

Appendix 4D Half-Year Report

XRF Scientific Limited
ABN 80 107 908 314



For the Half-Year ended 31 December 2014

Results for Announcement to the Market

Revenue from ordinary activities	up	1%	to	\$10,794,564	from	\$10,667,784
Earnings before interest and tax (EBIT)	up	12%	to	\$2,045,027	from	\$1,823,578
Profit from ordinary activities after tax	up	16%	to	\$1,585,950	from	\$1,366,813
Net profit attributable to members	up	16%	to	\$1,585,950	from	\$1,366,813

Dividends (distributions)

	Amount per security	Franked amount per security
Interim dividend – this period	0.5c	0.5c
Interim dividend – previous corresponding period	Nil	Nil

Net tangible assets per ordinary share

31 December 2014	31 December 2013
\$	\$
0.11	0.11

Earnings per share (EPS)

	31 December 2014	31 December 2013
Basic EPS – (cents per share)	1.2	1.0
Diluted EPS – (cents per share)	1.2	1.0
Weighted average of number of ordinary shares	132,157,097	132,157,097

Commentary on the results for the half-year ended 31 December 2014

XRF Scientific Ltd (“XRF” or “Company”) is pleased to report its December 2014 half-year results to shareholders. The Company has generated revenue of \$10.8m and underlying profits before tax of \$2.3m, before expensing \$156k in acquisition related costs.

Underlying profits are up 23% on the June 2014 half of \$1.9m and 13% on the previous corresponding period (PCP) of \$2.0m. The increase is directly attributable to the Company's long term strategy of expansion via new product developments, growing international sales and acquisitions.

The Directors have also confirmed that a maiden interim dividend of 0.5 cents per share, fully franked, will be payable with a record date of 20 February 2015 and payment date of 6 March 2015. This is in line with the Company's growing maturity as a public Company, having established reliable cash flows for a number of years, even throughout this difficult period for the mining industry.

As at 31 January 2015, the Company's cash position was \$5.7m, which decreased from \$6.2m as at 30 June 2014, following payments for acquisitions, the full-year 2014 dividend and product development costs. XRF remains in the strong balance sheet position of being debt free.

The Consumables division generated a result that was steady, with profits before tax of \$1.06m, as compared to \$1.09m in 2H14. After a slow start to the year in July and August, consumable sales increased in September, and since then have remained at a respectable level. Sales to clients exposed to mining exploration continued to remain weak, with sales to production companies and export markets providing the most opportunities.

The Precious Metals division also generated a result that was steady on 2H14, with profits before tax of \$842k achieved as compared to \$832k. The Kitco Labware business in Canada continued to perform well and assisted with the Company's expansion plan throughout the Americas.

The Capital Equipment division performed extremely well, and delivered profits before tax of \$580k, which is a 231% increase over the 2H14 result of \$175k. The result was primarily driven by the growing success of the Company's flagship electric fusion machine, xrFuse 6, as well as the smaller xrFuse 2 that was launched in August 2014. Both of these machines filled serious voids in the division's product range, which has contributed to the lower level of results reported for the past few years.

The xrFuse 2 machine is targeted at non-mining export markets, for industries such as cement, glass, steel and research. Since its launch, a large number of orders have been received and are currently being fulfilled. Included in the division's result was a once-off obsolete stock impairment of \$90k, which relates to a product superseded by the xrFuse machines. Having proved the division's ability to produce new products on time and to budget, it is currently working towards the release of further major products, due for release in the near future. XRF is committed to re-investing profits back into R & D to ensure it remains the global leader in its field.

In line with the Company's strategy to grow its export business and non-mining revenue streams, a number of high quality distributors were appointed in countries such as South Korea, Malaysia and Turkey. Excellent progress is already being made and initial sales levels have been pleasing. Further work on the Company's international distribution network is planned throughout 2015, particularly in parts of Asia and South America that require improvement.

Throughout the half the Company completed two bolt-on acquisitions. The first of which was Coltide XRF Drift Monitors (Coltide), which was acquired in November 2014. Coltide is a manufacturer and supplier of XRF Drift Monitors, which are sold worldwide to mining companies and research organisations that need to establish an accurate calibration for a series of elements, on a regular basis on their x-ray spectrometers. Coltide's products were manufactured in Adelaide by Dr Keith Norrish, who is regarded as the pre-eminent pioneer of wavelength dispersive x-ray spectrometry for the analysis of minerals. Manufacturing has since been transferred to the Company's facility in Melbourne and the first product sales occurred in December.

XRF also acquired the business of ICPH Flux, based in France, for total upfront consideration of €658,000 (AUD \$986,000), with potential deferred consideration of up to €70,000 (AUD \$105,000) payable, linked to certain revenue targets for the first twelve months that follows settlement. The upfront consideration includes €110,000 (AUD \$160,000) of platinum labware, which is not required for production and will be liquidated back into cash assets. The business was established in 1984 by Mr Gérard Lang, using a unique manufacturing process, and was one of the first producers of x-ray flux in the world. Under XRF's ownership, manufacturing has been transferred to the Company's facility in Perth using existing equipment. Sales are being managed directly from Perth, with a transition program in place with the assistance of the vendor. The business is expected to generate EBIT of approximately \$200,000 pa under XRF's ownership.

A number of additional acquisitions were also reviewed throughout the period, however the Board continues to adhere to its strict acquisition criteria, and will only proceed with those opportunities that meet it. The Board is continuing to work its way through a pipeline of high quality targets that it has identified.

Details of controlled entities acquired or disposed of

The following acquisitions were completed by XRF during the period:

- Coltide XRF Drift Monitors, a manufacturer and supplier of XRF calibration equipment based in Adelaide
- ICPH Flux, a manufacturer and supplier of x-ray flux based in France

See note 11 of the attached financial statements for further details.

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates and joint venture entities:	31 December 2014	31 December 2013
	\$	\$
Profit (loss) from ordinary activities	(33,070)	19,658

Compliance statement

1. This report, and the accounts upon which this report is based, have been prepared in accordance with AASB Standards.
2. This report, and the accounts upon which the report is based, use the same accounting policies.
3. This report gives a true and fair view of the matters disclosed.
4. This report is based upon accounts to which one of the following applies:

☐

The accounts have been audited.

☒

The accounts have been subject to review.

☐

The accounts are in the process of being audited or subject to review.

☐

The accounts have *not* yet been audited or reviewed.

5. The auditor's review report is attached.
6. The entity has a formally constituted audit committee.

Signed:



Date: 12 February 2015

Name:

Vance Stazzonelli (Company Secretary)



**XRF SCIENTIFIC LIMITED
ABN 80 107 908 314
AND CONTROLLED ENTITIES**

INTERIM FINANCIAL STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

This interim financial report does not include all the notes of the type normally included in an annual financial statement. Accordingly, this statement is to be read in conjunction with the annual statement for the year ended 30 June 2014 and any public announcements made by XRF Scientific Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

COMPANY PARTICULARS

BOARD OF DIRECTORS

Kenneth P. Baxter	(Chairman, Non-Executive)
David Brown	(Non-Executive)
David Kiggins	(Non-Executive)
Fred Grimwade	(Non-Executive)

COMPANY SECRETARIES

Vance Stazzonelli
Andrew Watson

REGISTERED OFFICE

XRF Scientific Limited
98 Guthrie Street
Osborne Park WA 6017

SHARE REGISTRY

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770 Canning Highway
Applecross WA 6153
Phone: (08) 9315 2333
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AUDITOR

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of XRF Scientific Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were directors of XRF Scientific Limited during the whole of the half-year and up to the date of this report:

Kenneth Baxter (Chairman, Non-Executive)
David Brown (Non-Executive)
David Kiggins (Non-Executive)
Fred Grimwade (Non-Executive)

Review of operations

Please refer to the "Commentary on the results for the half-year ended 31 December 2014" section, which can be found at the start of the Appendix 4D.

Business Segments

Capital Equipment

Design, manufacture and service organisation, specialising in automated fusion equipment, high temperature test and production furnaces, as well as general laboratory equipment.

Precious Metals

Manufactures products for the laboratory and platinum alloy markets.

Consumables

Produces and distributes consumables, chemicals and other supplies for analytical laboratories.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

This report is signed in accordance with a resolution of the Board of Directors and is signed for on behalf of the Board by:



Kenneth Baxter
Chairman

12 February 2015

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF XRF SCIENTIFIC LIMITED

As lead auditor for the review of XRF Scientific Limited for the half-year ended 31 December 2014, 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 XRF Scientific Limited and the entities it controlled during the period.



Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 12 February 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	31-Dec-14	31-Dec-13
	\$	\$
Revenue from continuing operations	10,794,564	10,667,784
Cost of sales	(6,016,597)	(6,398,068)
Gross profit	4,777,967	4,269,716
Other revenues	66,115	114,074
Share of net profit / (loss) of investments accounted for using the equity method	(33,070)	19,658
Administration expenses	(1,976,068)	(1,884,772)
Occupancy expenses	(318,916)	(273,941)
Finance costs	(943)	(1,152)
Other expenses	(389,953)	(314,683)
Profit before income tax	2,125,132	1,928,900
Income tax expense	(539,182)	(562,087)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited	1,585,950	1,366,813
Other comprehensive income		
Items that will be classified to profit or loss		
Foreign currency translation differences	138,648	4,648
Other comprehensive income after income tax	138,648	4,648
Total comprehensive income for the half year	1,724,598	1,371,461
Total comprehensive income attributable to Equity holders of XRF Scientific Limited	1,724,598	1,371,461
Basic earnings per share (cents per share)	1.2	1.0
Diluted earnings per share (cents per share)	1.2	1.0

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Consolidated 31-Dec-14 \$	30-June-14 \$
CURRENT ASSETS			
Cash and cash equivalents		5,406,526	6,201,770
Trade and other receivables		3,639,814	3,867,255
Inventories		3,078,557	2,977,727
Other assets		163,084	210,926
TOTAL CURRENT ASSETS		<u>12,287,981</u>	<u>13,257,678</u>
NON-CURRENT ASSETS			
Property, plant and equipment	6	3,502,207	3,582,303
Intangible assets	7	14,668,185	13,566,922
Investments accounted for using the equity method	5	507,828	656,300
Deferred tax asset		434,320	432,301
TOTAL NON-CURRENT ASSETS		<u>19,112,540</u>	<u>18,237,826</u>
TOTAL ASSETS		<u>31,400,521</u>	<u>31,495,504</u>
CURRENT LIABILITIES			
Trade and other payables		833,300	1,291,430
Provisions		502,928	369,580
Other current liabilities		283,221	157,882
Current income tax liability		49,060	252,521
TOTAL CURRENT LIABILITIES		<u>1,668,509</u>	<u>2,071,413</u>
NON-CURRENT LIABILITIES			
Deferred tax liability		224,378	171,978
Provisions		118,382	133,733
TOTAL NON-CURRENT LIABILITIES		<u>342,760</u>	<u>305,711</u>
TOTAL LIABILITIES		<u>2,011,269</u>	<u>2,377,124</u>
NET ASSETS		<u>29,389,252</u>	<u>29,118,380</u>
EQUITY			
Issued capital	9	18,257,772	18,257,772
Reserves		760,894	622,246
Retained profits		10,370,586	10,238,362
TOTAL EQUITY		<u>29,389,252</u>	<u>29,118,380</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Half-year	
	31-Dec-14	31-Dec-13
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	11,132,411	10,933,784
Payments to suppliers and employees (inclusive of GST)	(8,709,785)	(9,165,577)
Interest received	81,049	132,814
Interest paid	(943)	(105)
Income taxes paid	(692,262)	(904,364)
Net cash inflow (outflow) from operating activities	<u>1,810,470</u>	<u>996,552</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(122,574)	(299,463)
Proceeds from sale of property, plant and equipment	11,818	-
Payments for acquisition of businesses	(1,005,702)	(1,798,890)
Payments for research and development	(191,953)	(182,152)
Return of capital from investments accounted for under the equity method	100,000	-
Receipt of dividends from investments accounted for under the equity method	15,402	-
Payments for additional investments accounted for under the equity method	-	(261,782)
Amounts received under LIBS license and sale agreements	-	137,601
Net cash inflow (outflow) from investing activities	<u>(1,193,009)</u>	<u>(2,404,686)</u>
Cash flows from financing activities		
Dividends paid	(1,453,726)	(2,246,329)
Net cash inflow (outflow) from financing activities	<u>(1,453,726)</u>	<u>(2,246,329)</u>
Cash and cash equivalents at the beginning of the financial period	6,201,770	8,641,808
Net increase (decrease) in cash and cash equivalents	(836,265)	(3,654,463)
Effects of exchange rate changes on cash and cash equivalents	41,021	-
Cash and cash equivalents at the end of the financial period	<u>5,406,526</u>	<u>4,987,345</u>

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

31 DECEMBER 2014

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	18,257,772	759,243	(136,997)	10,238,362	29,118,380
Profit for the period	-	-	-	1,585,950	1,585,950
Other comprehensive income	-	-	138,648	-	138,648
Total comprehensive income for the period	-	-	138,648	1,585,950	1,724,598
Transactions with Equity Holders in their capacity as Equity Holders					
Dividends paid	-	-	-	(1,453,726)	(1,453,726)
	-	-	-	(1,453,726)	(1,453,726)
Balance at 31 December 2014	18,257,772	759,243	1,651	10,370,586	29,389,252

31 DECEMBER 2013

	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	18,257,772	759,243	-	10,043,433	29,060,448
Profit for the period	-	-	-	1,366,813	1,366,813
Other comprehensive income	-	-	4,648	-	4,648
Total comprehensive income for the period	-	-	4,648	1,366,813	1,371,461
Transactions with Equity Holders in their capacity as Equity Holders					
Dividends paid	-	-	-	(2,246,329)	(2,246,329)
	-	-	-	(2,246,329)	(2,246,329)
Balance at 31 December 2013	18,257,772	759,243	4,648	9,163,917	28,185,580

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

1. Reporting entity

XRF Scientific Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The consolidated annual financial statement of the consolidated entity as at and for the year ended 30 June 2014 is available on the Company’s website at www.xrfscientific.com.

2. Basis of preparation of half-year report

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by XRF Scientific Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity’s accounting policies and has had no effect on the amounts reported for the current or prior periods.

This consolidated interim financial report was approved by the Board of Directors on 12 February 2015.

3. Segment Information

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used in previous periods.

Operating segments are reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group’s other components. Each operating segment’s results are reviewed regularly by the Chief Executive Officer to make decisions about the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Chief Executive Officer monitors segment performance based on profit before income tax expense. Segment results that are reported to the Chief Executive Officer include results directly attributable to a segment as well as those allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The consolidated entity has determined that strategic decision making is facilitated by evaluation of operations on the customer segments of Capital Equipment, Precious Metals & Consumables. For each of the strategic operating segments, the Chief Executive Officer reviews internal management reports on a monthly basis.

Capital Equipment

Design, manufacture and service organisation, specialising in automated fusion equipment, high temperature test and production furnaces, as well as general laboratory equipment.

Precious Metals

Manufactures products for the laboratory and platinum alloy markets.

Consumables

Produces and distributes consumables, chemicals and other supplies for analytical laboratories.

XRF SCIENTIFIC LIMITED
ABN 80 107 908 314
INTERIM FINANCIAL STATEMENT – 31 DECEMBER 2014



Segment information provided to the Chief Executive Officer for the half-year ended 31 December 2014 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Half-year ended 31 December 2014	\$	\$	\$	\$
Segment revenue				
Total segment revenue	3,411,511	4,954,409	3,083,739	11,449,659
Inter segment sales	(138,965)	(597,150)	-	(736,115)
Revenue from external customers	3,272,546	4,357,259	3,083,739	10,713,544
Profit before income tax expense	580,013	841,658	1,058,068	2,479,739
Half-year ended 31 December 2013	\$	\$	\$	\$
Segment revenue				
Total segment revenue	2,865,307	4,749,153	3,369,255	10,983,715
Inter segment sales	(47,871)	(202,831)	-	(250,702)
Revenue from external customers	2,817,436	4,546,322	3,369,255	10,733,013
Profit before income tax expense	179,379	508,157	1,268,801	1,956,337
Segment assets				
At 31 December 2014	5,874,526	10,994,364	17,790,523	34,659,412
At 30 June 2014	5,500,293	10,082,109	16,540,705	32,123,107
Segment liabilities				
At 31 December 2014	277,409	2,640,010	363,374	3,280,793
At 30 June 2014	483,189	2,590,257	171,624	3,245,070
			Half-year 31-Dec-14	Half-year 31-Dec-13
			\$	\$
Revenue from external customers – segments			10,713,544	10,733,013
Unallocated revenue			81,020	(65,229)
Revenue from external customers - total			10,794,564	10,667,784
Profit before income tax expense – segments			2,479,739	1,956,337
Eliminations and unallocated (corporate)			(354,607)	(27,437)
Profit before income tax expense from continuing operations - total			2,125,132	1,928,900
			Half-year 31-Dec-14	Full-year 30-Jun-14
			\$	\$
Total segment assets			34,659,412	32,123,107
Eliminations and unallocated (corporate)			(3,258,891)	(627,603)
Total assets			31,400,521	31,495,504
Total segment liabilities			3,280,793	3,245,070
Eliminations and unallocated (corporate)			(1,269,524)	(867,946)
Total liabilities			2,011,269	2,377,124

4. Profit for the half-year

	31-Dec-14	31-Dec-13
	\$	\$
Profit for the half-year included the following items that are unusual because of their nature, size or incidence:		
Acquisition of business and equity investment costs	(156,273)	(97,195)

5. Investments accounted for using the equity method

	31-Dec-14	30-Jun-14
	\$	\$
Opening amount	656,300	335,906
Share of net profit / (loss) of investments accounted for using the equity method	(33,070)	(92,158)
Return of capital from XRock Automation ¹	(100,000)	-
Dividend received from XRock Automation ¹	(15,402)	-
Conversion of convertible notes to shares in Gestion Scancia	-	150,770
Purchase of additional shares in Gestion Scancia	-	261,782
Closing amount	<u>507,828</u>	<u>656,300</u>

¹ XRock Automation ceased operations on 31 October 2014.

6. Property, plant and equipment

	31-Dec-14	30-Jun-14
	\$	\$
Plant and equipment	2,758,310	2,771,947
Office furniture and equipment	325,123	372,299
Property improvements	307,082	330,994
Motor vehicles	111,692	107,113
Total property, plant and equipment	<u>3,502,207</u>	<u>3,582,303</u>
Opening net book amount	3,582,303	3,665,552
Additions	145,904	408,366
Transfer from intangible assets	35,000	-
Disposals	(15,254)	(25,690)
Depreciation expense	(245,746)	(465,925)
Closing net book amount	<u>3,502,207</u>	<u>3,582,303</u>

7. Intangible assets

	31-Dec-14	30-Jun-14
	\$	\$
Goodwill	13,864,377	12,993,197
Research and development costs	583,226	447,608
Patents, trademarks and other rights	120,582	126,117
Intellectual property	100,000	-
Total intangible assets	<u>14,668,185</u>	<u>13,566,922</u>
Opening net book amount	13,566,922	11,507,772
Recognition of goodwill and IP on purchase of ICPH	767,004	-
Recognition of goodwill and IP on purchase of Coltide XRF Drift Monitors	100,000	-
Recognition of goodwill on purchase of Kitco Labware	-	1,798,890
Foreign currency adjustment	104,175	(111,130)
Capitalisation of research and development costs	191,953	460,299
Transfer to property, plant and equipment	(35,000)	-
Disposals	(136)	-
Amortisation expense	(26,733)	(88,909)
Closing net book amount	<u>14,668,185</u>	<u>13,566,922</u>

8. Liabilities

The group has an overdraft facility of \$1,000,000 as a safeguard on working capital requirements. An additional \$1,600,000 facility is utilised for bank guarantees, used as security for operating leases. As at 31 December 2014, the contractual maturities of the group's non-derivative financial liabilities were as follows:

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
As at 31 December 2014	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade payables	526,947	-	-	-	-	526,947	526,947
Total non-derivatives	526,947	-	-	-	-	526,947	526,947

As at 30 June 2014

Non-derivatives							
Trade payables	966,438	-	-	-	-	966,438	966,438
Total non-derivatives	966,438	-	-	-	-	966,438	966,438

Financing arrangements

The group's undrawn borrowing facilities were as follows as at 31 December 2014:

	31-Dec-14	30-Jun-14
	\$	\$
Bank overdraft facility	1,000,000	1,000,000
Bank guarantee facility	1,501,545	1,501,545
	2,501,545	2,501,545

9. Contributed equity

	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares	132,157,097	132,157,097	18,257,772	18,257,772
Total consolidated contributed equity	132,157,097	132,157,097	18,257,772	18,257,772

Date	Details	Number of shares	Issue Price \$	\$
1-Jul-13	Opening balance	132,157,097		18,257,772
31-Dec-13	Closing balance	132,157,097		18,257,772
1-Jul-14	Opening balance	132,157,097		18,257,772
31-Dec-14	Closing balance	132,157,097		18,257,772

10. Dividends

	Half-year	
	2014	2013
	\$	\$
Dividends provided for or paid during the half-year on ordinary shares	1,453,726	2,246,329

11. Business combinations

a) Summary of acquisition

On 15 December 2014 XRF Scientific Limited acquired the business of ICPH Flux, a supplier and manufacturer of x-ray flux based in Malzéville, France. The business was established in 1984 by Mr Gérard Lang, using a unique manufacturing process, and was one of the first producers of x-ray flux in the world.

The Company has reported provisional amounts for goodwill and property, plant & equipment acquired as part of the purchase of ICPH Flux, as fair value assessments have not been finalised.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$
(i) Purchase consideration:	
Cash paid upfront	895,703
Deferred consideration (note iii)	125,848
Contingent consideration (note iv)	104,874
Total potential purchase consideration	<u>1,126,424</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

Goodwill	717,004
X-ray flux stock	179,420
Platinum	160,000
Intellectual property	50,000
Property, plant & equipment	<u>20,000</u>
	<u>1,126,424</u>

The goodwill is attributable to ICPH Flux's strong position and profitability in trading in the x-ray flux market and synergies expected to arise after the Company's acquisition of the business. None of the goodwill is expected to be deductible for tax purposes.

(ii) Revenue and profit contribution

As the business was acquired close to 31 December 2014, it did not contribute any significant revenues nor profits for the period. The Company has not disclosed the revenues and profits that would've been earned had the acquisition been completed on 1 July 2014, as this data was not received in full from the former owners of ICPH.

(iii) Deferred consideration

The agreement requires XRF to pay the former owners of ICPH additional deferred consideration of €84,000. This sum will be paid in quarterly amounts in advance, with the final payment occurring in the 21st month post-completion. The first instalment of €10,500 was paid on 17 December 2014. Payment of this additional deferred consideration is a firm commitment.

(iv) Contingent consideration

The agreement requires XRF to pay the former owners of ICPH additional consideration up to a maximum undiscounted amount of €70,000. The terms of the contingent consideration are as follows:

- Additional cash paid via deferred consideration of €35,000, should the business generate revenue of €300,000 in the period of 12 months from completion
- Further cash paid via deferred consideration of €35,000 should the business generate revenue of between €300,000 and €350,000 in the period of 12 months from completion.

The potential undiscounted amount of all future payments under the agreement is between €0 and €70,000. The fair value of the contingent consideration of \$104,874 was estimated by applying the income approach. The 'income approach' uses probability-weighted expectations of the acquiree's revenue.

(v) Acquisition related costs

Direct costs relating to the acquisition of ICPH Flux of \$105,681 are included "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

(vi) Purchase consideration – cash outflow

Included in the payments for acquisition of businesses in the investing activities section of the cash flow statement are the following:

Outflow of cash to acquire businesses:

Cash consideration for ICPH Flux	895,703
Cash consideration for Coltide XRF Drift Monitors ¹	110,000
	1,005,703

¹ Immaterial acquisition. Coltide is a manufacturer and supplier of XRF Drift Monitors, which are sold worldwide to mining companies and research organisations that need to establish accurate calibrations for a series of elements on x-ray spectrometers.

12. Contingent assets or liabilities

The group is not aware of any material contingent asset or liability for the period ended 31 December 2014.

13. Events occurring after the reporting date

An interim dividend of 0.5 cents per share fully franked was declared on 12 February 2015, with a record date of 20 February 2015 and payment date of 6 March 2015.

There have been no other events subsequent to the reporting date which have significantly affected or may significantly affect the XRF Scientific Limited operations, results or state of affairs in future years.

DIRECTORS' DECLARATION

The directors of the economic entity declare that:

1. the financial statements and notes set out on pages 6 to 15 are in accordance with the *Corporations Act, 2001* including:
 - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that XRF Scientific Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors, and signed on behalf of the Board by:



Kenneth Baxter
Chairman

Dated this 12th day of February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of XRF Scientific Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of XRF Scientific Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2014 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 XRF Scientific 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 XRF Scientific 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 XRF Scientific 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 2014 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 Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', is written over a small, faint blue BDO logo.

Peter Toll

Director

Perth, 12 February 2015