# Intec Ltd

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ASX code: INL

# HALF-YEAR FINANCIAL REPORT

# 31 DECEMBER 2016

ASX code: INL

# Corporate Directory

**Directors**

Trevor A Jones (Chairman and Non-executive Director)
Kieran G Rodgers (Managing Director)
Daniel J Cronin (Non-executive Director)

**Group Company Secretary**
Robert J Waring

**Principal Registered Office**

Suite 105, 45 Atchison Street
St Leonards NSW 2065 Australia
Telephone: 0438 675 510
Email: mail@intec.com.au
Website: www.intec.com.au

**Share Registry**

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000 Australia
GPO Box 3993
Sydney NSW 2001 Australia
Telephone: (+61 2) 9290 9600
Facsimile: (+61 2) 9279 0664
Email: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

**Stock Exchange Listings and Trading Platform Listings**

Intec Ltd shares are listed or traded on:
the Australian Securities Exchange (Code: INL);
the Deutsche Boerse (Code: INF);
and as American Depository Receipts on:
The OTC Markets (Code: ICLJY)

**Auditor**
Rothsay Chartered Accountants
Level 1, 12 O'Connell Street
Sydney NSW 2000 Australia

*ASX code: INL*

# DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the Intec Group of Companies (referred to hereafter as the 'Group') consisting of Intec Ltd ('Intec' or the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

**Directors**
The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report:

Trevor A Jones (Chairman and Non-executive Director)
Kieran G Rodgers (Managing Director)
Daniel J Cronin (Non-executive Director)

**Principal activities**
The principal activity of the Group is its 50% interest in Science Developments Pty Ltd, a manufacturer and supplier of chemicals for wastewater treatment. In addition, the Group is the owner of the Zeehan slag dump located near the town of Zeehan on the West Coast of Tasmanian. The Zeehan slag dump contains approximately 430,000 tonnes of material grading approximately 14% zinc (Non-JORC compliant). The Group is currently investigating options to realise value from this material.

**Review of Operations and Comments on Results**
The Group incurred a loss after providing for income tax for the half-year to 31 December 2016 of $306,111 (2015 – loss of $182,196). The loss includes non-cash items of depreciation and amortisation of $63,217 (2015 - $28,203).

The Group incurred net cash outflows from operations of $209,154 for the half-year ended 31 December 2016 (2015 – cash outflows from operations of $301,270). At 31 December 2016, the Group had net assets of $1,955,647 (June 2016 - $1,766,899) and cash balances of $716,791 (June 2016 - $478,089).

**Science Developments Pty Limited**
Intec owns a 50% interest in Science Developments Pty Ltd (SciDev) and holds an option to increase its ownership to 100% based on an agreed formula related to the profitability of SciDev.

On 7 October 2016, the Company announced that it had agreed an exclusive manufacturing and customer arrangement with Burkert Fluid Control Systems (Burkert), in relation to the OptiFlox® System. Burkert is a German multinational and one of the world's leading manufacturers of measurement and control systems for liquids and gases. SciDev and Burkert have been working together for approximately 18 months to develop the OptiFlox® System to a commercial ready stage.

SciDev successfully completed a six-month trial of the OptiFlox® System at Peabody Energy's Wilpinjong Mine. Peabody Energy is the world's largest non-government coal mining company. Following the trial and based on results, SciDev, in collaboration with Burkert, developed the OptiFlox® Mark-2 System, which materially reduces the size of the system but enhances operating and reporting capabilities. The first OptiFlox® Mark-2 System was permanently installed at Wilpinjong during December 2016.

During the first half of the financial year, SciDev undertook trials of its chemicals at two other Peabody Energy sites and conducted laboratory testwork on samples from several other coal preparation plants operated by Peabody Energy and other industry participants. The objective of these trials is to identify the most prospective sites for the future installation of OptiFlox® Systems amongst the approximate seventy coal preparation plants in Australia.

During the half-year, SciDev also undertook a chemical trial at a major dairy processing facility in regional Victoria. This trial was successful and has resulted in a new customer being secured. Discussions are underway with this site in relation to a possible trial of an OptiFlox® System later this calendar year.

**Completion of successful share purchase plan and placement**
On 12 December 2016, the Company announced a Conditional Share Placement (Placement) and a Share Purchase Plan (SPP) to raise a total of $2.1m.

The Placement raised $1.5m for the Company through the issue of 125 million new shares to sophisticated and professional investors at a price of $0.012 per share and was carried out in two stages. The first stage of approximately 45 million shares to raise $0.54m occurred on 19 December 2016 and the second stage, the issue of approximately 80 million shares to raise $0.96m, was finalised on 2 February 2017.

To allow all Intec shareholders to participate on the same terms as the Placement, the Company also announced a SPP to raise $0.6m. The SSP closed oversubscribed on 6 January 2017 and the new shares were issued on 12 January 2017.

Funds raised from the Placement and SPP will be used to exercise the option held over 50% of Science Developments Pty Ltd (SciDev) to move to 100% ownership of the business, replace certain SciDev related finance facilities and for ongoing working capital.

**Events occurring after the reporting date**
On 12 January 2017, the Company issued 50,000,004 ordinary fully paid shares at an issue price of $0.012 per share to raise $600,000 from a Share Purchase Plan.

At an Extraordinary General Meeting held on 25 January 2017, a resolution to change the name of the Company to SciDev Ltd was approved by shareholders. The name change will be effected during March 2017.

On 2 February 2017, the Company issued 80,027,200 ordinary fully paid shares at an issue price of $0.012 per share to raise $960,326.

On 2 February 2017, the Company issued 22.5 million unlisted options over Intec Ltd shares with an exercise price of $0.025 and an expiry date of 28 November 2019.

On 27 February 2017, the Company exercised the option held over 50% of Science Developments Pty Ltd to move to 100% ownership of Science Developments Pty Ltd. Consideration for the exercise of the option was the payment of $660,000 in cash and the issue of 20 million ordinary fully paid shares at an issue price of $0.012 per share.

No other events have occurred after 31 December 2016 requiring disclosure in, or amendment to, these interim financial statements.

**Auditor's Independence Declaration**
An independence declaration from the Company's auditor, Rothsay Chartered Accountants, Sydney is included on page 16 of the financial report.

This report is made in accordance with a resolution of the Company's Directors.

Kieran Rodgers
**Managing Director**

28 February 2017

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Note | Half-year 31 December 2016 $ | 31 December 2015 $ |
|---|---|---|---|
| **Revenue from continuing operations** | 2 | **985,117** | 889,415 |
| Administration expense | | **(188,058)** | (152,901) |
| Depreciation and amortisation expense | | **(63,217)** | (28,203) |
| Employee benefits expense | | **(352,647)** | (352,540) |
| Engineering and other consultants expenses | | **(70,950)** | (74,450) |
| Finance costs | | **(11,384)** | (10,949) |
| Occupancy expense | | **(60,791)** | (46,010) |
| Treatment expense | | **(509,700)** | (400,814) |
| Other expenses | | **(10,042)** | (10,186) |
| **Profit/(loss) before income tax from continuing operations** | | **(281,672)** | (186,638) |
| Income tax benefit/(expense) | | **(24,439)** | 4,442 |
| **Profit/(loss) after tax for the half-year** | | **(306,111)** | (182,196) |
| | | | |
| Other comprehensive income/(loss) | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Gain on revaluation of other financial assets | | **-** | 29,500 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Reclassification on disposal of available-for-sale financial assets | | **-** | (15,150) |
| **Other comprehensive income for the half-year, net of income tax** | | **-** | 14,350 |
| Total comprehensive income for the half-year | | **(306,111)** | (167,846) |
| | | | |
| Profit/(loss) for the half-year is attributable to: | | | |
| Owners of Intec Ltd | | **(334,118)** | (190,146) |
| Non-controlling interests | | **28,007** | 7,950 |
| | | **(306,111)** | (182,196) |
| **Total comprehensive income is attributable to:** | | | |
| Owners of Intec Ltd | | **(334,118)** | (175,796) |
| Non-controlling interests | | **28,007** | 7,950 |
| | | **(306,111)** | (167,846) |
| | | | |
| Basic Earnings and Diluted Earnings per share (cents per share) attributable to the owners | | **(0.10)** | (0.06) |

*The accompanying notes form part of these financial statements.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2016

| | Notes | 31 December 2016 $ | 30 June 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **716,791** | 478,089 |
| Trade and other receivables | | **330,953** | 228,533 |
| Inventories | | **210,176** | 278,040 |
| **Total current assets** | | **1,257,920** | 984,662 |
| **Non-current assets** | | | |
| Other financial assets | | **2,900** | 2,900 |
| Plant and equipment | | **249,185** | 228,545 |
| Intangible assets | 4 | **1,251,833** | 1,269,090 |
| **Total non-current assets** | | **1,503,918** | 1,500,535 |
| **Total assets** | | **2,761,838** | 2,485,197 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **270,839** | 205,136 |
| Loans and borrowings | 5 | **264,094** | 236,491 |
| Provisions | | **158,935** | 139,466 |
| **Total current liabilities** | | **693,868** | 581,093 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 5 | **50,882** | 71,323 |
| Deferred tax liability | | **61,441** | 65,882 |
| **Total non-current liabilities** | | **112,323** | 137,205 |
| **Total liabilities** | | **806,191** | 718,298 |
| **Net assets** | | **1,955,647** | 1,766,899 |
| **Equity** | | | |
| Contributed equity | 6 | **72,136,836** | 71,641,977 |
| Reserves | 7 | **2,653,594** | 2,653,594 |
| Accumulated losses | | **(73,032,780)** | (72,698,662) |
| Total equity attributable to equity holders of the Company | | **1,757,650** | 1,596,909 |
| Non-controlling interest | | **197,997** | 169,990 |
| **Total equity** | | **1,955,647** | 1,766,899 |

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Share Capital | Reserves | Accumulated Losses | Non-Controlling Interest | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2015** | 71,641,977 | 2,671,694 | (72,218,074) | 147,532 | 2,243,129 |
| Loss after income tax expense for the period | - | - | (190,146) | 7,950 | (182,196) |
| Other comprehensive income for the period, net of tax | - | 14,350 | - | - | 14,350 |
| Total comprehensive income for the period | - | 14,350 | (190,146) | 7,950 | (167,846) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| - Share based payments reserve | - | - | - | - | - |
| **Balance at 31 December 2015** | 71,641,977 | 2,686,044 | (72,408,220) | 155,482 | 2,075,283 |
| | **$** | **$** | **$** | **$** | **$** |
| **Balance at 1 July 2016** | **71,641,977** | **2,653,594** | **(72,698,662)** | **169,990** | **1,766,899** |
| Loss after income tax expense for the period | **-** | **-** | **(334,118)** | **28,007** | **(306,111)** |
| Other comprehensive income for the period, net of tax | **-** | **-** | **-** | **-** | **-** |
| Total comprehensive income for the period | **-** | **-** | **(334,118)** | **28,007** | **(306,111)** |
| Contributions of equity, net of transaction costs | **494,859** | **-** | **-** | **-** | **494,859** |
| *Transactions with owners in their capacity as owners:* | | | | | |
| - Share based payments reserve | **-** | **-** | **-** | **-** | **-** |
| **Balance at 31 December 2016** | **72,136,836** | **2,653,594** | **(73,032,780)** | **197,997** | **1,955,647** |

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| | Half-year 31 December 2016 $ | 31 December 2015 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | **935,882** | 801,853 |
| Payments to suppliers and employees | **(1,136,326)** | (1,087,490) |
| Interest paid | **(11,384)** | (10,949) |
| Interest received | **2,673** | 8,711 |
| Income tax refund/(paid) | **1** | (13,395) |
| Net cash (outflows)/inflows from operating activities | **(209,154)** | (301,270) |
| **Cash flows from investing activities** | | |
| Payments for plant and equipment | **(66,599)** | (30,268) |
| Payments for intangibles | **-** | (13,841) |
| Proceeds from disposal of investments | **-** | 176,181 |
| Net cash inflow/(outflows) from investing activities | **(66,599)** | 132,072 |
| **Cash Flows from Financing Activities** | | |
| Proceeds on issuing shares and options | **507,293** | - |
| Proceeds from borrowings | **78,170** | - |
| Repayment of borrowings | **(71,008)** | (21,719) |
| Net cash inflows/(outflows) from financing activities | **514,455** | (21,719) |
| Net (decrease)/increase in cash and cash equivalents held | **238,702** | (190,917) |
| Cash and cash equivalents at the beginning of the financial period | **478,089** | 926,394 |
| Cash and cash equivalents at the end of the financial period | **716,791** | 735,477 |

*The accompanying notes form part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This consolidated Financial Report for the half-year to 31 December 2016 is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

For the purpose of preparing the Half-Year Financial Report, the half-year has been treated as a discrete reporting period.

The Half-Year Financial Report is intended to provide users with an update on the latest annual financial statements of Intec Ltd. As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. This consolidated financial report does not include all notes normally included in an Annual Financial Report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made by Intec Ltd during the half-year ended 31 December 2016.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### B. Principles of Consolidation

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of change in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### C. Going Concern Basis

The Company and controlled entities (the Group) generated an operating loss after income tax of $306,111 (2015: $182,196) and net cash outflows from operations of $209,154 (2015: $301,270) for the half-year ended 31 December 2016. As at 31 December 2016, the Group had net assets of $1,955,647 (June 2016: $1,766,899) and cash balances of $716,791 (June 2016: $478,089).

These matters give rise to a material uncertainty that may cast doubt whether the Group can continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the Financial Statements. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in the following:

- Commercialisation of the Optiflox® System with resultant increased product sales and technology leasing fees;
- Raising sufficient capital by way of either additional debt and/or equity capital. Since year end $1,560,000 has been raised; and
- The receipt of proceeds from the sale of non-core assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Directors are of the opinion that sufficient additional funding will be secured and are themselves likely to participate in any future equity capital raising. The Financial Report has therefore been prepared on the basis of a going concern. This basis presumes that funds from the above sources will be available to finance future operations, and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

However, the Directors note that if sufficient funds are not raised through the abovementioned sources, the going concern basis may not be appropriate with the result that the group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report.

### NOTE 2: REVENUE

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | $ | $ |
| Sales revenue: Product sales | **949,030** | 725,862 |
| Other revenue: | | |
| Interest received | **2,673** | 8,672 |
| Profit on disposal of non-current assets | **-** | 145,881 |
| Sundry income | **33,414** | 9,000 |
| | **36,087** | 163,553 |
| **Total revenue from continuing operations** | **985,117** | 889,415 |

### NOTE 3: SEGMENT INFORMATION

The Group operates in primarily one geographical segment, namely Australia. The primary business segment is the treatment of industrial waste including the manufacture and supply of chemicals for the treatment of waste water. The Group has three major customers; Lion Dairy & Drinks Limited, Murray Goulburn Co-operative Co. Limited, and Wilpinjong Coal Proprietary Limited.

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

### NOTE 4: INTANGIBLE ASSETS

| | 31 December 2016 | 30 June 2016 |
|---|---|---|
| | $ | $ |
| **Identified intangibles – Trademarks and IP** | | |
| Opening net book amount | **239,072** | 258,887 |
| Acquired during the year | **-** | 14,756 |
| Amortisation of trademarks | **(17,257)** | (34,571) |
| **Closing net book amount** | **221,815** | 239,072 |
| **Goodwill on consolidation** | | |
| Opening net book amount | **1,030,018** | 1,030,018 |
| Acquired during the year | **-** | - |
| **Closing net book amount** | **1,030,018** | 1,030,018 |
| **Total closing net book amount** | **1,251,833** | 1,269,090 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Goodwill is not amortised. Instead goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses on good will are taken to profit or loss and are not subsequently reversed.

Trademarks and IP are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks are amortised over their useful lives of 10 years. Impairment is assessed annually with reference to ownership and expected use.

**NOTE 5: BORROWINGS**

Borrowings consist of a trade finance facility with Westpac Banking Corporation and motor vehicle and equipment finance leases.

**NOTE 6: CONTRIBUTED EQUITY**

**Movements in ordinary share capital**

| **Date** | **Details** | **Number of shares** | **Issue price $** | **$** |
|---|---|---|---|---|
| 01-07-2016 | Balance | 299,818,669 | | 71,641,977 |
| 19-12-2016 | Issue of shares | 44,972,800 | 0.012 | 539,674 |
| | Share issues transaction costs | | | (44,815) |
| **31-12-2016** | **Balance** | **344,791,469** | | **72,136,836** |

**NOTE 7: SHARE BASED PAYMENTS**

**Employee Share Scheme**
Share based compensation benefits are provided to employees via the Intec Employee Share Scheme.

At the 2014 Annual General Meeting, shareholders approved the Intec Employee Share Scheme (the Scheme). All directors, employees and consultants are eligible to participate in the Scheme. Options granted under the Scheme to eligible participants are for no additional consideration. Options are granted for a five-year period, and vest and are exercisable immediately, unless otherwise stated. Options granted under the Scheme carry no dividend or voting rights. The granting of options is at the Board's discretion and no individual has a contractual right to receive options.

The fair value of options granted under the Intec Employee Share Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using share option valuation models that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

| **Issue Date** | **Expiry Date** | **Exercise Price** | **Balance at 1 July 2016** | **Granted during half-year** | **Lapsed during half-year** | **Exercised during half-year** | **Vested & exercisable as at 31 December 2016** |
|---|---|---|---|---|---|---|---|
| 09-12-2011[1] | 21-11-2016 | $0.0300 | 3,300,000 | - | 3,300,000 | - | - |
| 10-12-2014[2] | 28-11-2019 | $0.0250 | 5,500,000 | - | - | - | 5,500,000 |
| **Total Options on issue** | | | **8,800,000** | **-** | **3,300,000** | **-** | **5,500,000** |

1. Granted under previous Intec Option Plan.
2. Granted under Intec Employee Share Scheme

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

There were no employee options granted during the half-year (30 June 2016: nil).

*Shares provided on exercise of remuneration options*
No ordinary shares (30 June 2016: Nil) in the Company were provided as a result of the exercise of remuneration options to eligible participants in the Scheme. Accordingly, there were no expenses arising from share based payment transactions recognised in the statement of comprehensive income.

**NOTE 8: EVENTS OCCURRING AFTER REPORTING DATE**

On 12 January 2017, the Company issued 50,000,004 ordinary fully paid shares at an issue price of $0.012 per share to raise $600,000 from a Share Purchase Plan.

At an Extraordinary General Meeting held on 25 January 2017, a resolution to change the name of the Company to SciDev Ltd was approved by shareholders. The name change will be effected during March 2017.

On 2 February 2017, the Company issued 80,027,200 ordinary fully paid shares at an issue price of $0.012 per share to raise $960,326.

On 2 February 2017, the Company issued 22.5 million unlisted options over Intec Ltd shares with an exercise price of $0.025 and an expiry date of 28 November 2019.

On 27 February 2017, the Company exercised the option held over 50% of Science Developments Pty Ltd to move to 100% ownership of Science Developments Pty Ltd. Consideration for the exercise of the option was the payment of $660,000 in cash and the issue of 20 million ordinary fully paid shares.

**Business Acquisition**
On 27 February 2017, the Company exercised the option held over 50% of Science Developments Pty Ltd to move to 100% ownership of Science Developments Pty Ltd. Consideration for the exercise of the option was the payment of $660,000 in cash and the issue of 20 million ordinary fully paid shares.

| | Fair Value |
|---|---|
| | **$** |
| Cash | 36,369 |
| Receivables | 275,382 |
| Inventories | 448,402 |
| Property, plant and equipment | 212,056 |
| Trademarks | 227,907 |
| Trade and other payables | (410,390) |
| Deferred tax liability | (126,011) |
| Total | 663,715 |
| **Net assets acquired at 50%** | **331,857** |
| **Goodwill** | **568,143** |
| **Acquisition date: fair value of total consideration** | **900,000** |
| Representing: | |
| Cash paid | 660,000 |
| Shares Issued | 240,000 |
| Total consideration | 900,000 |
| Cash used to acquire business, net of cash received | |
| Cash Paid | 660,000 |
| Less: cash and cash equivalents | (36,369) |
| | 623,631 |

No other events have occurred subsequent to 31 December 2016 requiring disclosure in, or amendment to, these interim financial statements.

# DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 12 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

Kieran Rodgers
**Managing Director**

28 February 2017

ROTHSAY
CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Intec Ltd

### Report on the Half-Year Financial Report

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

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

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

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

### Independence

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

## Conclusion

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

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

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(C) in the financial report, which indicates that the Group incurred a net loss from operations of $306,111 (2015: $182,196) and net operating cash outflows of $209,154 (2015: $301,270) for the half-year ended 31 December 2016. This condition, along with other matters as set forth in Note 1(C) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

**Rothsay Chartered Accountants**

**Frank Vrachas**
Partner

Sydney, 28 February 2017

ROTHSAY
CHARTERED ACCOUNTANTS

# AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors of Intec Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

**Rothsay Chartered Accountants**

**Frank Vrachas**

Partner

Sydney, 28 February 2017