

Intec Ltd

ABN: 25 001 150 849

P.O. Box 1507
North Sydney NSW 2059
Level 3, 100 Mount Street
North Sydney NSW 2060
Australia

Phone: 0428 002 590
Email: mail@intec.com.au
Website: www.intec.com.au
ASX code: INL

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2015



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

P.O. Box 1507
North Sydney NSW 2059 Australia
Level 3, 100 Mount Street
North Sydney NSW 2060 Australia
Telephone: (+61 2) 9954 7888
Email: mail@intec.com.au
Website: www.intec.com.au

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000 Australia
PO Box 3993
Sydney NSW 2001 Australia
Telephone: (+61 2) 9290 9600
Facsimile: (+61 2) 9279 0664
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 Börse (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



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DIRECTORS' REPORT

Your Directors present their report, together with the financial statements, on the consolidated entity consisting of Intec Ltd (Intec or the Company) and the entities it controlled (the Group) for the half-year ended 31 December 2015.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are set out below.

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

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the manufacture and importation of a range of coagulants and flocculants for use in wastewater treatment and sludge dewatering in the agribusiness and mining industries. In addition, the Company maintains an interest in the Intec Process via an agreement with Intec International Projects Pty Ltd.

Review of Operations and Comments on Results

The Group incurred a loss after providing for income tax for the half-year to 31 December 2015 of \$182,196 (2014 – loss of \$482,583). The loss includes non-cash items of depreciation and amortisation of \$28,203 (2014 - \$36,115). The Group incurred net cash outflows from operations of \$301,270 for the half-year ended 31 December 2015 (2014 – cash outflows from operations of \$630,477). At 31 December 2015, the Group had net assets of \$2,075,283 (June 2015 - \$2,243,129) and cash balances of \$735,477 (June 2015 - \$926,394).

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 future profitability of SciDev. During the half-year, SciDev achieved its first sales into New Zealand under its distributorship agreement with Apex Environmental Ltd. However, indications are that New Zealand sales are likely to be seasonally based in the winter/autumn months with materially lower levels at other times.

The first OptiFlox® System was installed at Peabody Energy's Willpinjong coal mine during the half-year as part of an agreed 6-month commercial trial. Following modifications undertaken subsequent to half-year end, the OptiFlox® System is now operational including the dosing of SciDev coagulant. However, it is very early into the 6-month trial and while initial indications are that the system is performing as expected further operational time is required prior to confirmation of the system's productivity and operating cost benefits. As successful commercialisation of the OptiFlox® System is the key business development focus for SciDev, the Company will make announcements as material information regarding the trial becomes available.

Corporate

The Company's Annual General Meeting was held on 27 November 2015. All resolutions contained in the Notice of Meeting were passed including the consideration of the Financial Report, adoption of the Remuneration Report and the election of Director Daniel Cronin.

Events occurring after the reporting date

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than as follows:

The first OptiFlox® System was installed at Peabody Energy's Willpinjong coal mine during the half-year as part of an agreed 6-month commercial trial. Following modifications undertaken subsequent to half-year end, the OptiFlox® System is now operational including the dosing of SciDev coagulant. However, it is very early into the 6-month trial and while initial indications are that the system is performing as expected further operational time is required prior to confirmation of the system's productivity and operating cost benefits. As successful commercialisation of the OptiFlox® System is the key business development focus for SciDev, the Company will make announcements as material information regarding the trial becomes available.

Auditor's Independence Declaration

An independence declaration from the Company's auditor, Rothsay Chartered Accountants, Sydney is included on page 17 of the financial report.

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



Kieran G. Rodgers
Managing Director
29 February 2016



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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half-year	
		31 December 2015	31 December 2014
		\$	\$
Revenue from continuing operations	3	889,415	877,983
Administration expense		(152,901)	(250,901)
Burnie Research Facility expenses		-	(94,949)
Depreciation and amortisation expense		(28,203)	(36,115)
Employee benefits expense		(352,540)	(509,087)
Engineering and other consultants expenses		(74,450)	(95,032)
Finance costs		(10,949)	(11,310)
Impairment expense		-	(13,100)
Occupancy expense		(46,010)	(56,148)
Treatment expense		(400,814)	(337,415)
Other expenses		(10,186)	(9,142)
Profit/(loss) before income tax from continuing operations		(186,638)	(535,216)
Income tax expense/(benefit)		(4,442)	(4,442)
Profit/(loss) after tax for the half-year from continuing operations		(182,196)	(530,774)
Profit/(loss) after tax for the half-year from discontinuing operations	2	-	48,191
Profit/(loss) after tax for the half-year		(182,196)	(482,583)
Other comprehensive income/(loss)			
Items that will be reclassified subsequently to profit or loss:			
Gain on revaluation of other financial assets	5	29,500	18,100
Items that will not be reclassified subsequently to profit or loss:			
Reclassification on disposal of available-for-sale financial assets	5	(15,150)	-
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income for the half-year, net of income tax		14,350	18,100
Total comprehensive income for the half-year		(167,846)	(464,483)
Profit/(loss) for the half-year is attributable to:			
Owners of Intec Ltd		(190,146)	(451,170)
Non-controlling interests		7,950	(31,413)
		(182,196)	(482,583)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Total comprehensive income is attributable to:

Continuing operations	(175,796)	(482,160)
Discontinuing operation	-	49,090
Owners of Intec Ltd	(175,796)	(433,070)
Continuing operations	7,950	(30,514)
Discontinuing operation	-	(899)
Non-controlling interests	7,950	(31,413)
	(167,846)	(464,483)

Earnings per shares for loss from continuing operations attributable to the owners

Basic Earnings per share (cents per share)	(0.06)	(0.18)
Diluted Earnings per share (cents per share)	(0.06)	(0.18)

Earnings per shares for loss from discontinuing operations attributable to the owners

Basic Earnings per share (cents per share)	-	(0.02)
Diluted Earnings per share (cents per share)	-	(0.02)

Earnings per shares for loss attributable to the owners

Basic Earnings per share (cents per share)	(0.06)	(0.16)
Diluted Earnings per share (cents per share)	(0.06)	(0.16)

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		735,477	926,394
Trade and other receivables		272,898	326,531
Inventories		263,407	255,777
Total current assets		1,271,782	1,508,702
Non-current assets			
Other financial assets	5	41,250	57,200
Plant and equipment		240,147	221,323
Intangible assets	6	1,285,987	1,288,905
Total non-current assets		1,567,384	1,567,428
Total assets		2,839,166	3,076,130
LIABILITIES			
Current liabilities			
Trade and other payables		213,065	277,754
Loans and borrowings	7	267,425	255,466
Provisions		121,619	111,298
Total current liabilities		602,109	644,518
Non-current liabilities			
Loans and borrowings	7	91,450	113,718
Deferred tax liability		70,324	74,765
Total non-current liabilities		161,774	188,483
Total liabilities		763,883	833,001
Net assets		2,075,283	2,243,129
Equity			
Contributed equity		71,641,977	71,641,977
Reserves	5, 8	2,686,044	2,671,694
Accumulated losses		(72,408,220)	(72,218,074)
Total equity attributable to equity holders of the Company		1,919,801	2,095,597
Non-controlling interest		155,482	147,532
Total equity		2,075,283	2,243,129

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Share Capital \$	Reserves \$	Accumulated Losses \$	Non-Controlling Interest \$	Total \$
Balance at 1 July 2014	71,641,977	2,624,037	(71,401,953)	187,857	3,051,918
Loss after income tax expense for the period	-	-	(451,170)	(31,413)	(482,583)
Other comprehensive income for the period, net of tax	-	18,100	-	-	18,100
Total comprehensive income for the period	-	18,100	(451,170)	(31,413)	(464,483)
<i>Transactions with owners in their capacity as owners:</i>					
- Share based payments reserve	-	29,557	-	-	29,557
Balance at 31 December 2014	71,641,977	2,671,694	(71,853,123)	156,444	2,616,992
	\$	\$	\$	\$	\$
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)
<i>Transactions with owners in their capacity as owners:</i>					
- Share based payments reserve	-	-	-	-	-
Balance at 31 December 2015	71,641,977	2,686,044	(72,408,220)	155,482	2,075,283

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Half-year	
	31 December 2015	31 December 2014
		\$
Cash flows from operating activities		
Receipts from customers	801,853	652,647
Payments to suppliers and employees	(1,087,490)	(1,316,940)
Interest paid	(10,949)	(11,310)
Interest received	8,711	24,981
Income tax refund/(paid)	(13,395)	20,145
Net cash (outflows)/inflows from operating activities	<u>(301,270)</u>	<u>(630,477)</u>
Cash flows from investing activities		
Proceeds from sale or disposal of plant and equipment	-	183,574
Payments for plant and equipment	(30,268)	(69,595)
Payments for intangibles	(13,841)	(11,832)
Proceeds from disposal of investments	176,181	50,000
Proceeds from security deposits refunded	-	-
Net cash inflow/(outflows) from investing activities	<u>132,072</u>	<u>152,147</u>
Cash Flows from Financing Activities		
Proceeds from borrowings	-	76,664
Repayment of borrowings	(21,719)	(30,828)
Net cash inflows/(outflows) from financing activities	<u>(21,719)</u>	<u>45,836</u>
Net (decrease)/increase in cash and cash equivalents held	(190,917)	(432,494)
Cash and cash equivalents at the beginning of the financial period	926,394	1,747,861
Cash and cash equivalents at the end of the financial period	<u>735,477</u>	<u>1,315,367</u>

The accompanying notes form part of these financial statements.



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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 2015 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 2015, together with any public announcements made by Intec Ltd during the half-year ended 31 December 2015.

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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in Note 1B below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

B. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Intec Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it 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.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

C. Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. the consideration transferred;
- ii. any non-controlling interest; and
- iii. the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

D. Intangibles Other than Goodwill

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 6-10 years.

E. Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

F. Going Concern Basis

The Group incurred a net loss from operations of \$182,196 (2014: \$482,583) and net operating cash outflows of \$301,720 (2014: \$630,477) for the half-year ended 31 December 2015. As at 31 December 2015, the Group was in a net current asset position of \$669,673 (June 2015: \$864,184), net asset position of \$2,075,283 (June 2015: \$2,243,129) and with cash and cash equivalents of \$735,477 (June 2015: \$926,394).

These matters give rise to a material uncertainty that may cast significant 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:

- a. Successful commercialisation of the Optiflox® System with resultant increased product sales and technology leasing fees (further details regarding the status of the Optiflox® System are included in Note 9); and/or
- b. Raising sufficient cash from additional debt or equity capital to meet short term liabilities as and when they fall due.

The Directors are of the opinion that cash inflows and additional funding will be secured through the above means. 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: DISCONTINUED OPERATIONS

On 30 September 2014 the consolidated entity sold its 50% shareholding in Intec International Projects Pty Limited ('IIP') for consideration of \$50,000 resulting in a gain on sale before income tax of \$48,221 and after income tax of \$48,191. Previously, Intec and IIP had agreed to an extensive cross-licensing and technology transfer in relation to Intec's patent portfolio, for which Intec also received a payment of \$50,000. IIP was not trading up to the date of sale and future losses were projected.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: REVENUE

	31 December 2015	31 December 2014
	\$	\$
Sales revenue:		
Treatment income	-	67,022
Product sales	725,862	606,489
	725,862	673,511
Other revenue:		
Interest received	8,672	24,182
Government subsidies	-	3,021
Sundry income	9,000	62,626
	17,672	89,829
Total revenue from continuing operations	743,534	763,340
Other income – profit on disposal of non-current assets	145,881	114,643

NOTE 4: SEGMENT INFORMATION

The Group's primary business segment is the treatment of industrial waste including the manufacture and supply of chemicals for the treatment of waste water.

NOTE 5: OTHER FINANCIAL ASSETS

The Group holds an investment in Bass Metals Ltd (BSM) of 2,950,000 shares (2014 - 18,100,000 shares). 15,150,000 shares were sold during the year with the profit on disposal of \$145,881 recorded in other revenue. The closing market price at 31 December 2015 was 0.013 cents, which represented an increase in value of the remaining BSM shares to \$38,350. A revaluation of \$29,500 was recorded against the asset revaluation reserve.

NOTE 6: INTANGIBLE ASSETS ACQUIRED

Intangible assets of \$1,285,987 principally comprise goodwill on consolidation of \$1,030,018, relating to the acquisition of a 50% interest in Science Developments Pty Ltd, with the balance being trademarks and patents. Intangible assets of \$13,841 representing a patent were acquired during the half-year and are held by Science Developments Pty Ltd. The identifiable intangibles are being amortised over 6 years.

NOTE 7: BORROWINGS

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

NOTE 8: SHARE BASED PAYMENTS

Employee Share Scheme

At the 2014 Annual General Meeting, shareholders approved the Intec Employee Share Scheme (the Scheme). The Scheme replaced the previous Intec Option Plan, which has been approved at the 2001 Annual General Meeting. 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.



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2015	Granted during half-year	Lapsed during half-year	Exercised during half-year	Vested & exercisable as at 31 December 2015
09-12-2011 ¹	21-11-2016	\$0.0300	3,300,000	-	-	-	3,300,000
10-12-2014	28-11-2019	\$0.0250	5,500,000	-	-	-	5,500,000
Total Options on issue			8,800,000	-	-	-	8,800,000

1. Granted under previous Intec Option Plan.

The assessed fair value at grant date of options granted under the Scheme is allocated equally over the period from grant date to vesting date, and the amount is included in remuneration. Fair values at grant date are independently determined using 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. There were no employee options granted during the half-year (year ending 30 June 2015 – 5,500,000).

Shares provided on exercise of remuneration options

No ordinary shares (30 June 2015 - 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 9: EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than as follows:

The first OptiFlox® System was installed at Peabody Energy's Willpinjong coal mine during the half-year as part of an agreed 6-month commercial trial. Following modifications undertaken subsequent to half-year end, the OptiFlox® System is now operational including the dosing of SciDev coagulant. However, it is very early into the 6-month trial and while initial indications are that the system is performing as expected further operational time is required prior to confirmation of the system's productivity and operating cost benefits. As successful commercialisation of the OptiFlox® System is the key business development focus for SciDev, the Company will make announcements as material information regarding the trial becomes available.



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DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 13 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 2015 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 G. Rodgers
Managing Director

29 February 2016



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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 2015, 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 2015 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 2015 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(F) in the financial report, which indicates that the Group incurred a net loss from operations of \$182,196 (2014: \$482,583) and net operating cash outflows of \$301,720 (2014: \$630,477) for the half-year ended 31 December 2015. This condition, along with other matters as set forth in Note 1(F) 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

A handwritten signature in dark ink, appearing to read 'Frank Vrachas', written in a cursive style.

Frank Vrachas
Partner

Sydney, 29 February 2016

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

As lead auditor of the review of Intec Ltd for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Intec Ltd and the entities it controlled during the period.



Frank Vrachas
Partner

Rothsay Chartered Accountants

Sydney, 29 February 2016