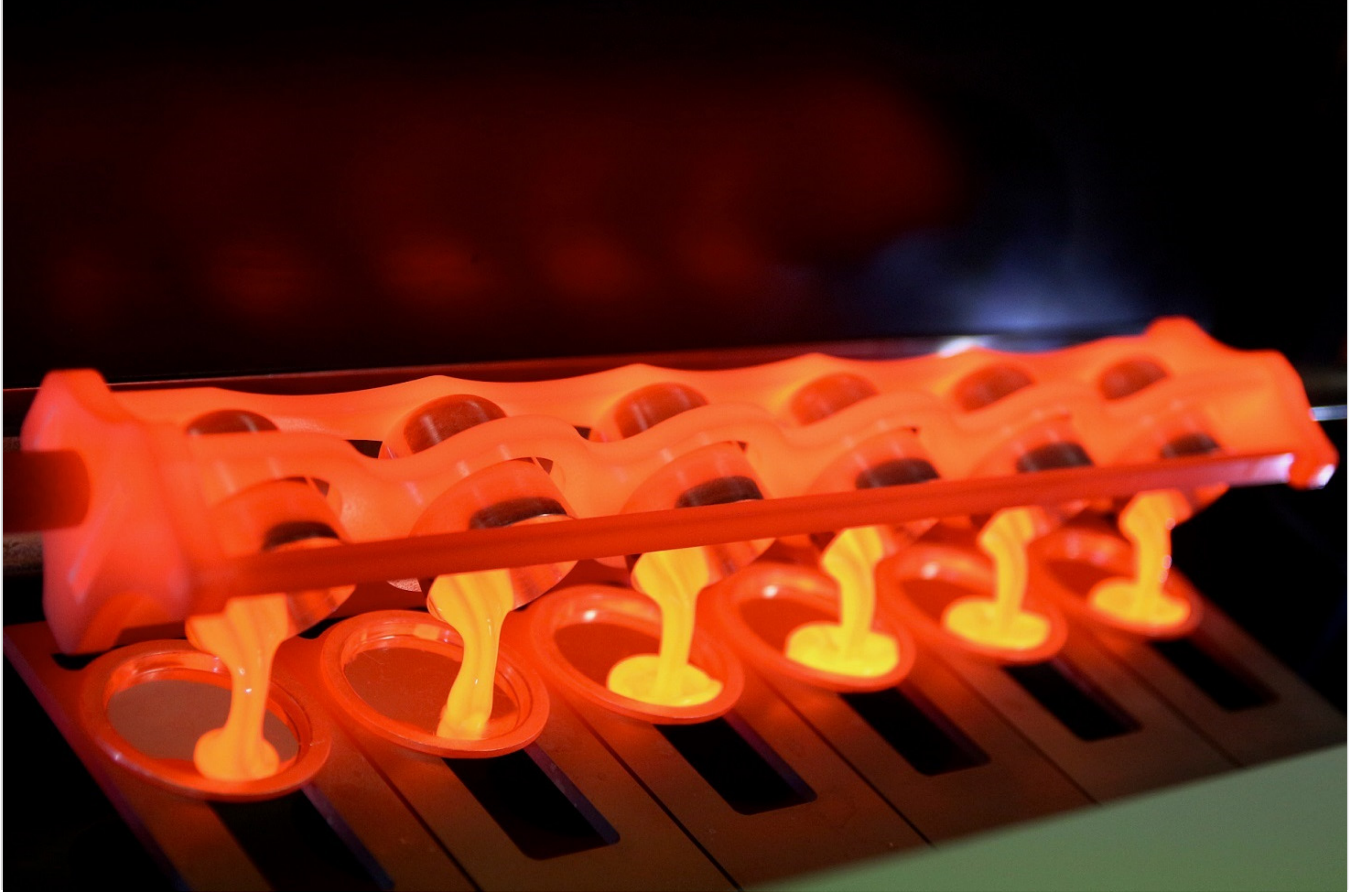
XRF scientific

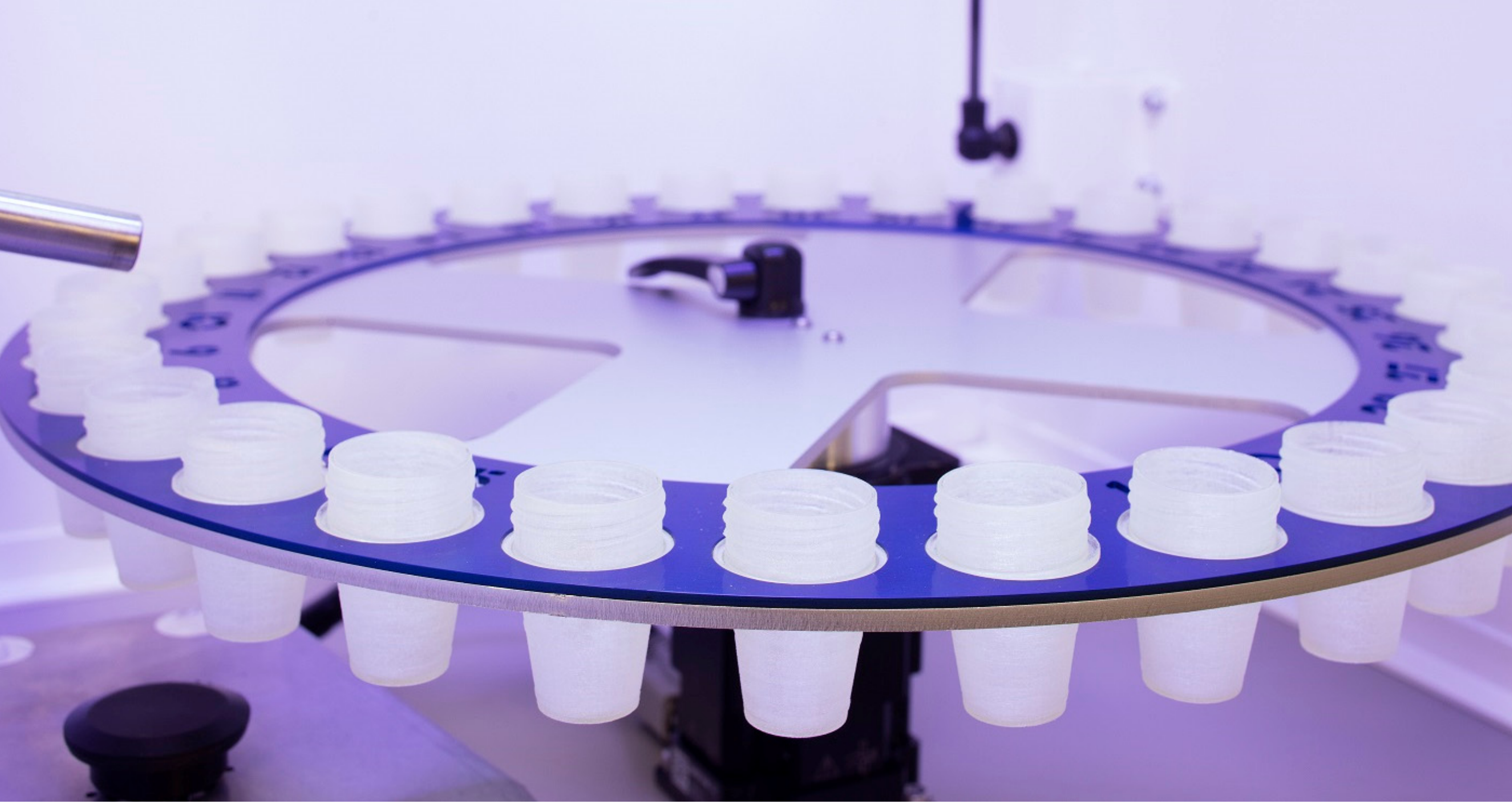
XRF SCIENTIFIC LIMITED

ABN 80 107 908 314

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016





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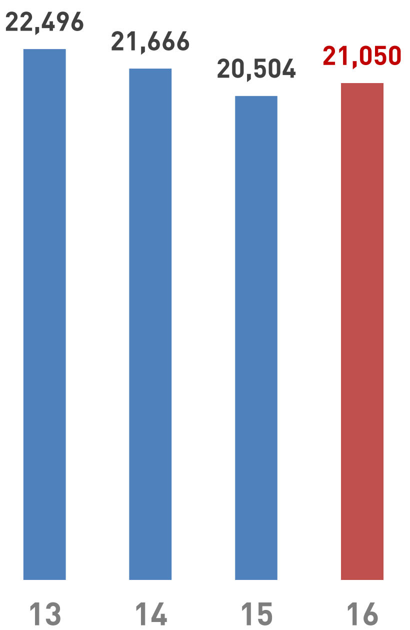
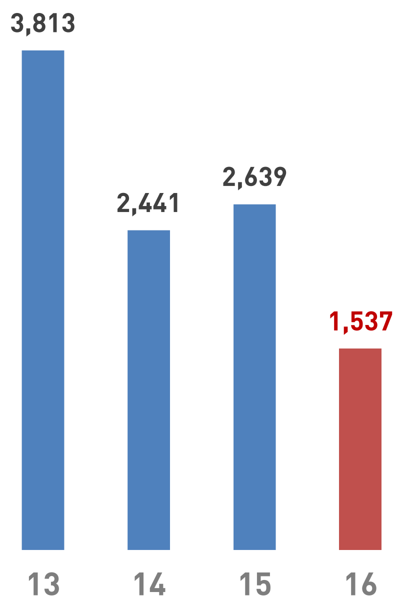
FINANCIAL RESULTS SUMMARY

Sales up 3%



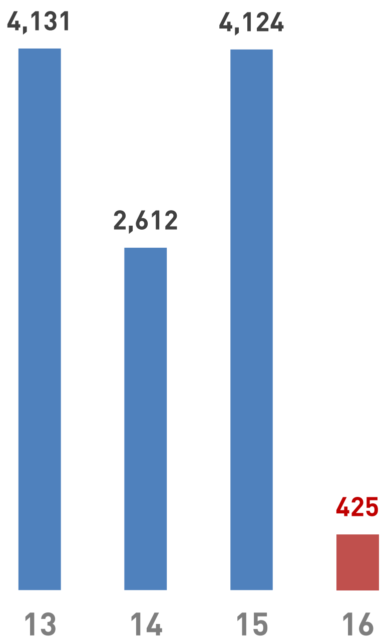
Sales Revenue ($'000)

Net Profit After Tax down 42%



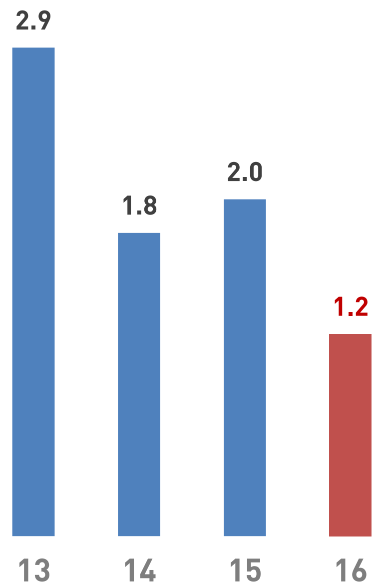
Net Profit After Tax ($'000)

Operating Cash Flow down 90%

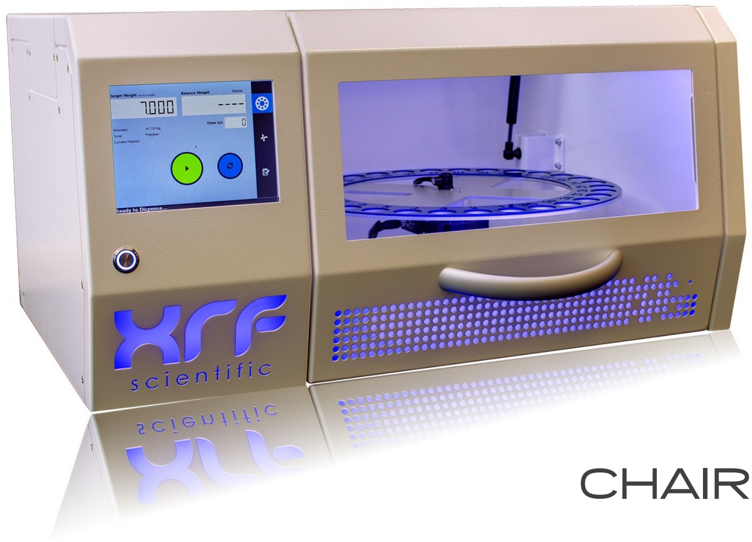


Operating Cash Flow ($'000)

Earnings Per Share down 42%



Earnings Per Share (Cents)



CHAIRMAN'S LETTER

Dear Shareholder,

The worldwide trading pressures that commenced in the 2013-14 financial year continued into 2015-16 and put pressure on the Company to strengthen and, where appropriate, expand its business.

The Board's decision to retain a strong cash position with no debt was vindicated in that it enabled a major upgrade of the Melbourne Precious Metals plant to proceed. The work should be completed by the end of October 2016. It is anticipated there will be positive earnings results in 2017.

Importantly, the Company has been able to strengthen its position in Europe – especially in Germany – with the establishment of an office in Karlstein and the appointment of two highly respected and competent staff with extensive, long-standing European and international experience.

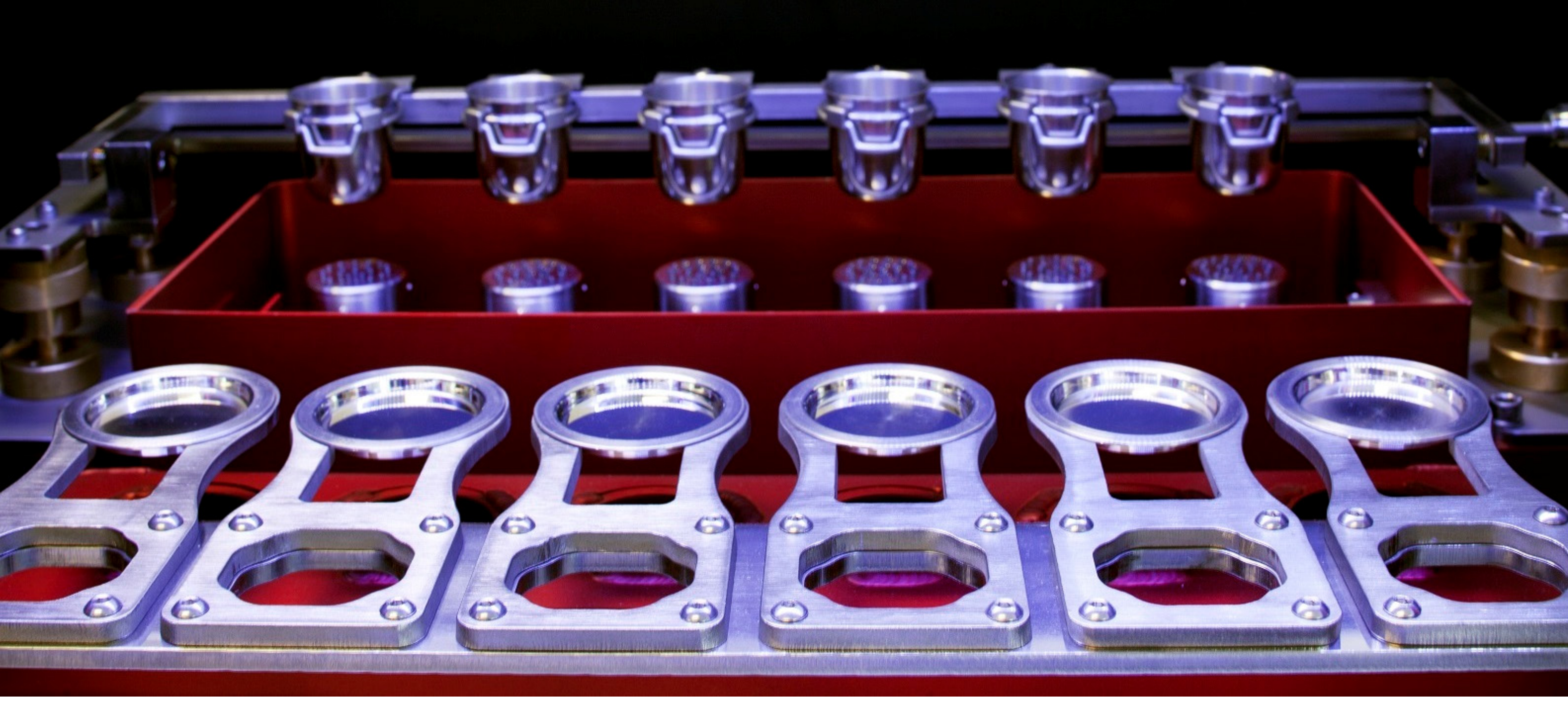
To date the Consumables, Precious Metals and Capital Equipment divisions remain strong and XRF Scientific has been able to match its competitors and retain longstanding customers. Along with all of its competitors, the Company was adversely affected by a spike in the price of lithium, which is an input into some consumable products. Very recent discoveries of lithium suggest the prices will stabilise and, in the medium to longer term, decline.

Movements in the Australian dollar have been managed and the higher import costs have been offset by the competiveness of the current exchange rates which has assisted exports.

The net profit for the year is $1,537,264 and the total dividends paid are 0.5 cents per share, fully franked. The result was not as good as had been originally hoped for. However, a range of factors, especially in the Australian market, contributed to overall business uncertainty and weaker trading conditions in all but the building and construction sectors.

The senior management team has been diligent in ensuring tight financial control, exploitation of new markets, delivering a credible result while also delivering on the Company's medium to long term strategic growth plan.

Kenneth Baxter
Chairman



DIRECTORS' REPORT

Your directors present their report on the company XRF Scientific Limited and its controlled entities for the financial year ended 30 June 2016.

DIRECTORS

The names of the directors in office at any time during or since the end of the financial year are:

Kenneth Baxter (Chairman)
David Brown
David Kiggins
Fred Grimwade

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITY

The principal activity of the economic entity during the financial year was the business of manufacturing and marketing precious metal products, specialised chemicals and instruments for the scientific, analytical and mining industries.

No significant change in the nature of these activities occurred during the year.

DIVIDENDS – XRF SCIENTIFIC LIMITED AND CONTROLLED ENTITIES

Dividends paid to members during the financial year were as follows:

	2016	2015
	$	$
Final dividend for the year	925,098	1,453,727
Interim dividend	268,037	660,785

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a fully franked final dividend of 0.3 cents per share to be paid on 30 September 2016 out of retained earnings at 30 June 2016.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

A review of the operations of the economic entity during the financial year and the results of those operations found that during the year, the economic entity continued to engage in its principal activity and the results and financial position are disclosed in the attached financial statements.

The consolidated entity has produced a Net Profit After Tax (NPAT) of $1,537,264 for the year ended 30 June 2016, compared with $2,639,463 for the previous year.

Details of the results for the financial year ended 30 June 2016 are as follows:

	June 2016	**June 2015**	**Increase / (decrease) over prior year**
	$	**$**	**%**
Total revenue and other income	21,336,164	20,947,295	2
NPAT	1,537,264	2,639,463	(42)
Basic earnings per share – (cents per share)	1.2	2.0	(42)
Diluted earnings per share – (cents per share)	1.2	2.0	(42)
Underlying profit before tax [1]	3,040,092	3,905,276	(22)

[1] Non-IFRS financial information. Normalised for non-operational adjustments. Refer below for details.

OPERATING RESULTS

XRF Scientific Ltd ("XRF" or "Company") is pleased to report its June 2016 full-year results to shareholders. The Company has generated revenue and other income of $21.3m and Net Profit After Tax of $1.5m. Underlying profit before tax of $3.0m was delivered, before expensing costs associated with acquisitions, R & D and expansion of the Precious Metals Division.

The Directors have confirmed that a final dividend of 0.3 cents per share, fully franked, will be payable with a record date of 16 September 2016 and payment date of 30 September 2016. In conjunction with the interim dividend already paid, this provides a dividend payout ratio of 43%. The Board is committed to its strategic investment in the Precious Metals division which is expected to deliver significant growth and improve shareholder return in the medium term. This investment in capital assets and operations in Melbourne, combined with the establishment of our German and European operations, will be cash flow negative in the short term and as a consequence the Board has reduced the annual dividend payout ratio in order to invest in this growth.

Conditions for the Capital Equipment Division improved in the second half of the year. The first half delivered a loss before tax of $112k, which was turned into a profit before tax of $170k for the full-year. The result included an obsolete stock write off of $28k in relation to an outgoing product line. The new office in Belgium, via the acquisition of Socachim SPRL, contributed to the improved result in the second half.

The division launched an exciting new product for the automated weighing of XRF flux, the "xrWeigh Carousel". The initial response from customers has been strong, which is expected to translate into sales in FY17. XRF is continuing its product development activities which will see the division busy with R & D throughout next year.

The Consumables Division generated a steady result, delivering profits before tax of $1.83m, as compared to $1.93m in the PCP. Cost of goods sold increased throughout the period, due to increased lithium chemical costs, which is an input into some of XRF's consumable products. The increased lithium costs are expected to have an effect on both revenue and costs in FY17. Inventory for the Consumables product line increased by $0.7m, as compared to 30 June last year, as a result of the increased cost of lithium and our commitment to carry more buffer stock of raw materials to ensure our customers do not suffer any supply interruption issues.

DIRECTORS' REPORT

OPERATING RESULTS continued

The Precious Metals Division delivered a statutory profit of$0.55m. Underlying profit before tax was $1.04m after adjusting for expansion and relocation costs. Whilst overall order levels remained reasonable, sales were negatively affected in certain areas such as North America.

As announced in November 2015, the Company is making a significant investment in its Precious Metals division, specifically in the capital assets and operations in Melbourne and in the establishment of our German and European operations. We have purchased a significantly larger facility in Melbourne and are commencing final commissioning which we expect to deliver operational capacity in September. The focus in 2017 will be in enhancing our product quality and expanding production into new product lines through a wide scale product and manufacturing improvement program, in line with our expansion goals. Of the $3.3m expansion budget previously announced, $2.3m has been spent as at 30 June. It is anticipated that this budget will be expanded in FY17, to cater for additional production equipment to meet anticipated increases in demand.

The XRF presence in Germany was established in April with the setup of new offices. The main German operations commenced in August and will deliver improved technical and sales expertise in targeting both the German and the wider European markets. The new team in Germany has been assembled to provide the distribution mechanism for one of the key target markets that requires the enhanced products, commencing with regular platinum labware products. It will also provide the base for the sale into Europe of a new range of platinum products that XRF will be manufacturing and marketing in the near future. Most of these highly specialised products will be for industries unrelated to mining, which will further reduce revenue exposure to the sector, and diversify the Company's product range. This represents a major investment in the region and is not expected to be cash flow positive until FY18.

During the year, total costs of $491k were expensed in relation to the Division's expansion. The major components were $98k in R & D for manufacturing process improvements and $211k in relocation costs, which included a non-cash write off of $160k in leasehold improvements from the old Melbourne factory. The new German office also incurred a loss of $170k, resulting from initial establishment and start-up operational costs.

In early December 2015, the acquisition of Socachim SPRL was completed for total consideration of €500,000. Socachim was founded in 1994 by Mr Michel Davidts, and has been a distributor of XRF's products since 1998. The business is located in Brussels, Belgium and currently sells XRF's products throughout Europe and Northern Africa. With the large majority of Socachim's revenue being derived from XRF's products, the business changed its name to XRF Scientific Europe. Alongside XRF Scientific Americas (formerly Kitco Labware), it formed the Company's second international office, allowing XRF to provide customers and distributors with 24-hour direct support. The new European division is managed by Frederic Davidts, who is highly regarded in the industry and one of the world's leading experts in fusion sample preparation.

The acquisition of this new European office provides another platform to grow international revenue, which is key to the Company's growth strategy. Under XRF's ownership, additional resources are being deployed to grow fusion product sales throughout Europe. Additional high quality bolt-on acquisitions are currently under review, which there is a possibility of completing in 2016.

As at 31 August 2016, the Company's cash position was $3.0m, which has decreased from $6.76m as at 30 June 2015, following payments for acquisitions, dividends, product development costs and the Precious Metals Division expansion. Long-term debt is currently $1.1m, which was for partial funding of the new precious metals factory in Melbourne. During the year, positive operating cash flow was recorded of $425k. Working capital requirements increased through the period, due to increased inventory level requirements of $1m. Alongside the impact of lithium prices on the Consumables Division, additional stock was being held by the Capital Equipment Division of $219k, from increased sales levels and new product lines. Sales levels were also buoyant in May and June, which combined delivered 22% of the year's revenue and therefore increased debtors as at 30 June.

DIRECTORS' REPORT

OPERATING RESULTS continued

Looking forward to FY17, the Group's firm focus is on growing international revenue, particularly in sectors not related to mining. Non-mining revenue has grown to around 30% and it is XRF's aim to significantly increase this percentage. The expansion of the Precious Metals Division, new product developments and acquisitions will be the key growth projects for the year ahead. Whilst market conditions continue to remain difficult, XRF is confident of standing out amongst its peers, as a company that remains profitable throughout the cycle.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A final dividend of 0.3 cents per share fully franked was declared on 26 August 2016, bringing the total dividend for the year to 0.5 cents per share fully franked (FY15: 1.2 cents per share fully franked), with a record date of 16 September 2016 and payment date of 30 September 2016.

There were 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely results in the operations of the economic entity and the expected results of those operations in the future financial year have not been included in this report, as the disclosure of such information may lead to commercial prejudice to the economic entity.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the affairs of the Group.

ENVIRONMENTAL REGULATION

All companies within the Group continued to comply with all environmental requirements. Wherever possible, carbon emissions have been limited, and new production techniques adopted to reduce energy use.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report greenhouse gas emissions and energy use. For the measurement period 1 July 2015 to 30 June 2016 the directors have assessed that there are no current reporting requirements, but the Company may be required to do so in the future. The economic entity is also subject to the environmental regulations under the laws of the Commonwealth or of a State or Territory in which it operates. The Directors are not aware of any breaches of these regulations.

CORPORATE GOVERNANCE DISCLOSURE

The Group's Corporate Governance Statement for the year ended 30 June 2016 can be found at:

- http://www.xrfscientific.com/corporate-governance/

The statement also summarises the extent to which the Group has complied with the Corporate Governance Council's recommendations.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Kenneth Baxter	**Chairman (Non-Executive)**
Date of appointment:	5 July 2005 (11 years)
Qualifications:	Bachelor of Economics, Fellow of Australian Institute of Management and Fellow of the Australian Institute of Company Directors
Experience:	Part time Commissioner with the Australian Government Productivity Commission; former Chairman of PNG Energy Developments Ltd, TFG International Pty Ltd, and the Australian Dairy Corporation & Thai Dairy Industries Ltd; former Director of the Hydro Electric Corporation of Tasmania, and Air Niugini Ltd; former Secretary of Department of Premier & Cabinet Victoria
Other current directorships:	Private companies only
Former directorships in last 3 years:	Chairman of PNG Energy Developments Ltd, PNG Sustainable Infrastructure Ltd and Infraco Asia Developments Pte Ltd; Director of Dairy NSW and other private companies
Special responsibilities:	Chairman of the Board, member of the Audit & Governance and Remuneration Committees
No. of shares:	670,623 fully paid ordinary shares
David Brown	**Director (Non-Executive)**
Date of appointment:	7 June 2004 (12 years)
Qualifications:	Bachelor of Science, Bachelor of Economics
Experience:	Has 40 years of experience in research and development and manufacturing of X-Ray Flux chemicals; formerly Chief Chemist for Swan Brewery Co. Ltd and Chairman of Scientific Industries Council of WA
Other current directorships:	Private companies only
Former directorships in last 3 years:	Private companies only
Special responsibilities:	Technical consultant to XRF Chemicals Pty Ltd
No. of shares:	8,213,300 fully paid ordinary shares
David Kiggins	**Director (Non-Executive)**
Date of appointment:	1 May 2012 (4 years)
Qualifications:	Bachelor of Science (Hons), member of the Institute of Chartered Accountants of England and Wales, member of the Institute of Chartered Secretaries and Administrators, and member of Australian Institute of Company Directors
Experience:	Ten years at Arthur Andersen, working in audit and business consulting in the UK, Australia, Africa and the Middle East; formerly GM Business Development and Company Secretary at Automotive Holdings Group Limited, Finance Director and Company Secretary at Global Construction Services Limited. Currently the Chief Financial Officer at Heliwest
Other current directorships:	Private companies only
Former directorships in last 3 years:	Private companies only
Special responsibilities:	Chairman of the Audit & Governance Committee, member of the Remuneration Committee
No. of shares:	212,900 fully paid ordinary shares
Fred Grimwade	**Director (Non-Executive)**
Date of appointment:	1 May 2012 (4 years)
Qualifications:	Bachelor of Commerce and Law, Master of Business Administration, Fellow of the Governance Institute of Australia, Fellow of the Australian Institute of Company Directors, and Life Member of the Financial Services Institute of Australasia
Experience:	Has held general management positions at Colonial Agricultural Company, the Colonial Group, Western Mining Corporation and Goldman, Sachs & Co. Currently a Principal and Executive Director of Fawkner Capital.
Other current directorships:	Chairman of CPT Global Limited; Chairman of Troy Resources Limited; Non-Executive Director of Select Harvests Limited, Australian United Investment Company Limited, NewSat Limited and other private companies
Former directorships in last 3 years:	Chairman of Fusion Retail Brands Pty Ltd and other private companies
Special responsibilities:	Chairman of the Remuneration Committee, member of the Audit & Governance Committee
No. of shares:	400,000 fully paid ordinary shares

DIRECTORS' REPORT

COMPANY SECRETARIES

Vance Stazzonelli, B.Comm, CPA – Vance has held the role of Company Secretary since June 2008.
Andrew Watson, B.Comm, CA – Andrew was appointed Joint Company Secretary in August 2013.

OTHER KEY MANAGEMENT

Vance Stazzonelli (Chief Executive Officer – XRF Scientific Limited)
Vance joined XRF Scientific as Chief Financial Officer in October 2009. He was subsequently appointed to Chief Operating Officer in January 2011 and then Chief Executive Officer in August 2012

Andrew Watson (Chief Financial Officer – XRF Scientific Limited)
Andrew joined XRF Scientific as Group Accountant in August 2012 and was promoted to Chief Financial Officer in July 2014. He is a member of the Chartered Accountants Australia and New Zealand.

MEETINGS OF DIRECTORS

The number of meetings held by the Board of Directors including meetings of the committees of the Board and the number of meetings attended by each of the Directors during the financial year ended 30 June 2016 were as follows:

	Full meetings of Directors		Meetings of committees - Audit, Corporate Governance & Remuneration	
	A	**B**	**A**	**B**
Kenneth Baxter	13	13	3	2
David Brown	13	13	**	**
David Kiggins	13	12	3	3
Fred Grimwade	13	13	3	3

A = Meetings held during the time the director held office or was a member of the Committee during the year
B = Meetings attended
****** = Not a member of the relevant Committee

REMUNERATION REPORT (Audited)

(a) Principles used to determine the nature and amount of remuneration.

Remuneration governance
The Remuneration Committee is a committee of the Board. Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework
- operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles
- remuneration levels of executive directors and other key management personnel, and
- non-executive director fees

REMUNERATION REPORT (Audited) continued

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed periodically by the Board.

The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. The Chairman's remuneration is inclusive of committee fees.

Non-executive directors may receive share options.

Directors' fees

The current base remuneration was last reviewed in July 2016. The maximum currently stands at $400,000 per annum and was approved by shareholders at the Annual General Meeting in November 2012.

Base director fees	From 15 November 2012	From 1 July 2016
Chairman	$80,000	$87,000
Non-Executive Directors	$50,000	$55,000
Committee Chairman	$7,500	$8,000

Executive pay

The executive pay and reward framework has three components:

1. Base pay and benefits, including superannuation
2. Short-term performance incentives, and
3. Long-term incentives.

It is Board policy to review key management annually, and adjust such compensation taking into account the manager's performance, the performance of the entity which they manage, and the performance of the Group of companies.

Where appropriate, there is a direct link between financial performance (profit or growth) to key managers' compensation by way of bonus, which is assessed under a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. This method is accepted by the Board as being an appropriate incentive for encouraging key management personnel to reach targets that are in excess of budgeted growth.

(i) Base Pay

Executives are offered a competitive base pay that forms the fixed component of pay. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is reviewed on promotion.

(ii) Benefits

Executives may receive benefits including car/mileage allowance.

(iii) Superannuation

Retirement benefits of 9.5% of the base pay are delivered to the individual super fund of the executive's choice.

(iv) Short-term performance incentives

Bonuses may be paid on the performance of the individual entity based on full year performance for the financial year. In most instances bonus payments are based on the achievement of a percentage of that year's budget and targets/objectives being met. A short term incentive (STI) pool is available for executives during the annual review, which is subject to caps that are in place.

REMUNERATION REPORT (Audited) continued

Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. Specific details of key management personnel bonuses can be found under the service contracts section of this report.

(v) Long-term incentives

There are no specific long term incentives in place, however the matter is currently being considered by the Remuneration Committee.

(vi) Assessing performance and claw-back of remuneration

The Board is currently reviewing the Executive Performance Reward Policy with regards to the following: in the event of serious misconduct or a material misstatement in the Group's financial statements, the Board may cancel or defer remuneration and may also claw back performance-based remuneration paid in previous financial years.

(b) Details of remuneration

(i) Non-Executive

Kenneth Baxter	Chairman
David Brown	Non-Executive Director
David Kiggins	Non-Executive Director
Fred Grimwade	Non-Executive Director

(ii) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group:

Vance Stazzonelli	Chief Executive Officer
Andrew Watson	Chief Financial Officer

Fixed Remuneration

The level of fixed remuneration is set as to provide base level of remuneration which is both appropriate to the position and its competitive market. Fixed remuneration is reviewed annually by the Remuneration Committee based on market rates, as well as having regard to the Company, divisional and individual performance. The fixed remuneration of other key management personnel is contained in information that follows.

Variable Remuneration (Short-Term Incentive)

To assist in achieving the objective of retaining a high quality executive team, the Remuneration Committee links the nature and amount of the executive emoluments to the Company's financial and operating performance.

For the CEO, variable remuneration is calculated based on an assessment of key performance indicators using a weighted balanced scorecard method, as set out by the Remuneration Committee at the start of each year. The maximum amount payable to the CEO is $70,000.

There were five categories of STI performance measure (plus a discretionary component) for the year ended 30 June 2016. Those measures were chosen to provide a balance between corporate, individual, operational, strategic, financial and behavioural aspects of performance. The weighting assigned to each of the performance measures was as follows:

- Group financial performance (30%)
- Execution of business growth strategy (30%)
- Leadership (10%)
- Compliance and risk management (5%)
- Stakeholder & associated business relations (5%)
- Discretionary (20%)

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

The Remuneration Committee considered the performance of the CEO against the performance measures outlined above. While the Group's financial performance reduced in comparison to the prior period, a range of key strategic targets were met. A number of business acquisitions were successfully completed and internal expansion plans are on schedule. All compliance obligations were met throughout the year with no reported issues and relationships with internal and external stakeholders were well managed.

It was decided that $27,397 (plus superannuation of 9.5%) would be paid, which is approximately 43% of the maximum amount payable. Bonus payments to other key management personnel were 100% discretionary. These amounts were accrued at 30 June 2016 and paid in August 2016.

Amounts of remuneration

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of XRF Scientific Limited are set out in the following:

	Short-term Benefits			Post-employment Benefits	Long-term Benefits		
2016 [1]	**Cash Salary $**	**Cash Bonuses $**	**Other**	**Super-annuation $**	**Long Service Leave $**	**Termination benefits $**	**Total $**
Non-executive directors							
Kenneth Baxter	72,498	-	-	6,887	-	-	79,385
David Brown	45,310	-	[2] 163,029	4,304	-	-	212,643
David Kiggins	52,108	-	-	4,950	-	-	57,058
Fred Grimwade	52,108	-	-	4,950	-	-	57,058
Sub-total non-executive directors	222,024	-	163,029	21,091	-	-	406,144
Other key management personnel							
Vance Stazzonelli	253,699	27,397	[3] 28,219	29,385	4,897	-	343,597
Andrew Watson	152,385	9,132	-	15,344	2,869	-	179,730
Sub-total key management personnel	406,084	36,529	28,219	44,729	7,766	-	523,327
	628,108	**36,529**	**191,248**	**65,820**	**7,766**	**-**	**929,471**

	Short-term Benefits			Post-employment Benefits	Long-term Benefits		
2015	**Cash Salary $**	**Cash Bonuses $**	**Other**	**Super-annuation $**	**Long Service Leave $**	**Termination benefits $**	**Total $**
Non-executive directors							
Kenneth Baxter	71,374	-	-	6,781	-	-	78,155
David Brown	44,607	-	[2] 154,860	4,238	-	-	203,705
David Kiggins	51,300	-	-	4,874	-	-	56,174
Fred Grimwade	51,300	-	-	4,874	-	-	56,174
Sub-total non-executive directors	218,581	-	154,860	20,767	-	-	394,208
Other key management personnel							
Vance Stazzonelli	237,443	-	-	22,557	3,912	-	263,912
Andrew Watson	137,846	-	-	13,095	2,952	-	153,893
Sub-total key management personnel	375,289	-	-	35,652	6,864	-	417,805
	593,870	**-**	**154,860**	**56,419**	**6,864**	**-**	**812,013**

[1] The year ended 30 June 2016 had 27 fortnightly pay periods, while the prior corresponding period had 26.

[2] Technical services provided by consultancy (such as technical sales and support, analytical method development).

[3] Payment of excess annual leave accrued by the employee.

REMUNERATION REPORT (Audited) continued

(b) Details of remuneration continued

Percentage of performance related compensation of total remuneration

Certain key management personnel are paid performance bonuses in addition to set remuneration amounts. The Board of Directors have set these bonuses to encourage growth and profitability. Bonuses are paid as per the conditions set out in page 10. The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
Other key management personnel						
Vance Stazzonelli	91%	100%	9%	–	–	–
Andrew Watson	94%	100%	6%	–	–	–

Options issued as part of total remuneration

No options have been issued in 2015 or 2016 as part of total remuneration.

Voting and comments made at the company's 2015 Annual General Meeting

The company received validly appointed proxies of 99% of "yes" votes on its remuneration report for the 2015 financial year. The remuneration resolution was carried on a show of hands. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(c) Shareholder Wealth

The following is a summary of key shareholder wealth statistics for the Company over the past 5 years (listed since 2006).

	EBIT	Earnings Per Share	Dividends Declared Per Share	Share Price	Market Capitalisation
	$	Cents	Cents	Cents	$
2011/12	4,809,646	2.8	1.5	26	33,494,179
2012/13	5,142,299	2.9	1.7	31	40,968,700
2013/14	3,358,127	1.8	1.1	21	27,752,990
2014/15	3,477,167	2.0	0.7	21	27,752,990
2015/16	2,318,737	1.2	0.5	18	24,088,645

(d) Share-based compensation

There was no share based compensation to any Director or Key Management Personnel for the years ended 30 June 2015 and 2016. The Company has not adopted an employee share option scheme.

(e) Bonuses

Each individual Key Management Personnel performance bonus was discussed and reviewed against the requirements set out on page 10. It was agreed that the proposed performance bonuses met these conditions, specifically individual performance against agreed Key Performance Indicators.

REMUNERATION REPORT (Audited) continued

(f) Shares held by key management personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Name	Balance at 1 July 2015	On-market trades	Balance at 30 June 2016
Directors of XRF Scientific Limited			
Kenneth Baxter	610,623	60,000	670,623
David Brown	8,213,300	-	8,213,300
David Kiggins	212,900	-	212,900
Fred Grimwade	400,000	-	400,000
Other key management personnel			
Vance Stazzonelli	320,000	130,000	450,000

Securities Trading Policy

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent trading in contravention of the insider trading provisions of the Corporations Act.

Option holdings

There were no options over ordinary shares in the company held during the financial year by directors of XRF Scientific Limited or other key management personnel of the Group.

(g) Service Agreements

Remuneration for the Chief Executive Officer and Chief Financial Officer is set out in service agreements, which are detailed below:

Vance Stazzonelli, Chief Executive Officer of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 1 July 2012. Base salary is $254,400 per annum (effective 1 July 2016), plus superannuation benefits of 9.5%. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to six months full pay. Notice period by the employee of six months. Payment of bonuses is based on a range of strategic, financial, operational, personnel, and Board-related key performance indicators.

Andrew Watson, Chief Financial Officer of XRF Scientific Limited

Terms of agreement – Ongoing employment contract effective 24 July 2014. Base salary is $155,000 per annum (effective 1 July 2016), plus superannuation benefits of 9.5%. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months full pay. Notice period by the employee of three months. Payment of bonuses is based on a range of strategic, financial, operational, personnel, and Board-related key performance indicators.

No other key management personnel are currently employed under service contracts.

REMUNERATION REPORT (Audited) continued

(h) Remuneration consultants

No remuneration consultants were used in the years ended 30 June 2016 and 30 June 2015.

(i) Other transactions with key management personnel

Premises were rented from a related entity of Director David Brown during the financial year. These properties were rented on normal commercial terms and conditions, totalling $114,029 (2015: $112,012). No amounts were outstanding at the end of the year. As the sole director of XRF Chemicals Pty Ltd, Vance Stazzonelli is currently guarantor on a lease in Osborne Park.

(j) Loans to directors and executives

No loans were made to directors and executives during the financial years ended 30 June 2016 and 30 June 2015.

End of remuneration report (Audited).

NON-AUDIT SERVICES

Details of the non-audit services provided by the Company's external auditor BDO Audit (WA) Pty Ltd and its related practices during the year ended 30 June 2016 are outlined in the following table. Based on advice from the Company's Audit and Governance Committee, the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and the scope of each type of non-audit service provided means that auditor independence was not compromised.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2016	**2015**
	$	**$**
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	104,813	103,779
Taxation services	49,025	47,420
Other services	13,022	11,089
BDO Réviseurs d'Entreprises Soc. Civ. SCRL (Belgium)		
Audit and review of financial reports	18,377	-
Taxation services	9,990	-
BDO AG Wirtschaftsprüfungsgesellschaft (Germany)		
Taxation services	18,114	-
Total remuneration for audit and other services	213,341	162,288

The Board is satisfied that the auditors of the Company, BDO Audit (WA) Pty Ltd remain independent.

DIRECTORS' REPORT

OPTIONS

No unissued ordinary shares of XRF Scientific Limited remain under option at the date of this report.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the company paid insurance premiums to insure the directors and officers of the company and its Australian–based controlled entities, and general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or some criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF OR INVOLVING THE ECONOMIC ENTITY

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

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 17.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Kenneth Baxter
Chairman

Perth
22 September 2016

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Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF XRF SCIENTIFIC LIMITED

As lead auditor of XRF Scientific Limited for the year ended 30 June 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 audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 22 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue from continuing operations	5	21,132,846	20,670,839
Cost of sales		(12,551,843)	(11,972,857)
Gross profit		8,581,003	8,697,982
Other income	5	150,570	257,829
Share of profit of investments accounted for using the equity method		52,748	18,627
Administration expenses		(4,895,343)	(4,003,642)
Other expenses		(781,129)	(714,603)
Occupancy expenses		(706,372)	(611,733)
Finance costs		(28,057)	(1,272)
Profit before income tax		2,373,420	3,643,188
Income tax expense	7	(836,156)	(1,003,725)
Profit after income tax from continuing operations attributable to equity holders of XRF Scientific Limited		1,537,264	2,639,463
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences	22(a)	(29,165)	121,960
Total comprehensive income for the year		1,508,099	2,761,423
Total comprehensive income attributable to equity holders of XRF Scientific Limited		1,508,099	2,761,423
Earnings per share for the year attributable to equity holders of XRF Scientific Limited			
Basic earnings per share (cents per share)	32	1.2	2.0
Diluted earnings per share (cents per share)	32	1.2	2.0

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 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
CURRENT ASSETS			
Cash and cash equivalents	8	3,304,773	6,759,893
Trade and other receivables	9	4,033,113	3,182,240
Inventories	10	4,023,542	2,560,227
Other assets	11	258,403	297,889
Total Current Assets		11,619,831	12,800,249
NON-CURRENT ASSETS			
Property, plant and equipment	13	5,832,007	3,400,626
Intangible assets	14	15,227,483	14,641,537
Investments accounted for using the equity method	12	607,890	555,142
Deferred tax asset	15	409,966	430,425
Total Non-Current Assets		22,077,346	19,027,730
Total Assets		33,697,177	31,827,979
CURRENT LIABILITIES			
Trade and other payables	16	1,109,254	961,649
Provisions	17	418,663	503,836
Other current liabilities		106,110	130,371
Current income tax liability		144,246	101,349
Total Current Liabilities		1,778,273	1,697,205
NON-CURRENT LIABILITIES			
Long-term borrowings	18	1,111,500	-
Deferred tax liability	19	251,495	233,073
Provisions	20	148,937	132,410
Total Non-Current Liabilities		1,511,932	365,483
Total Liabilities		3,290,205	2,062,688
Net Assets		30,406,972	29,765,291
EQUITY			
Issued capital	21	18,584,489	18,257,772
Reserves	22(a)	715,041	744,206
Retained profits	22(b)	11,107,442	10,763,313
Total Equity		30,406,972	29,765,291

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

30 JUNE 2016 – CONSOLIDATED	Issued Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Retained Profits	Total
	$	$	$	$	$
Balance at 1 July 2015	18,257,772	759,243	(15,037)	10,763,313	29,765,291
Profit for the period	-	-	-	1,537,264	1,537,264
Other comprehensive income / (loss)	-	-	(29,165)	-	(29,165)
Total comprehensive income / (loss) for the period	-	-	(29,165)	1,537,264	1,508,099
Transactions with Equity Holders in their capacity as Equity Holders					
Ordinary shares issued, net of transaction costs	326,717	-	-	-	326,717
Dividends paid	-	-	-	(1,193,135)	(1,193,135)
	326,717	-	-	(1,193,135)	(866,418)
Balance at 30 June 2016	18,584,489	759,243	(44,202)	11,107,442	30,406,972

30 JUNE 2015 – CONSOLIDATED	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 year	-	-	-	2,639,463	2,639,463
Other comprehensive income / (loss)	-	-	121,960	-	121,960
Total comprehensive income / (loss) for the period	-	-	121,960	2,639,463	2,761,423
Transactions with Equity Holders in their capacity as Equity Holders					
Dividends paid	-	-	-	(2,114,512)	(2,114,512)
	-	-	-	(2,114,512)	(2,114,512)
Balance at 30 June 2015	18,257,772	759,243	(15,037)	10,763,313	29,765,291

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

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2016

	Note	Consolidated	
		2016	2015
		$	$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,683,866	21,440,738
Payments to suppliers and employees (inclusive of GST)		(19,348,691)	(16,100,928)
Payment of expenses relating to business acquisitions		(172,740)	(262,088)
Finance costs		(28,057)	(1,272)
Income taxes paid		(786,267)	(1,091,926)
Interest received		76,953	139,196
Net cash inflow (outflow) from operating activities	30	425,064	4,123,720
Cash flows from investing activities			
Payments for property, plant and equipment		(3,120,139)	(296,325)
Payment for acquisition of business	24	(457,732)	(1,022,480)
Payments for research and development		(220,678)	(252,271)
Payments for intangibles		-	(11,613)
Return of capital from investments accounted for under the equity method		-	119,785
Proceeds from sale of property, plant and equipment		-	11,819
Net cash inflow (outflow) from investing activities		(3,798,549)	(1,451,085)
Cash flows from financing activities			
Proceeds from borrowings		1,111,500	-
Dividends paid		(1,193,135)	(2,114,512)
Net cash inflow (outflow) from financing activities		(81,635)	(2,114,512)
Cash and cash equivalents at the beginning of the financial period		6,759,893	6,201,770
Net increase (decrease) in cash and cash equivalents		(3,455,120)	558,123
Cash and cash equivalents at the end of the financial period	8	3,304,773	6,759,893

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of preparation

The financial report of XRF Scientific Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 22 September 2016 and covers XRF Scientific Limited as an individual entity as well as the consolidated entity consisting of XRF Scientific Limited and its subsidiaries.

These financial statements are presented in the Australian currency.

XRF Scientific Limited is a company limited by shares incorporated in Australia and is a for-profit entity whose shares are publicly traded on the Australian Stock Exchange.

These general purpose financial statements have been prepared in accordance with Australian Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
The financial statements of XRF Scientific Limited also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Financial statement presentation
The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XRF Scientific Limited ("company" or "parent company") as at 30 June 2016 and the results of all subsidiaries for the year then ended.

XRF Scientific Limited and its subsidiaries together are referred to in this report as the Group or the consolidated entity.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

All controlled entities have a 30 June financial year end.

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being the company (the parent company) and its subsidiaries as defined in AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entities. All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(ii) Investments in associates and joint-ventures

Investment in associates is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The Group's share of the associate post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of XRF Scientific Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(d) Foreign currency translation

Functional and presentation currency

The functional currency of each Group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. The differences taken to equity are recognised in profit or loss on disposal of the net investment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction, and are recognised in the profit or loss.

Group Companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary currency economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows.

Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses for each profit or loss item are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for major business activities as follows:

(i) Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of goods to the customer.

(ii) Interest income
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iii) Dividends
Dividend revenue is recognised when the right to receive a dividend has been established.

(iv) Rendering of services
Revenue from rendering of services is recognised by reference to the stage of completion of a contract. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current years taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

XRF Scientific Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, XRF Scientific Limited, and the controlled entities in the tax consolidated group account for their own deferred tax amounts. Current tax is accounted for by each subsidiary entity, which is then consolidated up into the tax consolidated group, as per the tax sharing agreement. In addition to its own share of current and deferred tax amounts, XRF Scientific Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Income tax is allocated under the separate taxpayer within group approach. Details about the tax funding agreement are disclosed in note 7.

(g) Leases

Leases of property, plant and equipment where the entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 26(a)(i)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

All purchase consideration is recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently re-measured through profit or loss.

Acquisition-related costs are expensed as incurred.

Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) 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 instruments 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. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for doubtful debts.

Trade receivables are due for settlement no more than 90 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off to the income statement. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Another indicator that determines the trade receivable is impaired is if the party is deemed to be bankrupt.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in the income statement.

(l) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: other financial assets, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position (note 9).

(ii) Recognition and derecognition
Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Details of how the fair value of financial instruments is determined is discussed in note 2.

(iv) Fair value
The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active (or for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(v) Impairment
The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit or loss.

(n) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using a mixture of the straight line and diminishing value methods to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and Equipment	5%-40%
Furniture, Fixtures and Fittings	5%-20%
Motor Vehicles	15%-25%
Office Equipment	5%-66.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate/business at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is assigned to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each country of operation by each primary-reporting segment (note 14(a)).

(ii) Patents, trademarks and licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents, trademarks and licences over their estimated useful lives, which vary from 3 to 20 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably.

The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 1 to 4 years.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

(t) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.
Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experiences of employee departures and periods of service. There amounts are not expected to be settled wholly within 12 months of the reporting date.

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The amount charged to profit or loss in respect of superannuation represents the contributions made by the Group to superannuation funds as nominated by the individual employee.

Contributions made by the Company to employee superannuation funds are charged as expenses when incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration

If the entity reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(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 reporting date.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax (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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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.

(ii) 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(z) New accounting standards and interpretations

Certain new accounting Standards and Interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new Standards and Interpretations is set out below. In all cases the Group intends to apply these standards from the application date as indicated below.

(i) AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101* (effective from 1 July 2016)

This standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative Project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. The amendments also clarify that companies should use professional judgment in determining where and in what order in formation is to be presented in the financial disclosures.

There will be no significant impact on the Group on the adoption of this standard. The Group is currently conducting an exercise of reviewing financial report disclosures.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 July 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise any applicable transitional adjustments in retained earnings on the date of the initial application without restating the comparative period. Entities will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management is currently assessing the impact of the new rules. At this stage, the Group is not in a position to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next 12 months.

(iii) AASB 16 *Leases* (effective from 1 July 2019)

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(iv) AASB 9 *Financial Instruments* (effective from 1 July 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the financial instruments standard.

There will be no significant impact on the Group on the adoption of this standard.

(v) AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112) (effective from 1 July 2017)

This standard amends AASB 112 Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

There will be no significant impact on the Group's results on the adoption of this standard.

(vi) AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 (effective from 1 July 2017)

This standard amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

There will be no significant impact on the Group's results on the adoption of this standard.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, price risk and interest rate risk); credit risk; liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides guidance for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Australian Dollar. The currencies giving rise to this risk are predominantly Euros, the US Dollar, and the Canadian Dollar.

Foreign currency risk arises where settlement of a trade receivable, payable or borrowings is denominated in a currency that is not the entity's functional currency, which may result in a foreign currency gain or loss. The Group seeks to mitigate this risk by engaging in a majority of commercial transactions that are generally in AUD. The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2016			30 June 2015		
	CAD	EUR	USD	CAD	EUR	USD
Trade receivables	118,953	423,049	400,802	20,273	124,803	416,970
Trade payables	7,129	22,279	22,198	35,277	-	32,780
Deferred and contingent consideration payable	-	10,500	-	-	122,500	-
Loan to associate	83,950	-	-	90,897	-	-

Group sensitivity

Based on the financial instruments held at 30 June 2016, had the Australian dollar strengthened / weakened by 10% (based on historical reasonableness movements) against the exchange rates in the above tables, with all other variables held constant, the Group's post-tax profit for the year would have been $119,981 lower / $146,643 higher (2015: $52,967 lower / $64,738 higher), mainly as a result of foreign currency exchange gains/losses on translation of foreign currency denominated financial instruments as detailed in the table above.

NOTE 2: FINANCIAL RISK MANAGEMENT continued

(ii) Price risk

As the Group does not have any investments in equities or commodities, its exposure to equities price risk and commodity price risk is minimal.

While the Group uses commodities in its operations, customer commitments to spot rates purchased result in the Group's exposure to commodities price risk being immaterial.

(iii) Cash flow, fair value and interest rate risk

As at 30 June 2016 the Group had no variable interest rate debt, therefore consider fair value interest rate risk minimal.

Group sensitivity

At 30 June 2016, if interest rates had changed by -/+ 100 basis points (based upon forward treasury rates) from the year-end rates with all other variables held constant, post-tax profit for the year would have been $3,828 higher / lower (2015: $11,711 higher / lower), mainly as a result of higher/lower interest income from cash and cash equivalents. Cash and cash equivalent balances at 30 June 2016 would have been higher/lower by the same amount.

(b) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk arises from cash and cash equivalents, trade receivables and other receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Counterparties without external credit ratings are in majority existing customers (<6months) with no history of defaults (Group 2).

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, and trade and other receivables, the Group's exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

There are no significant concentrations of credit risk within the Group at the reporting date.

The following table represents the Group's exposure to credit risk:

	Consolidated	
	2016 $	**2015 $**
Cash and cash equivalents (AA- rated)	3,304,773	6,759,893
Trade receivables, net of impairment provision (note 9) (Group 2)	3,853,432	3,024,190
Other receivables (external parties)	179,681	158,050
	7,337,886	9,942,133

Credit risk exposure is not significantly different for any of the segments of the Group.

Details of impaired trade receivables, and trade receivables overdue but not impaired can be found at note 9. An analysis of the Group's consolidated trade receivables is as follows:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
2016	2,784,590	733,793	78,105	283,866	3,880,354
2015	2,036,741	621,824	196,042	169,583	3,024,190

NOTE 2: FINANCIAL RISK MANAGEMENT continued

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts. The below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. There have been no breaches or defaults on the repayment of debt.

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 30 June 2016	$	$	$	$	$	$	$
Non-derivatives							
Trade and other payables	737,639	-	-	-	-	737,639	737,639
Interest-bearing loan	19,479	19,479	38,958	1,127,733	-	1,205,649	1,111,500
Deferred consideration	15,670	-	-	-	-	15,670	15,670
Contingent consideration	-	-	-	-	-	-	-
Total non-derivatives	772,788	19,479	38,958	1,127,733	-	1,958,958	1,864,809
As at 30 June 2015							
Non-derivatives							
Trade and other payables	560,907	-	-	-	-	560,907	560,907
Interest-bearing loan	-	-	-	-	-	-	-
Deferred consideration	30,550	30,550	15,274	-	-	76,374	76,374
Contingent consideration	101,832	-	-	-	-	101,832	101,832
Total non-derivatives	693,289	30,550	15,274	-	-	739,113	739,113

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated 2016 $	Consolidated 2015 $
Bank overdraft facility	1,000,000	1,000,000
Bank guarantee facility	1,498,837	1,498,837
	2,498,837	2,498,837

(d) Fair value estimation

The fair value bases of financial assets and financial liabilities are outlined in note 1(n).

All financial assets and liabilities have carrying values that are reasonable approximates of their fair values, for the Consolidated Entity.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Carrying value	$1,111,500
Fair value	$1,139,778

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). Please refer to note 14 for the details on impairment tests performed on goodwill.

(b) Capitalisation of development expenditures

The Group capitalises development costs where management considers it probable that the related projects will be commercially and technically feasible and successful, in accordance with the accounting policy stated in note 1(p)(iii).

(c) Tax

The determination of the Group's provision for income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the Group's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTE 4: 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 those 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 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 and Consumables. For each of the strategic operating segments, the Chief Executive Officer reviews internal management reports on a monthly basis.

(a) Description of segments

The following summary describes the operations in each of the Group's reportable 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.

NOTE 4: SEGMENT INFORMATION continued

(b) Primary reporting format – business segments

Segment information provided to the Chief Executive Officer for the full-year ended 30 June 2016 is as follows:

	Capital Equipment	Precious Metals	Consumables	Total
Full-year ended 30 June 2016	$	$	$	$
Total segment revenue	6,060,538	9,542,543	6,274,312	21,877,393
Inter segment sales	(333,249)	(494,018)	-	(827,267)
Revenue from external customers	5,727,289	9,048,525	6,274,312	21,050,126
Profit before income tax expense	**170,419**	**551,391**	**1,830,258**	**2,552,068**
Full-year ended 30 June 2015				
Total segment revenue	5,695,161	9,975,471	6,037,457	21,708,089
Inter segment sales	(395,706)	(808,795)	-	(1,204,501)
Revenue from external customers	5,299,455	9,166,676	6,037,457	20,503,588
Profit before income tax expense	**632,620**	**1,492,269**	**1,929,631**	**4,054,520**
Segment assets				
At 30 June 2016	7,196,477	13,123,810	19,298,845	39,619,132
At 30 June 2015	5,840,417	11,002,336	18,242,963	35,085,716
Segment liabilities				
At 30 June 2016	1,097,573	4,009,897	222,911	5,330,381
At 30 June 2015	371,064	2,435,887	422,825	3,229,776
Depreciation and amortisation expense				
For the year ended 30 June 2016	210,496	222,900	202,389	635,785
For the year ended 30 June 2015	130,714	206,552	178,406	515,672
Capital expenditure				
For the year ended 30 June 2016	142,827	2,802,485	104,955	3,050,267
For the year ended 30 June 2015	70,125	92,972	141,701	304,798

	2016 $	2015 $
Revenue from external customers – segments	**21,050,126**	**20,503,588**
Unallocated revenue	82,720	167,251
Revenue from external customers – total	**21,132,846**	**20,670,839**
Profit before income tax expense – segments	**2,552,068**	**4,054,520**
Loss incurred by parent entity	(178,648)	(411,332)
Profit before income tax expense from continuing operations	**2,373,420**	**3,643,188**
Total segment assets	**39,619,132**	**35,085,716**
Related party loan elimination	(9,584,761)	(10,666,046)
Cash and cash equivalents	2,525,859	6,129,139
Investments accounted for using the equity method	607,890	555,142
Deferred tax asset	409,966	430,425
Other corporate assets	119,091	293,603
Total assets	**33,697,177**	**31,827,979**
Total segment liabilities	**5,330,381**	**3,229,776**
Related party loan elimination	(2,926,891)	(1,881,148)
Other corporate liabilities	886,715	714,060
Total liabilities	**3,290,205**	**2,062,688**

NOTE 5: REVENUE

	Consolidated	
	2016 $	2015 $
Revenue from continuing operations		
Sale of goods	21,050,106	20,503,547
Interest received	82,740	167,292
	21,132,846	20,670,839
Other income		
Profit on sale of non-current assets	-	122
Recoveries	19,018	31,872
Other revenue	131,552	225,835
	150,570	257,829

NOTE 6: EXPENSES

	Consolidated	
	2016 $	2015 $
Profit/(loss) before income tax includes the following specific expenses		
Depreciation		
Depreciation (included in administration expenses)	202,257	196,811
Depreciation (included in cost of goods sold)	310,009	300,999
Total depreciation	512,266	497,810
Amortisation		
Patents, trademarks and acquired customer lists (included in administration expenses)	58,206	23,000
Research and development (included in administration expenses)	151,067	73,836
Total amortisation	209,273	96,836
Other specific expenses		
Employee benefits expenses (included in administration expenses)	3,437,459	2,842,286
Rental expense relating to operating leases (included in occupancy expenses)	606,611	533,951
Acquisition of business costs (included in other expenses)	172,740	262,088

NOTE 7: INCOME TAX EXPENSE

	Consolidated 2016 $	Consolidated 2015 $
(a) Income tax expense		
Current tax	812,952	997,973
Deferred tax	40,890	62,971
Adjustments for current tax of prior periods	(17,686)	(57,219)
	836,156	1,003,725
Income tax expense is attributed to:		
Profit from continuing operations	836,156	1,003,725
Deferred income tax expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 15)	22,468	1,876
(Decrease) increase in deferred tax liabilities (note 19)	18,422	61,095
	40,890	62,971
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	2,373,420	3,643,188
	2,373,420	3,643,188
Tax at the Australian rate of 30% (2015: 30%)	712,026	1,092,956
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Acquisition of business costs	51,822	78,626
Research and development expenditure	(66,203)	(75,681)
Tax loss for new German division not claimed in current financial year	50,004	-
Sundry items	106,193	(34,957)
	853,842	1,060,944
Adjustments for current tax of prior periods	(17,686)	(57,219)
Income tax expense	836,156	1,003,725

(c) Tax consolidation legislation

XRF Scientific Limited and its wholly-owned Australian controlled entities elected to enter into the tax consolidation regime from 1 July 2005. The accounting policy in relation to this legislation is set out in note 1(f). The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate XRF Scientific Limited for any current tax payable assumed and are compensated by XRF Scientific Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to XRF Scientific Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables.

NOTE 8: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 $	2015 $
Cash at bank and on hand	2,275,462	1,958,013
Deposits at call	1,029,311	4,801,880
	3,304,773	6,759,893
Reconciliation to cash at the end of the year		
Balances as above	3,304,773	6,759,893
Balance per statements of cash flows	3,304,773	6,759,893

(a) Cash at bank and on hand

Cash at bank earns interest at floating rates based on daily bank deposit rates of between 0.01% to 0.7% pa (2015: 0.01% to 1.35%). Cash available for use is as reported above, with no restrictions applicable.

(b) Deposits at call

Short-term deposits are made for varying periods of between no set term and 4 months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates. Deposits at call are subject to interest rates between 2.12% to 2.7% pa (2015: 2.72% to 3.47% pa).

(c) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 $	2015 $
Trade receivables	3,880,354	3,024,190
Allowance for impairment of receivables	(26,922)	-
Other receivables – From associated entity	91,044	95,175
Other receivables – From other external parties	88,637	62,875
Total trade and other receivables	4,033,113	3,182,240
Past due but not impaired		
Up to 3 months	811,898	817,866
Up to 6 months	283,866	169,583
	1,095,764	987,449
Allowance for impairment of receivables		
Balance at 1 July	-	(5,000)
(Increase)/Decrease in allowance during the year	(26,922)	5,000
Balance at 30 June	(26,922)	-

(a) Impaired trade receivables

The consolidated entity has recognised $26,922 (2015: reversed $5,000 of prior year impairment) in respect of impaired trade receivables during the year ended 30 June 2016. This amount has been included as 'other expenses' in the statement of profit or loss and other comprehensive income.

(b) Past due but not impaired

As at 30 June 2016, trade receivables of the Group of $1,095,764 (2015: $987,449) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is in note 2. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES continued

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Refer to note 28 for terms of the loan to the associated entity. All other receivables are subject to the same terms as trade receivables. Those terms have been described in note 1(k).

(d) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 2.

(e) Non-current receivables

There are no non-current receivables in the current year (2015: Nil).

NOTE 10: CURRENT ASSETS – INVENTORIES

	Consolidated	
	2016 $	2015 $
Raw materials	3,376,982	2,067,172
Finished goods	651,036	493,055
Provision for obsolescence	(4,476)	-
	4,023,542	2,560,227

Stock was valued at lower of cost and net realisable value on 30 June 2016 and 30 June 2015.

Inventory expense

Inventories recognised as expense during the year ended 30 June 2016 amounted to $8,053,387 (2015: $7,764,364). The cost of writing down inventories to net realisable value during the year ended 30 June 2016 was $27,975 (2015: $119,534).

NOTE 11: OTHER CURRENT ASSETS

	Consolidated	
	2016 $	2015 $
Deposits paid	28,478	64,764
Accrued income	6,320	28,097
Prepayments (insurance policies, rates and other fees)	223,605	205,028
	258,403	297,889

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Set out below are the associates and joint ventures of the Group as at 30 June 2016 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business	% of ownership interest 2016	% of ownership interest 2015	Nature of relationship	Measurement method	Quoted fair value 2016	Quoted fair value 2015	Carrying amount 2016	Carrying amount 2015
Gestion Scancia Inc.	Canada	49.99	49.99	Associate [1]	Equity	N/A [2]	N/A [2]	607,890	555,142
Total equity accounted investments						-	-	607,890	555,142

[1] Scancia is a manufacturer of chemical x-ray fluxes, used for x-ray fluorescence analysis and is based in Quebec, Canada. Its products complement the XRF's existing range and the investment supports the Group's international expansion strategy.
[2] Private entity – no quoted price available.

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued

(a) Commitments and contingent liabilities in respect of associates and joint ventures

As at 30 June 2016, there are no contingent liabilities or commitments to provide funding for the capital commitments of associates and joint venture entities (2015: Nil).

(b) Summarised financial information for associate

Gestion Scancia Inc. has a reporting date of 31 May. The different date does not have a material effect on the reportable balances of the Group, so no adjustments have been made.

	Gestion Scancia Inc.	
	2016 $	2015 $
(i) Summarised balance sheet		
Current assets	623,587	416,563
Non-current assets	246,013	272,144
Current liabilities	(530,853)	(416,140)
Non-current liabilities	(193,903)	(229,789)
Net assets	144,844	42,778
Reconciliation to carrying amounts:		
Opening net assets / (liabilities) 1 July	42,778	(9,642)
Total comprehensive income / (loss) for the period	102,066	52,420
Closing net assets	144,844	42,778
Group's share in % of closing net assets	49.99%	49.99%
Group's share in $ of closing net assets	72,408	21,385
Goodwill	535,482	533,757
Carrying amount	607,890	555,142
(ii) Summarised income statement		
Revenue	1,263,473	968,618
Total comprehensive income / (loss)	102,066	52,420

(c) Individually immaterial joint venture

In addition to the interest in the associate disclosed above, the Group also had an interest in an individually immaterial joint venture, XRock Automation Pty Ltd, which is accounted for using the equity method.

	XRock Automation Pty Ltd	
	2016 $	2015 $
Aggregate carrying amount of individually immaterial joint venture	-	-
Aggregate amount of the Group's share of:		
Profit / (loss) from continuing operations	-	-
Post-tax profit / (loss) from discontinued operations	-	(4,971)
Other comprehensive income	-	-
Total comprehensive income / (loss)	-	(4,971)

(d) Group's share of profit / (loss) of investments accounted for using the equity method

	2016 $	2015 $
Gestion Scancia Inc.	52,748	25,728
XRock Automation Pty Ltd	-	(7,101)
	52,748	18,627

NOTE 13: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant & Equipment $	Motor Vehicles $	Property Improvements $	Office Equipment $	Land & Buildings $	Total $
At 30 June 2014						
Cost or fair value	4,165,835	157,652	579,383	649,699	-	5,552,569
Accumulated depreciation	(1,393,888)	(50,539)	(248,439)	(277,400)	-	(1,970,266)
Net book amount	2,771,947	107,113	330,944	372,299	-	3,582,303
Year ended 30 June 2015						
Opening net book amount	2,771,947	107,113	330,944	372,299	-	3,582,303
Transfers between asset classes	35,000	-	-	-	-	35,000
Additions	254,327	37,959	24,060	12,209	-	328,555
Disposals	(18,353)	(23,348)	(2,737)	(2,984)	-	(47,422)
Depreciation charge	(299,883)	(20,897)	(68,116)	(108,914)	-	(497,810)
Closing net book amount	2,743,038	100,827	284,151	272,610	-	3,400,626
At 30 June 2015						
Cost or fair value	4,364,696	144,944	592,983	547,674	-	5,650,297
Accumulated depreciation	(1,621,658)	(44,117)	(308,832)	(275,064)	-	(2,249,671)
Net book amount	2,743,038	100,827	284,151	272,610	-	3,400,626
Year ended 30 June 2016						
Opening net book amount	2,743,038	100,827	284,151	272,610	-	3,400,626
Additions	1,028,930	38,363	60,412	191,109	1,823,217	3,142,031
Disposals	(86,942)	-	(101,455)	(9,987)	-	(198,384)
Depreciation charge	(316,910)	(19,654)	(69,099)	(106,603)	-	(512,266)
Closing net book amount	3,368,116	119,536	174,009	347,129	1,823,217	5,832,007
At 30 June 2016						
Cost or fair value	5,205,492	183,307	467,549	825,380	1,823,217	8,504,945
Accumulated depreciation	(1,837,376)	(63,771)	(293,540)	(478,251)	-	(2,672,938)
Net book amount	3,368,116	119,536	174,009	347,129	1,823,217	5,832,007

All items of property, plant and equipment were recorded at cost as at 30 June 2016 and 30 June 2015.

NOTE 14: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Research & Development $	Goodwill $	Patents trademarks & other rights $	Total $
At 30 June 2014				
Cost or fair value	990,607	13,023,197	216,131	14,229,935
Accumulated amortisation and impairment	(542,999)	(30,000)	(90,014)	(663,013)
Net book amount	447,608	12,993,197	126,117	13,566,922
Year ended 30 June 2015				
Opening net book amount	447,608	12,993,197	126,117	13,566,922
Transfers between asset classes	(35,000)	-	-	(35,000)
Additions	252,268	751,265	111,615	1,115,148
Disposals	-	-	(140)	(140)
Foreign currency adjustment	-	91,443	-	91,443
Amortisation charge	(73,836)	-	(23,000)	(96,836)
Closing net book amount	591,040	13,835,905	214,592	14,641,537
At 30 June 2015				
Cost or fair value	676,963	13,835,905	327,554	14,840,422
Accumulated amortisation and impairment	(85,923)	-	(112,962)	(198,885)
Net book amount	591,040	13,835,905	214,592	14,641,537
Year ended 30 June 2016				
Opening net book amount	591,040	13,835,905	214,592	14,641,537
Additions	220,678	463,307	116,445	800,430
Disposals	-	-	(347)	(347)
Foreign currency adjustment	-	(4,861)	(3)	(4,864)
Amortisation charge	(150,327)	-	(58,946)	(209,273)
Closing net book amount	661,391	14,294,351	271,741	15,227,483
At 30 June 2016				
Cost or fair value	897,640	14,294,351	443,343	15,635,334
Accumulated amortisation and impairment	(236,249)	-	(171,602)	(407,851)
Net book amount	661,391	14,294,351	271,741	15,227,483

All intangible assets were recorded at cost as at 30 June 2016 and 30 June 2015.

(a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash generating units (CGU's) identified according to business and geographical segments. A segment-level summary of the goodwill allocation is presented below.

	Consolidated	
	2016 $	2015 $
Consumables CGU	8,288,237	8,288,237
Precious Metals CGU	3,880,956	3,897,497
Capital Equipment CGU	1,650,171	1,650,171
European Sales Office CGU	474,987	-
	14,294,351	13,835,905

NOTE 14: NON-CURRENT ASSETS – INTANGIBLE ASSETS continued

(b) Significant estimate: key assumptions used for value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the Board covering a five-year period. Average growth rate of 3.20% (see below) used does not exceed the long-term average growth rates for the industry in which each CGU operates. The average growth rate for Precious Metals (Canada) of 15.88% is determined on the basis of historical performance and expected market opportunity. The pre-tax discount rate of 15% reflects specific risks relating to the relevant CGU.

	Consumables	Precious Metals (Australia)	Precious Metals (Canada)	Capital Equipment	European Sales Office (Belgium)
Net Profit (% average annual growth rate)	3.20%	3.20%	15.88%	3.20%	3.20%

(c) Sensitivity to change in assumptions

If the average budgeted net profit growth rate used in the value-in-use calculation for the Precious Metals CGU in Canada is reduced by 50%, the Group would have had to recognise an impairment charge against the carrying amount of goodwill of $360,000. The reasonably possible change in growth rate represents a reasonably possible reduction in sales quantity of capital equipment. Management believes that no other reasonably possible change in any of the above key assumptions would cause the carrying values to materially exceed recoverable amounts.

(d) Impairment charge

No impairment charges have been deemed necessary for the current period.

NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
	2016 $	2015 $
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Share issue expenses	1,906	18,056
Amounts recognised in profit or loss:		
Employee benefits	239,600	219,144
Business acquisition expenses	48,533	107,446
Depreciation of tangible assets	31,140	33,836
Accruals	62,614	37,819
Provisions	24,419	15,000
Other	1,754	(876)
	408,060	412,369
Net deferred tax assets	409,966	430,425
Movements:		
Opening balance at 1 July	430,425	432,301
(Charged)/credited to profit or loss (note 7)	(22,468)	(1,876)
(Charged)/credited to equity	2,009	-
Closing balance at 30 June	409,966	430,425
Deferred tax assets expected to be recovered within 12 months	192,121	168,880
Deferred tax assets expected to be recovered after more than 12 months	217,845	261,545
	409,966	430,425

NOTE 16: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2016	2015
	$	$
Trade payables	424,102	176,107
Deferred consideration	15,670	76,374
Sundry creditors and accruals	313,537	384,800
Employee benefits – annual leave (a)	355,945	324,368
	1,109,254	961,649

Terms and conditions of trade payables vary between suppliers, however terms of trade are generally 30 days.

(a) Amounts not expected to be settled within the next 12 months

The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2016	2015
	$	$
Annual leave obligations expected to be settled after 12 months	234,924	214,083

(b) Foreign exchange risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

NOTE 17: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2016	2015
	$	$
Long service leave (a)	297,300	273,702
Dividends payable to ordinary shareholders	71,363	78,302
Making good of leases (b)	50,000	50,000
Deferred payments	-	101,832
	418,663	503,836

(a) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. Based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be paid within the next 12 months:

	Consolidated	
	2016	2015
	$	$
Long service leave obligations expected to be settled after 12 months	222,975	205,276

(b) Making good of leases provision

XRF Scientific Limited is required to restore leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required for general repairs to premises. All amounts provided for have been expensed in full through the profit or loss as occupancy expenses.

NOTE 18: NON-CURRENT LIABILITIES – LONG-TERM BORROWINGS

	Consolidated	
	2016 $	2015 $
Interest-bearing loan [1]	1,111,500	-

[1] Consists of a three-year, interest-only loan for $1,111,500, used to fund the purchase of a property in Campbellfield, Victoria, which commenced on 27 November 2015. Interest is paid monthly, at a rate of 3.505% per annum. The lender holds a fixed and floating charge over the assets of XRF Scientific and its subsidiaries (including the property acquired) as security for the loan facility. The fair value of the loan is estimated to be $1,139,778, calculated using current market interest rates.

NOTE 19: NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2016 $	2015 $
The balance comprises temporary differences attributed to:		
Amounts recognised in profit or loss		
Research and development	198,417	177,312
Depreciation	40,949	38,280
Other	12,129	17,481
Net deferred tax liabilities	251,495	233,073
Movements:		
Opening balance at 1 July	233,073	171,978
Charged/(credited) to profit or loss (note 7)	18,422	61,095
Closing balance 30 June	251,495	233,073

NOTE 20: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2016 $	2015 $
Employee benefit – long service leave	148,937	132,410

NOTE 21: ISSUED CAPITAL

	Consolidated		Consolidated	
	2016 Shares	2015 Shares	2016 $	2015 $
Issued capital				
Ordinary shares fully paid	133,825,803	132,157,097	18,584,489	18,257,772
Total issued capital	133,825,803	132,157,097	18,584,489	18,257,772

Effective 1 July 1998 the corporations legislation abolished the concept of authorised capital and par value of shares. Accordingly these are not disclosed.

Movements in ordinary share capital:

Date	Details	Number of shares	Issue Price	$
1 July 2014	**Opening balance**	**132,157,097**		**18,257,772**
30 June 2015	**Closing balance**	**132,157,097**		**18,257,772**
1 July 2015	**Opening balance**	**132,157,097**		**18,257,772**
1 December 2015	Shares issued to previous owners of Socachim	1,668,706	$0.20	331,405
1 December 2015	Less: Share issue costs (less deferred tax)	-		(4,688)
30 June 2016	**Closing balance**	**133,825,803**		**18,584,489**

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Dividend reinvestment plan

The parent entity does not have a dividend reinvestment plan in place.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	Consolidated	
	2016 $	2015 $
The gearing ratios at 30 June 2016 and 30 June 2015 were as follows:		
Total borrowings	1,111,500	-
Less: cash and cash equivalents	(3,304,773)	(6,759,893)
Net debt / (positive cash position)	(2,193,273)	(6,759,893)
Total equity	30,406,972	29,765,291
Total equity plus net debt	28,213,699	23,005,398
Gearing ratio	**Net cash (7.8%)**	**Net cash (29.4%)**

NOTE 22: RESERVES AND RETAINED PROFITS

	Consolidated 2016 $	Consolidated 2015 $
(a) Reserves		
Foreign currency translation reserve	(44,202)	(15,037)
Share-based payments reserve	759,243	759,243
Balance 30 June	715,041	744,206
(b) Retained Profits		
Movements in retained profits were as follows:		
Balance 1 July	10,763,313	10,238,362
Net profit for the year	1,537,264	2,639,463
Dividends paid or provided for	(1,193,135)	(2,114,512)
Balance 30 June	11,107,442	10,763,313

(c) Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to recognise the unrealised gains and losses arising from the consolidation of subsidiaries denominated in currencies other than Australian dollars.

Share-based payment reserve
The share-based payments reserve is used to recognise the value of equity-settled share-based payments.

NOTE 23: DIVIDENDS

	Consolidated 2016 $	Consolidated 2015 $
Final dividend for the year ended 30 June 2015 of 0.7 cent per share paid on 25 September 2015	925,098	1,453,727
Interim dividend for the year ended 30 June 2016 of 0.2 cent per share paid on 4 March 2016	268,037	660,785
Total dividends provided for or paid	1,193,135	2,114,512

A fully franked dividend of 0.3 cents per share has been declared on ordinary shares post 30 June 2016.

Franked Dividends

	Consolidated 2016 $	Consolidated 2015 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	4,622,363	4,217,846

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The franked portions of the final dividends recommended after 30 June 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2016. The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $172,062 (2015: $396,471).

NOTE 24: BUSINESS COMBINATIONS

(a) Summary of acquisition

On 1 December 2015 XRF Scientific Limited acquired Socachim SPRL, a business based in Brussels, Belgium. Socachim was founded in 1994 by Mr Michel Davidts, and has been a distributor of XRF's products throughout Europe and Northern Africa.

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

	2016 $
(i) Purchase consideration:	
Cash paid upfront	400,213
Shares issued to former owners	331,405
Total purchase consideration	731,618
The assets and liabilities recognised as a result of the acquisition are as follows:	
Goodwill	363,307
Trade and other receivables	345,835
Inventories	251,911
Customer List	100,000
Cash	58,926
Property, plant and equipment	21,573
Other assets	26,875
Trade and other payables	(404,921)
Current income tax liability	(31,888)
	731,618

The goodwill is attributable to Socachim's strong position and profitability in trading in the sample preparation 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

The acquired business contributed revenues of $2.6m and net profit before tax of $222k to the Group for the period 1 December 2015 to 30 June 2016.

If the acquisition had occurred on 1 July 2015, consolidated revenue and consolidated net profit before tax for the period ended 30 June 2016 would have been $23.0m and $2.5m respectively. These amounts have been calculated using the Group's accounting policies.

(iii) Acquisition related costs

Direct costs relating to the acquisition of Socachim of $66,707 are included "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

(iv) 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:

	2016 $
Outflow of cash to acquire businesses:	
Cash consideration for Socachim (net of cash acquired)	341,287
Cash consideration for Laval Lab Fusion Machines and Flux [1]	116,445
Total outflow of cash - investing activities	457,732

[1] Immaterial acquisition. Acquisition of Fusion Machines and Flux business segments, based in Quebec, Canada.

NOTE 25: CONTINGENCIES

At 30 June 2016, the consolidated entity had no material contingent liabilities in respect of claims, contingent considerations, associates and joint ventures or any other matters.

NOTE 26: COMMITMENTS

(a) Lease commitments

	Consolidated	
	2016 $	2015 $
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	532,087	466,984
Later than one year but not later than five years	374,845	466,584
Later than five years	-	-
	906,932	933,568

Operating leases have been have been taken out for a number of sites, office facilities and a fleet of light motor vehicles. Operating leases typically run for a period of between 3 and 5 years with an option to renew the lease after that date. Lease payments for sites and office facilities are generally increased on an annual basis in line with market related / consumer price index increases.

XRF Labware Pty Ltd has lease agreements with external suppliers for the provision of 88kg of platinum, which is used for working capital purposes. The lease agreements are renewed annually and fees are paid on the current market price of platinum. The current annual agreements will expire on various dates during the year ending 30 June 2017.

(b) Financing arrangements

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. The Group's undrawn borrowing facilities were as follows as at 30 June 2016:

	Consolidated	
	2016 $	2015 $
Bank overdraft facility	1,000,000	1,000,000
Bank guarantee facility	1,498,837	1,498,837
	2,498,837	2,498,837

NOTE 27: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	Consolidated 2016 $	Consolidated 2015 $
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	104,813	103,779
Taxation services	49,025	47,420
Other services	13,022	11,089
BDO Réviseurs d'Entreprises Soc. Civ. SCRL (Belgium)		
Audit and review of financial reports	18,377	-
Taxation services	9,990	-
BDO AG Wirtschaftsprüfungsgesellschaft (Germany)		
Taxation services	18,114	-
	213,341	162,288

NOTE 28: RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent and controlling entity is XRF Scientific Limited which at 30 June 2016 owns 100% of all subsidiaries listed in note 29.

(b) Interests in subsidiaries

Interests in subsidiaries are set out in note 29.

(c) Directors and key management compensation

	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	855,885	748,730
Post-employment benefits	65,820	56,419
Long-term benefits	7,766	6,864
	929,471	812,013

No other post-employment or termination benefits have been provided. Detailed remuneration disclosures are available in the remuneration report from pages 9-14.

(d) Loans to key management personnel

There were no loans to any key management personnel during either of the years ended 30 June 2015 or 30 June 2016.

(e) Other transactions with key management personnel

Premises were rented from a related entity of Director David Brown during the financial year. These properties were rented on normal commercial terms and conditions, totalling $114,029 (2015: $112,012). No amounts were outstanding at the end of the year.

All directors of XRF Chemicals Pty Ltd are guarantors on a lease in Osborne Park. Vance Stazzonelli is currently the sole director.

(f) Loan to associate

On 17 February 2014, XRF Scientific Limited loaned CAD$79,984 to associated entity, Gestion Scancia Inc. The interest rate is set at 10% per annum and is calculated on a monthly basis. Repayments will occur upon the lender's request at any time beyond 6 months of the commencement date.

NOTE 29: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Class of shares	Entity holding 2016 %	Entity holding 2015 %
XRF Chemicals Pty Ltd	Australia	Ordinary	100	100
XRF Labware Pty Ltd	Australia	Ordinary	100	100
XRF Technology (WA) Pty Ltd	Australia	Ordinary	100	100
XRF Technology (VIC) Pty Ltd	Australia	Ordinary	100	100
XRF Scientific Americas Inc [1]	Canada	Ordinary	100	100
XRF Scientific Europe SPRL	Belgium	Ordinary	100	-
XRF Scientific Europe GmbH	Germany	Ordinary	100	-
XRF Scientific UK Ltd	United Kingdom	Ordinary	100	-
Precious Metals Engineering (WA) Pty Ltd	Australia	Ordinary	100	100
XFlux Pty Ltd	Australia	Ordinary	100	100

[1] Formerly known as KPL Scientific Inc. Renamed on 1 July 2015.

The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 30: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES

	Consolidated 2016 $	Consolidated 2015 $
Profit for the year	1,537,264	2,639,463
Depreciation and amortisation	721,539	594,646
Share of JV equity (profits) / losses	(52,748)	(18,627)
Net exchange differences	7,800	21,857
Adjustment for deferred acquisition costs in creditors and provisions	-	(178,205)
Net operating assets of acquired businesses reclassified as investing activities	187,812	349,420
Net (gain) loss on sale of non-current assets	161,624	12,174
(Increase) decrease in trade and other debtors	(850,873)	685,015
(Increase) decrease in inventories	(1,463,315)	417,500
(Increase) decrease in other current asset	39,485	(86,963)
(Increase) decrease in deferred tax asset	20,459	1,876
(Decrease) increase in trade and other creditors	147,605	(329,781)
(Decrease) increase in provision for income taxes	42,896	(151,172)
(Decrease) increase in provision for deferred income tax	18,422	61,095
(Decrease) increase in other liabilities	(24,260)	(27,511)
(Decrease) increase in other provisions	(68,646)	132,933
Net cash inflow (outflow) from operating activities	425,064	4,123,720

NOTE 31: SHARE-BASED PAYMENTS

There were no share-based payments during the year ended 30 June 2016 (2015: Nil).

NOTE 32: EARNINGS PER SHARE

	Consolidated 2016 Cents	Consolidated 2015 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	1.2	2.0
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company	1.2	2.0

	$	$
(c) Reconciliations of earnings used in calculation earnings per share		
Profit attributable to the ordinary equity holders of the company	1,537,264	2,639,463

	Number	Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	133,126,318	132,157,097

NOTE 33: PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2016 $	2015 $
Statement of Financial Position		
Current assets	6,416,015	8,191,951
Total assets	19,710,727	21,501,022
Current liabilities	10,530,363	11,230,596
Total liabilities	10,825,301	11,507,772
Shareholder's equity		
Issued capital	18,584,489	18,257,772
Reserves	709,221	734,043
Accumulated losses	(10,408,284)	(8,998,565)
	8,885,426	9,993,250
Profit or (loss) for the year	**(216,584)**	**(220,449)**
Total comprehensive income / (loss) for the year	**(216,584)**	**(220,449)**

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

NOTE 34: EVENTS OCCURRING AFTER THE REPORTING DATE

Dividend

A final dividend of 0.3 cents per share fully franked was declared on 26 August 2016, bringing the total dividend for the year to 0.5 cents per share fully franked (FY15: 1.2 cents per share fully franked), with a record date of 16 September 2016 and payment date of 30 September 2016.

Other events

There were 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

FOR THE YEAR ENDED 30 JUNE 2016

XRF Scientific Limited and its controlled entities

ACN 107 908 314

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flow, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

    (a) Comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements after 2001; and

    (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.

2. 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.

3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A.

4. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by.

Kenneth Baxter
Chairman

Dated this 22nd day of September 2016

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of XRF Scientific Limited

Report on the Financial Report

We have audited the accompanying financial report of XRF Scientific Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), 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 company's 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 company's 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*. 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 report.

Opinion

In our opinion:

(a) the financial report of XRF Scientific 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 2016 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 financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2016. 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 Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of XRF Scientific Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 22 September 2016

SHAREHOLDER INFORMATION

Additional information (as at 31 August 2016) required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below:

SUBSTANTIAL SHAREHOLDINGS

The number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares
Private Portfolio Managers	14,255,265
Skye Alba Pty Ltd	13,316,641
National Australia Bank Limited	9,096,216
D & GD Brown Nominees Pty Ltd [1]	8,213,300

[1] D & GD Brown Nom PL is a company owned by David Brown and his wife. David Brown is a director of XRF Scientific Limited.

NUMBER OF OPTION HOLDERS

Class of Security	Number of Holders
Nil	-

VOTING RIGHTS

In accordance with the Constitution of the Company and the Corporations Act 2001 (Cth), every member present in person or by proxy at a general meeting of the members of the Company has:

- On a vote taken by a show of hands, one vote; and
- On a vote taken by a poll, one vote for every fully paid ordinary share held in the Company

A poll may be demanded at a general meeting of the members of the Company in the manner permitted by the Corporations Act 2001 (Cth).

DISTRIBUTION OF SHARE AND OPTION HOLDERS

Distribution of Shares & Options	Number of Holders of Ordinary Shares	Number of Holders of Options
1-1,000	47	–
1,000-5,000	107	–
5,001-10,000	116	–
10,001-100,000	357	–
100,001 and above	140	–
	767	**–**

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS

No.	Holder name	Number of Ordinary Shares	Percentage of Ordinary Shares
1	NATIONAL NOM LTD	15,031,075	11.23%
2	SKYE ALBA PL	13,316,641	9.95%
3	BNP PARIBAS NOMS PL	7,984,000	5.97%
4	J P MORGAN NOM AUST LTD	7,515,669	5.62%
5	D & GD BROWN NOM PL [1]	7,513,300	5.61%
6	EVELIN INV PL	6,300,000	4.71%
7	TZELEPIS NOM PL	3,280,000	2.45%
8	PARSONS JOHN GRAHAM	2,828,439	2.11%
9	PROSSOR STEPHEN W + F C	2,669,767	1.99%
10	GREAT WESTERN CAP PL	2,649,578	1.98%
11	PARSONS JULIE ANN	2,500,000	1.87%
12	ABN AMRO CLEARING SYDNEY	2,379,208	1.78%
13	BETA GAMMA PL	2,000,000	1.49%
14	J G H METZ PL	1,888,480	1.41%
15	DAVIDTS FREDERIC	1,668,706	1.25%
16	KORBER MICHAEL KARL	1,500,000	1.12%
17	CREEL PL	1,200,000	0.90%
18	KLARIE PETER	1,190,576	0.89%
19	METZ JORG + CARR WENDY J	1,133,637	0.85%
20	G & E PROPS PL	1,120,000	0.84%
		85,669,076	64.02%

[1] D & GD Brown Nom PL is a company owned by David Brown and his wife. David Brown is a director of XRF Scientific Limited.

RESTRICTED SECURITIES

There are currently no restricted securities.

NON-MARKETABLE PARCELS

Class of Security	Number of Securities	Number of Holders
Ordinary shares	29,262	60

UNQUOTED SECURITIES

The Company does not have any unquoted securities.

ON-MARKET BUY BACK

The Company does not have a current on-market buy-back scheme.

CORPORATE DIRECTORY

DIRECTORS

Kenneth Baxter (Chairman)
David Brown
David Kiggins
Fred Grimwade

COMPANY SECRETARIES

Vance Stazzonelli
Andrew Watson

KEY MANAGEMENT PERSONNEL

Vance Stazzonelli (Chief Executive Officer)
Andrew Watson (Chief Financial Officer)

REGISTERED OFFICE

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COMPANY AUDITOR

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

BANKERS

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109 St George Terrace
Perth WA 6000

SOLICITORS

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167 St Georges Terrace
Perth WA 6000

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ASX

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