SCANTECH

Process control specialists

Scantech Limited
ACN: 007 954 627
Incorporated in South Australia

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ISO 9001 BUREAU VERITAS Certification

SCANTECH LIMITED

ACN: 007 954 627

HALF YEARLY REPORT

31 December 2016

DIRECTORS' REPORT

The Directors submit the financial report of Scantech Limited for the half year ended 31 December 2016.

Directors

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

Peter Pedler - Chairman since 1 September 2005 and Non-Executive Director since 12 August 2003.
David Lindeberg – Managing Director and a Director since 20 January 2000.
Laurance Brett - Non-Executive Director since 1 September 2005.
Dean Brown – Non-Executive Director since 29 June 2007.

Reviews & Results of Operations

The Company announces an unaudited loss before tax for the half year ended 31 December 2016 of $766,400 compared to $798,132 for the same period last year.

A tax benefit of $229,119 brings the unaudited loss after tax for the half year ended 31 December 2016 to $537,281 compared to $564,262 for the same period last year. This loss includes a gain of $35,147 for exchange variance.

Sales were $5,186,380 (2015: $4,826,605) an increase of 7% over last year.

The Company had equipment orders on hand of $7.1M as at the 31 December 2016 compared to $8.2M on hand at 31 December 2015.

Auditor's Independence Declaration

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

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

Peter Pedler
Chairman
Adelaide, 23 February 2017

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DECLARATION OF INDEPENDENCE
BY PAUL GOSNOLD
TO THE DIRECTORS OF SCANTECH LIMITED

As lead auditor for the review of Scantech Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Scantech Limited and the entities it controlled during the period.

Paul Gosnold
Director

BDO Audit (SA) Pty Ltd

Adelaide, 23 February 2017

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated Entity	
	Note	**31 December 2016 $**	**31 December 2015 $**
Revenue	3	5,186,380	4,826,605
Cost of Sales		(2,719,851)	(2,233,214)
Gross Profit		2,466,529	2,593,391
Loss on Sale of Property, Plant and Equipment		(2,113)	0
Other Income	3	87,659	88,602
Manufacturing Expenses		(387,159)	(383,263)
Engineering and Scientific Expenses		(1,043,231)	(1,085,872)
Marketing Expenses		(961,189)	(1,014,486)
Administration Expenses		(876,288)	(934,913)
Borrowing Costs		(50,608)	(61,591)
Loss before Income Tax		(766,400)	(798,132)
Income Tax Benefit		229,119	233,870
Loss after Income Tax Attributable to Owners of the Parent Entity		(537,281)	(564,262)
Other Comprehensive Income for the period Gain on revaluation of investment shares (net of $12,230 deferred tax)		28,536	0
Total Comprehensive Income attributable to Owners of the Parent Entity		(508,745)	(564,262)

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Consolidated Entity	
	Note	**31 December 2016**	**30 June 2016**
		$	**$**
CURRENT ASSETS			
Cash and Cash Equivalents		1,697,231	2,079,719
Trade and Other Receivables		1,655,235	3,082,100
Current Tax Asset		55,324	282,797
Inventories	4	3,173,655	3,055,175
Amount due from Customers	5	2,348,965	2,747,401
Financial Assets	6	2,192,291	2,409,510
TOTAL CURRENT ASSETS		11,122,701	13,656,702
NON-CURRENT ASSETS			
Financial Assets	6	1,788,945	1,000
Property, Plant and Equipment		3,248,082	3,233,854
Patents, Trademarks and Licences		795,808	826,043
Product Development		1,716,045	1,716,045
Deferred Tax Asset		436,491	193,466
TOTAL NON-CURRENT ASSETS		7,985,371	5,970,408
TOTAL ASSETS		19,108,072	19,627,110
CURRENT LIABILITIES			
Trade and Other Payables		3,163,060	3,618,414
Amount due to Customers	5	1,249,259	865,148
Other Provisions		528,537	486,949
TOTAL CURRENT LIABILITIES		4,940,856	4,970,511
NON-CURRENT LIABILITIES			
Financial Liabilities		2,000,000	2,000,000
Other Provisions		21,660	28,434
Deferred Tax Liability		875,486	849,350
TOTAL NON-CURRENT LIABILITIES		2,897,146	2,877,784
TOTAL LIABILITIES		7,838,002	7,848,295
NET ASSETS		11,270,070	11,778,815
EQUITY			
Contributed Equity	7	5,470,385	5,470,385
Reserves		548,027	519,491
Retained Earnings		5,251,658	5,788,939
TOTAL EQUITY		11,270,070	11,778,815

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	$	$	$	$	$
Consolidated Entity					
Balance as at 1 July 2015	7,125,759	5,653,874	13,139	506,352	13,299,124
Loss for the half-year	0	(564,262)	0	0	(564,262)
Transactions with owners in their capacity as owners					
Share buy-back	(1,655,374)	0	0	0	(1,655,374)
Consolidated Entity					
Balance as at 31 December 2015	5,470,385	5,089,612	13,139	506,352	11,079,488

	Ordinary Share Capital	Retained Earnings/ (Accumulated Losses)	Premium on Consolidation	Asset Revaluation Reserve	Total
	$	$	$	$	$
Consolidated Entity					
Balance as at 1 July 2016	5,470,385	5,788,939	13,139	506,352	11,778,815
Loss for the half-year	0	(537,281)	0	0	(537,281)
Other comprehensive income	0	0	0	28,536	28,536
Consolidated Entity					
Balance as at 31 December 2016	5,470,385	5,251,658	13,139	534,888	11,270,070

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF CASHFLOWS
FOR HALF YEAR ENDED 31 DECEMBER 2016

	Consolidated Entity	
	31 December 2016 $	**31 December 2015 $**
Cash flows from operating activities:		
Receipts from Customers	7,506,483	4,820,038
Payments to Suppliers and Employees	(6,505,333)	(4,783,048)
Dividends Received	11,100	0
Interest Received	31,573	68,280
Interest Paid	(50,608)	(61,591)
Income Taxes (Paid) / Received	227,473	181,366
Other Income	3,535	5,506
Net cash provided by operating activities	1,224,223	230,551
Cash flows from investing activities:		
Payments for Property, Plant and Equipment	(100,288)	(23,332)
Receipts from Sales of Property, Plant and Equipment	26,364	0
Payments for Patents, Trademarks and Licences	(2,827)	(30,228)
Payments for Investment Shares	(1,747,179)	0
Net Receipts / (Payments) from movements in Financial Assets	217,219	1,952,671
Net cash provided by / (used in) investing activities	(1,606,711)	1,899,111
Cash flows from financing activities:		
Share buy-back	0	(1,655,374)
Net cash used in financing activities	0	(1,655,374)
Net increase / (decrease) in cash held	(382,488)	474,288
Cash at the beginning of the financial year	2,079,719	3,267,795
Cash at the end of the half year	1,697,231	3,742,083

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 Statement of Financial Position as follows:

Cash and Cash Equivalents	1,697,231	3,742,083

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR HALF YEAR ENDED 31 DECEMBER 2016

1 BASIS OF PREPARATION OF FINANCIAL REPORT

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB134 Interim Financial Reporting and the Corporations Act 2001.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Scantech Limited during the half-year ended 31 December 2016 and the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

- AASB 2015-2 – 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2014-4 / IAS 16 & IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
- AASB 2015-1 – Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs

2 REPORTING BASIS AND CONVENTIONS

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

	Consolidated Entity	
	31 December 2016 **$**	**31 December 2015** **$**
3 REVENUE AND OTHER INCOME / (EXPENSE)		
Included in profit or loss are the following revenue and other income / (expense) items:		
Products Revenue	2,520,565	2,381,633
Services Revenue	2,665,815	2,444,972
Total Revenue	5,186,380	4,826,605
Sundry Income	3,535	5,506
Interest Received	37,877	66,878
Net Foreign Exchange Gain / (Loss)	35,147	16,218
Franked Dividend Income	11,100	0
Total Other Income	87,659	88,602

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated Entity	
		31 December 2016 **$**	**30 June 2016** **$**
4	**INVENTORIES**		
	Current:		
	Raw Materials and Stores at cost	1,194,202	1,021,291
	Work in Progress	1,979,453	2,033,884
		3,173,655	3,055,175
5	**CONTRACTS IN PROGRESS**		
	Cost Incurred plus Profit to Date	20,622,472	20,023,388
	Less Billings	(19,522,766)	(18,141,135)
	Net Amount	1,099,706	1,882,253
	Represented By:		
	Amounts due from Customers (Asset)	2,348,965	2,747,401
	Amounts due to Customers (Liability)	(1,249,259)	(865,148)
	Contracts in Progress (Net Amount)	1,099,706	1,882,253
6	**FINANCIAL ASSETS**		
	Non-Current:		
	Shares – Other Corporations (at cost)	1,000	1,000
	Shares – Listed Entities (at market value)	1,787,945	0
		1,788,945	1,000
	Current:		
	Amounts on Deposits at Banks	2,192,291	2,409,510
		2,192,291	2,409,510
7	**CONTRIBUTED EQUITY**		
	Issued and Paid Up Capital:		
	At the beginning of the reporting period	5,470,385	7,125,759
	Share buy-back	0	(1,655,374)
	At reporting date	5,470,385	5,470,385

	31 December 2016	**30 June 2016**
Ordinary Shares:	Number of shares	Number of shares
At beginning of the reporting period	14,712,163	17,562,066
Share buy-back	0	(2,849,903)
At reporting date	14,712,163	14,712,163

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR HALF YEAR ENDED 31 DECEMBER 2016

8 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR HALF YEAR ENDED 31 DECEMBER 2016

8 FAIR VALUE MEASUREMENT (CONT'D)

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

Fair Value Measurements at 31 December 2016 Using:

Description	Quoted Prices in Active Markets for Identical Assets $ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs $ (Level 2)	Significant Unobservable Inputs $ (Level 3)
Recurring fair value measurements			
Investment in shares of - Listed Entities	1,787,945	-	-
Land and Buildings	-	3,003,750	-
Non- Recurring fair value measurements	-	-	-

Fair Value Measurements at 30 June 2016 Using:

Description	Quoted Prices in Active Markets for Identical Assets $ (Level 1)	Significant Observable Inputs Other than Level 1 Inputs $ (Level 2)	Significant Unobservable Inputs $ (Level 3)
Recurring fair value measurements			
Investment in shares of - Listed Entities	-	-	-
Land and Buildings	-	3,017,500	-
Non-Recurring fair value measurements	-	-	-

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

SCANTECH LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR HALF YEAR ENDED 31 DECEMBER 2016

8 FAIR VALUE MEASUREMENT (CONT'D)

Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 31 December 2016 $	Description of Valuation Techniques	Inputs Used
Level 2			
Land and Buildings	3,003,750	Sales price comparison	Sales prices of comparable land and buildings in a similar location are analysed on the bases of rate per square metre of gross lettable area

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

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

	December 2016 $		June 2016 $	
Financial Assets:	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents	1,697,231	1,697,231	2,079,719	2,079,719
Trade and Other Receivables	1,655,235	1,655,235	3,082,100	3,082,100
Amounts due from customers	2,348,965	2,348,965	2,747,401	2,747,401
Held to Maturity Investments	2,192,291	2,192,291	2,409,510	2,409,510
Shares – Listed Entities	1,787,945	1,787,945	0	0
Financial Liabilities:				
Trade and Other Payables	(3,163,060)	(3,163,060)	(3,618,414)	(3,618,414)
Amounts due to customers	(1,249,259)	(1,249,259)	(865,148)	(865,148)
Loans	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Net Exposure	3,269,348	3,269,348	3,835,168	3,835,168

9 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group has a contingent liability of $1,021,693 (June 2016: $791,961) in relation to a Deed of Deposit and set off over Term Deposit Funds lodged with the bank as cash cover for Bank Guarantee / Letter of Credit facilities.

10 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

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

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

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position as at 31 December 2016 and performance for the half-year ended on that date of the consolidated entity

(ii) Complying with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

Chairman
P Pedler

Managing Director
D Lindeberg

Signed in Adelaide, this 23 day of February, 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF SCANTECH LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Scantech Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Scantech Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Scantech Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Scantech Limited is not in accordance with the Corporations Act 2001 including:

(a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO

BDO Audit (SA) Pty Ltd

Paul Gosnold

Paul Gosnold
Director

Adelaide, 23 February 2017