MR DANIEL RONALD WATSON	651,989	3.71
MR GEOFFREY DUNCAN NASH <GDN SUPER FUND A/C>	615,318	3.50
BOBA CORPORATION PTY LTD	577,476*	3.29
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	459,261	2.62
MR KELVIN JAMES SPENCER & MRS CHRISTINE DENISE SPENCER <SPENCER FAMILY S/FUND A/C>	444,609	2.53
ABSOLUTE ANALOGUE INC	300,000	1.71
MRS ELIZABETH GERALDINE COOPER	300,000	1.71
MR RONALD COLIN SARGENT & MRS KATHLEEN ANN SARGENT	270,469	1.54
BOBA CORPORATION PTY LTD <BOBA SUPER FUND A/C>	250,000	1.42
BFA SUPER PTY LTD <GDN SUPER FUND A/C>	239,905	1.37
MR EDWARD JOHN SHEPHERD + MRS LORETTA CONSTANCE SHEPHERD <MELBOURNE STREET INV S/F AC>	200,000	1.14
MR PETER DONALD SHEARER + MRS SUZANNE ELIZABETH SHEARER	200,000	1.14
MR ROBERT WILSON	198,375	1.13
MR IAN ERNEST WEBBER & MRS CHRISTINE MARGARET WEBBER <WEBBER SUPER FUND NO 2 A/C>	160,000	0.91
Total Top 20 Fully Paid Ordinary Shares	**13,428,798**	**76.5**
All other ordinary shares	4,128,268	23.5
Total Issued Ordinary Shares	**17,557,066**	**100.0**

* Denotes several shareholdings combined into one

Analysis of issued shares:

Range of Shares held	Holders of Fully Paid Ordinary Shares
1 – 1,000	121
1,001 – 5,000	200
5,001 – 10,000	80
10,001 – 100,000	83
100,001 & over	23
Total Holders of Fully Paid Ordinary Shares	**507**

All issued ordinary shares carry one vote per share. Holders of less than marketable parcel of shares are zero.

The following interests are recorded in the Company's register of substantial shareholders with 5% or more holdings:

Names	Number of Voting Shares held	% of Fully Paid Ordinary Shares
Ridgway Consulting Pty Ltd, 67 Ridgway Drive, Flagstaff Hill SA 5159	3,588,301	20.44
Daniel Ronald Watson, PO Box 322 Glenside SA 5065	2,223,914	12.67
Ouwens Corporate Services Pty Ltd, 147 Frome Street Adelaide SA 5000	2,187,459	12.46

OPTIONS

The Company has 20,000 options outstanding as at 12 September 2013 listed as table below. All options are exercisable on the basis of one fully paid share for each exercised option. Options do not carry the right to vote.

Number of Options	Number of Option Holders	Options Exercise Price	Options Expire Date
20,000	4	$0.70	31/12/2013

CORPORATE GOVERNANCE STATEMENT

SCANTECH LIMITED

STATEMENT

Scantech Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of Corporate Governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its Corporate Governance practices. Where the Company's Corporate Governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's Corporate Governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

SUMMARY STATEMENT

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.2		✓
Recommendation 1.2	✓		Recommendation 4.3	✓	
Recommendation 1.3[3]	n/a	n/a	Recommendation 4.4[3]	n/a	n/a
Recommendation 2.1	✓		Recommendation 5.1	✓	
Recommendation 2.2	✓		Recommendation 5.2[3]	n/a	n/a
Recommendation 2.3	✓		Recommendation 6.1	✓	
Recommendation 2.4		✓	Recommendation 6.2[3]	n/a	n/a
Recommendation 2.5	✓		Recommendation 7.1	✓	
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.2	✓	
Recommendation 3.1	✓		Recommendation 7.3	✓	
Recommendation 3.2	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.3		✓	Recommendation 8.1	✓	
Recommendation 3.4	✓		Recommendation 8.2	✓	
Recommendation 3.5[3]	n/a	n/a	Recommendation 8.3	✓	
Recommendation 4.1		✓	Recommendation 8.4[3]	n/a	n/a

1 Indicates where the Company has followed the Principles & Recommendations.
2 Indicates where the Company has provided "if not, why not" disclosure.
3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

WEBSITE DISCLOSURES

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.scantech.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	**Recommendation(s)**
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.4
Policies and Procedures	
Policy and Procedure for Selection and (Re) Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Diversity Policy (summary)	3.2
Code of Conduct (summary)	3.1, 3.5
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

DISCLOSURE – PRINCIPLES & RECOMMENDATIONS

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the Reporting Period.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Managing Director formally reviews the performance of the senior executives. This is conducted annually by formal interview between the Managing Director and each senior executive. The senior executive may be counselled if the performance of the senior executive during the year does not reach the standards expected.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

Disclosure:

During the Reporting Period an evaluation of Senior Executives took place in accordance with the process disclosed.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Board has a majority of directors who are independent.

The independent directors of the Board are Peter Pedler, Dean Brown and Laurance Brett. The non independent director of the Board is David Lindeberg.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The independent Chair of the Board is Peter Pedler.

Recommendation 2.3:

The roles of the Chair and Managing Director should not be exercised by the same individual.

Disclosure:

The Managing Director is David Lindeberg who is not Chair of the Board.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Notification of Departure:

The Nomination Committee comprises the full Board. The Company has not established a separate Nomination Committee.

Explanation for Departure:

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of Nomination Committee and meets separately as the Nomination Committee as and when required. The Nomination Committee deals with any conflicts of interest that may occur by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The performance of the Board is reviewed twice yearly by self assessment completed by the Board. These self assessments also include the evaluation of any applicable committees.

The performance of the Chairman is reviewed annually by a committee of the directors appointed by the Board for that purpose.

The individual director's performance evaluation is completed by the Chair of the Board. The Chair meets with each individual director yearly to informally discuss their performance. The Chair will raise any issues of concern with the individual director. Any issues raised by the director will be reported to the next board meeting.

The performance of the Managing Director is reviewed quarterly by the Board against key performance indicators for the Company set at the beginning of each financial year by the Board in consultation with the Managing Director as part of the Company's five year strategic plan. The Managing Director may be counselled if there is a material departure from the agreed key performance indicators.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and Term of Office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent Directors of the Company are Peter Pedler, Dean Brown and Laurance Brett. These Directors are independent as they are Non-Executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement Concerning Availability of Independent Professional Advice

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board carries out the role of the Nomination Committee. The full Board convened once as a Nomination Committee during the Reporting Period.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

During the Reporting Period an evaluation of the Board, individual Director and any applicable committees took place in accordance with the disclosed process.

Recommendation 2.6 (Cont'd):

Selection and (Re) Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent Directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Sub-Clause 32.4.1 of the Company's Constitution requires one-third of the Directors, or if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors, to retire from office at each Annual General Meeting. Sub-Clause 35.1.10 of the Company's Constitution provides that the Managing Director is not subject to retirement by rotation. Sub-Clause 32.4.3 of the Company's constitution provides for Directors elected or appointed on the same day may agree among themselves or determine by lot which of them must retire. Sub-Clause 32.4.4 of the Company's Constitution requires subject to Clause 35.1.10, a Director must retire from office at the conclusion of the third annual general meeting or the third year after the Director was appointed, whichever is longer, even if his or her retirement results in more than one-third of all Directors retiring from office. Re-appointment of Directors is not automatic.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Company has established a diversity policy focusing on gender, ethnicity / culture, disability and age. The Diversity Policy summary is disclosed on the Company's website.

Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Notification of Departure:

The Board has not established measurable objectives for achieving gender diversity.

Explanation for Departure:

The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Disclosure:

There are 16.67% (FTE) of female employees in the whole company and 100% of senior executive positions are female, there are no females on the Board.

Recommendation 3.5:

Companies should provide the information indicated in the *Guide to reporting on Principle 3.*

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 4 – SAFEGUARD INTERGRITY IN FINANCIAL REPORTING

Recommendation 4.1 and Recommendation 4.2:

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of independent Directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Notification of Departure:

The full Board comprises the Audit Committee. The Company does not meet the composition requirements of Recommendation 4.2.

Explanation for Departure:

The Board meets separately as the Audit Committee with a separate agenda. The auditor is invited to all meetings of the Audit Committee. When the Board convenes as the Audit Committee it carries out those functions which are delegated in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Audit Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee.

The Audit Committee comprises all the Directors of the Company, being Peter Pedler, Dean Brown, Laurance Brett and David Lindeberg. Messrs Pedler, Brown and Brett are independent Directors, with the only non independent Director being Mr. Lindeberg.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:

The full Board, in its capacity as the Audit Committee, held two (2) meetings during the Reporting Period. All Board members attended the meetings. When the Board meets as the Audit Committee, Laurance Brett chairs the meeting. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter.

The explanation for departure set out under Recommendation 4.1 above explains how the functions of the Audit Committee are performed.

Details of each of the Director's qualifications, including any relevant financial qualifications, as well as details of any relevant financial and accounting experience and an understanding of the industry in which the Company operates, are set out in the Directors' Report.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6.*

Disclosure:

Please refer to the section above marked Website Disclosures.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has formalised and documented the management of its material business risks, comprising a risk register prepared by management to identify the Company's material business risks and risk management strategies for these risks. In addition, management of material business risks have been allocated to members of senior management. The risk register is reviewed quarterly and updated as required.

<u>Recommendation 7.1 (Cont'd):</u>

Disclosure (Cont'd):

The utilisation of the Company's risk register entails the Board regularly reviewing the major risks affecting the Company and the entities it controls (including accounting, budgetary, financial, environmental and safety audits), insurance policies, intellectual property, foreign exchange risk and the retention of specialised staff and external advisers. The Board is responsible for reviewing, identifying, controlling and developing procedures for managing each of the risks identified.

Further, when presenting the financial statement for approval by the Board, the Managing Director and the Chief Financial Officer provide a written statement to the Board that:

- the Group's financial statements present a true and fair view in all material aspects of the Company's financial condition and operational results and are in accordance with the relevant accounting standards;
- the Group's financial statements are founded on a sound system of risk management and internal compliance and control which implements policies adopted by the Board; and
- the risk management and internal control systems are sound and operating effectively in all material respects.

<u>Recommendation 7.2:</u>

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

<u>Recommendation 7.3:</u>

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

<u>Recommendation 7.4:</u>

Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

<u>Recommendation 8.1:</u>

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee.

Recommendation 8.2:

The remuneration committee should be structured so that it:

- consists of a majority of independent Directors
- is chaired by an independent chair
- has at least three members

Disclosure:

The remuneration committee comprises the three independent Directors and is chaired by Dean Brown.

Recommendation 8.3:

Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

Disclosure:

Non-Executive Directors are remunerated separately from the Company's employees. Payments to Non-Executive Directors are consistent with market norms and have been determined after independent external advice. Superannuation payments made to Non-Executive Directors are those required by legislation.

Remuneration packages are set at levels that are intended to attract and retain personnel capable of managing the economic entity's operations.

Pay and rewards for Executive Directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 8.*

Disclosure:

Details of remuneration are contained in the "Remuneration Report" which forms part of the Directors' Report.

The Remuneration Committee held two (2) meetings during the Reporting Period. The following table identifies those Directors who are members of the Remuneration Committee and shows their attendance at committee meetings:

Name	**No. of meetings attended**
Dean Brown	Two (2)
Laurance Brett	Two (2)
Peter Pedler	Two (2)

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCANTECH LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Scantech Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and comprehensive income, statement of changes in equity, and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Scantech Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the consolidated entity 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

(a) the financial report of Scantech Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with the Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Scantech Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001.*

BDO

BDO Audit Partnership (SA)

G K Edwards

G K Edwards
Partner

Adelaide, 30 September 2013