



**XTEK LTD**  
ABN 90 103 629 107



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ISO 9001:2000 Accreditation No. MEL4000269 NSW Security Master Licence: 408232489 ACT Security Master Licence: 17501563

Manager,  
Company Announcements Office  
Australian Securities Exchange  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

31 August 2010

By Electronic Lodgement

Dear Sir/Madam,

**LODGE MENT OF 2010 PRELIMINARY FINAL REPORT (APPENDIX 4E)**

In accordance with the Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30 June 2010.

Should you require any further information in respect to this matter please contact the Chairman, Mr Uwe Boettcher at [Uwe.Boettcher@xtek.net](mailto:Uwe.Boettcher@xtek.net) or 02 6232 0601 in the first instance.

Yours sincerely,

Lawrence A. Gardiner  
Company Secretary

Attachment: Appendix 4E – 2010 Preliminary Final Report for XTEK Limited.

For personal use only

**XTEK LIMITED**  
**ACN: 103 629 107**

Appendix 4E  
Preliminary Final Report – 30 June 2010

**Appendix 4E**  
**Preliminary Final Report**

Name of Entity

**XTEK Limited**

Australian Business Number

**90 103 629 107**

Financial year ended (current period)

**30 June 2010**

**Results for announcement to the market**

**\$A'000**

<b>Total Revenue</b>	down	39%	to	\$8,282
<b>Profit/(Loss) after tax</b>	down	Note [1]	to a loss of	(\$1,472)
<b>Net Profit/(Loss) for the period attributable to members</b>	down	Note [1]	to a loss of	(\$1,472)

Note [1] XTEK Ltd recorded a loss of \$1,471,711 in the current period and a profit of \$807,359 in the prior period.

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend. Not applicable.		

<b>Earnings per share</b>	<b>2010</b>	<b>2009</b>
	\$	\$
<b>(a) Basic earnings per share</b>		
(Loss)/Profit from operations attributable to the ordinary equity holders	<b>(0.017)</b>	0.010
(Loss)/Profit attributable to the ordinary equity holders of the company	<b>(0.017)</b>	0.010
<b>(b) Diluted earnings per share</b>		
(Loss)/Profit from operations attributable to the ordinary equity holders	<b>(0.017)</b>	0.010
(Loss)/Profit attributable to the ordinary equity holders of the company	<b>(0.017)</b>	0.010

<b>Net Tangible Asset Backing</b>	<b>2010</b>	<b>2009</b>
	\$	\$
	<b>0.02</b>	0.04

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### Comments by Directors

#### Agency Business

XTEK recorded a loss of \$1.472m for the period to 30 June 2010 with agency sales down 39% on the corresponding period from \$13.355m to \$8.138m. This was a direct result of tighter government expenditure and lower than expected second half orders from the Defence Materiel Organisation (DMO) particularly in the category of explosive ordnance disposal (EOD) equipment. Historically, XTEK's second half revenue has formed approximately 60% of the total annual revenue, however, in 2010, revenue for the six months to June was just \$3.6m or 44% of total revenue and this significantly impacted the full year result. Gross margins remained in line with the prior year and operational expenditure increased by 3% largely due to the inclusion of the Adelaide office into the continuing operations of the company.

The unpredictability of the government spending led to a strategic review of XTEK's operations and a restructure plan which was completed in May 2010. The restructure is forecast to deliver operational cost savings in the region of \$1m while the company focuses its attention on commercialising its intellectual property (IP) and growing revenue in its expanding product range.

Details of the agency sales of equipment and services are included in the business analysis table below.

#### XTEK Business Analysis

	1st Half Dec 09			1st Half Dec 08			2nd Half Jun 10			2nd Half Jun 09			Full Year Jun 10			Full Year Jun 09					
	\$'000	\$'000	%	\$'000	\$'000	%	\$'000	\$'000	%	\$'000	\$'000	%	\$'000	\$'000	%	\$'000	\$'000	%			
<b>Agency Sales</b>																					
EOD/IEDD General	1,141	1,680	(32%)				1,051	4,820	(78%)				2,192	6,500	(66%)				1,486	1,189	25%
EOD Robots	1,486	1,189	25%				-	-	-				1,486	1,189	25%				-	-	-
General Security	179	267	(33%)				414	146	183%				593	413	43%				967	956	1%
Forensics	372	476	(22%)				595	480	24%				967	956	1%				-	407	-
UAV's	-	-	-				-	407	-				-	407	-				773	1,183	(35%)
Weapons and Ammunition	773	1,183	(35%)				575	579	(1%)				1,348	1,762	(23%)				634	840	(25%)
Logistics Engineering Revenue	634	840	(25%)				672	1,020	(34%)				1,306	1,860	(30%)				-	-	-
Other Product/Service sales	-	-	-				110	268	-				110	268	(59%)				-	-	-
Environmental products	-	-	-				136	-	-				136	-	-				-	-	-
<b>Total Sales</b>	<b>4,585</b>	<b>5,635</b>	<b>(19%)</b>				<b>3,553</b>	<b>7,720</b>	<b>(54%)</b>				<b>8,138</b>	<b>13,355</b>	<b>(39%)</b>						
<b>Gross Profit</b>	<b>1,966</b>	<b>2,139</b>	<b>(8%)</b>				<b>1,204</b>	<b>3,046</b>	<b>(60%)</b>				<b>3,170</b>	<b>5,185</b>	<b>(39%)</b>						
<b>Gross Profit %</b>	<b>43%</b>	<b>38%</b>					<b>34%</b>	<b>39%</b>					<b>39%</b>	<b>39%</b>							
Other Income	76	65	17%				68	47	45%				144	112	29%						
Agency Expenses	(2,392)	(2,435)	(4%)				(2,275)	(2,360)	(2%)				(4,667)	(4,795)	(3%)						
<b>Agency (loss)/profit before tax and restructure costs</b>	<b>(350)</b>	<b>(231)</b>					<b>(1,003)</b>	<b>733</b>					<b>(1,353)</b>	<b>502</b>							
Restructure costs	30	263	89%				(149)	42					(119)	305							
<b>(Loss)/Profit before Tax</b>	<b>(320)</b>	<b>32</b>					<b>(1,152)</b>	<b>775</b>					<b>(1,472)</b>	<b>807</b>							
Income Tax																					
<b>Total (Loss)/Profit after Tax</b>	<b>(320)</b>	<b>32</b>					<b>(1,152)</b>	<b>775</b>					<b>(1,472)</b>	<b>807</b>							

#### Agency Loss before tax

The agency loss before tax and restructure costs was \$1.353m compared with a profit of \$0.502m in 2009.

#### Commercialisation of Intellectual Property

XTEK has made significant progress in commercialising the ballistic armour manufacturing (Hydroclave) system. XTEK has been manufacturing test samples for a leading armour manufacturer since late 2009 and has entered into negotiations with both international and local entities who have indicated their interest in purchasing or sub contracting the use of the XTEK developed system. The first revenue from sub contracting of this system is expected in the first half of FY11.

In December 2009, the company executed a license agreement with US Armaments, LLC., granting them worldwide rights to manufacture under licence XTEK's patented Armour Piercing ammunition for a period of ten years. During the term of the license, XTEK will receive royalty payments based on revenue generated from the sale of the ammunition. There has been a delay in that company producing ammunition under the license so revenues are yet to commence.

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Excellent progress in the development and manufacture of custom made weapon ancillary products for Defence and other government customers is being made. Local sales of these specialised products, which have been designed and manufactured in Adelaide, are expected in the first half of FY11 after receipt of the first purchase orders from government agencies.

#### Environmental Initiatives

In June 2010, XTEK delivered the first batch of locally assembled sustainability products. This batch of 150 units is part of the first order of 500 units for the Australian market. These products provide a solution for reducing the energy consumed for light fittings that utilise ballast and igniters such as fluorescent and HID lamps.

#### Significant changes in the state of affairs

- (a) On 1 July 2009, Brigadier Greg Thomas AM was appointed to the Board of Directors.
- (b) On 3 March 2010, the company completed a placement of 12,169,205 fully paid ordinary shares at a placement value of \$0.032 per security to sophisticated investors. The funds raised (\$389k) by the share placement process were used to support operational business improvements and to supplement working capital for the Company.
- (c) On 24 June 2010, Mr. David Jarvis resigned as an executive director and was given notice of termination of contract as chief executive officer.
- (d) On 25 June 2010, the company announced that it had completed a strategic review of its operations and would restructure its operations, pursue initiatives to grow the business and raise capital.

#### Matters subsequent to the end of the financial year

- (a) On 2 August 2010, 500,000 options held by previous Directors and related parties, as described in the Prospectus, lapsed. There was no financial impact on the 2009-2010 financial year and there will be no impact on the 2010-2011 financial year.
- (b) On 12 July 2010, Robert Sykes was appointed as the interim Chief Executive Officer (CEO) of XTEK for a six-month period. During the course of Mr. Syke's tenure XTEK will conduct a search for a new CEO. It is expected Mr. Sykes will participate in this process.
- (c) On 30 July 2010, the Company made an announcement offer to shareholders to participate in a non-renounceable rights issue of up to 37,318,892 new shares to raise up to approximately \$970,000. Under the rights issue, eligible shareholders of XTEK Limited will have an entitlement to acquire 2 new shares for every 5 existing shares at a price of \$0.026 per share.

In addition to being able to apply for new shares in the manner described above, subscribing shareholders also had the opportunity to apply for new shares that were not subscribed for under the Rights Issue ("Shortfall Shares"). The Shortfall Shares will be issued at the same price and on the same terms as the new shares. Shortfall Shares will only be issued to the extent necessary to make up any shortfall in subscriptions.

On 30 August 2010, the Company announced that approximately \$425,000 had been raised in the rights issue.

- (d) On 18 August 2010, the Company requested a trading halt which was lifted on 20 August 2010. This was in connection with a potential issue with a new product range which was part of the new business growth initiatives as announced on 25 June 2010. The trading halt was requested to allow the Company to assess any potential financial impact as a consequence of a performance issue with a product raised in an independent expert report. Cost of rectification and/or certification in FY10 has been estimated at \$21,200. This amount has not been provided for in these accounts as it is considered to be not material.
- (e) On 23 August 2010, Mr. Craig Higgins resigned as a Non-Executive Director of the Company.
- (f) On 25 August 2010, Mr. Robert Sykes was appointed as an Executive Director of the Company.

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### Likely future developments

The company is focussed on returning to profitable trading in the second half of FY11. Interim CEO, Mr Robert Sykes has initiated an aggressive strategy review of the XTEK agency products, the IP commercialisation process and the new products in the sustainability sector. The aim of the review is to generate ongoing annuity income in order to smooth to a large degree, the cyclical nature of the government spending patterns.

#### *Commercialisation of the XTEK IP*

XTEK has completed development of the pilot hydroclave system and intends to complete the commercialisation process during 2011. As part of the commercialisation process, XTEK will commence contract manufacturing of armour plates and it is anticipated that this market will grow in the future. The company is also planning to design, build and commission a larger system, with completion and commissioning planned from the first quarter of 2011. The larger system will enable XTEK to market larger armour plates that are required for protecting light military vehicles and more complex armour shapes required by the Australian Defence Force.

XTEK is now actively marketing the Hydroclave technology. Initiatives include

- commissioning an agent in the USA to actively market the Hydroclave technology to the US Marines and companies that provide equipment to the Marines and other US forces.
- participating in discussions to join an Integrated Product Team (IPT) with a view to using the Hydroclave process in support of two large Defence Materiel Organisation (DMO) tenders, namely, LAND 121 Phase 4 and LAND 125 Phase 3B.
  - LAND 121 Phase 4 aims to provide light protected vehicles for command, liaison, utility and reconnaissance roles.
  - LAND 125 Phase 3B - Survivability. It is intended that soldier survivability will be modernised through improved body (modular combat body armour system) and eye protection (ballistic and laser ocular protection system). The enhancements will provide personal protection from blast, projectiles and laser threats.

#### *Other Improvements*

The company is making significant improvements to the core business systems to support future growth initiatives, including the current management software system by implementing an integrated Inventory Management, Job Costing and Accounting System in order to achieve administrative efficiencies

The company is also in the process of upgrading the web site to improve the customer search capability and to integrate the new inventory management system. The integrated inventory management system will give wholesale customers direct access to our inventory holdings and make purchasing easier.

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### Statement of Comprehensive Income for the year ended 30 June 2010

	Notes	2010 \$	2009 \$
<b>Revenue from operations</b>	2	<b>8,137,872</b>	13,355,154
Other income	3	<b>144,342</b>	111,516
Changes in inventories of finished goods and work in progress		<b>(4,967,541)</b>	(8,170,113)
Employee benefits expense	4	<b>(2,531,439)</b>	(2,457,386)
Depreciation	4	<b>(184,580)</b>	(269,025)
Operational expenditure	4	<b>(1,947,393)</b>	(2,047,029)
Additional expenditure	4	<b>(119,296)</b>	305,223
Finance costs	4	<b>(3,676)</b>	(20,981)
<b>(Loss)/Profit from operations before income tax</b>		<b>(1,471,711)</b>	807,359
Income tax expense		-	-
<b>(Loss)/Profit from operations after tax</b>		<b>(1,471,711)</b>	807,359
<b>(Loss)/Profit after tax attributable to members</b>		<b>(1,471,711)</b>	807,359
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<b>(1,471,711)</b>	807,359
<b>Earnings per share for (loss)/profit for the year attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	6	<b>(0.017)</b>	0.010
Diluted earnings per share	6	<b>(0.017)</b>	0.010

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### Statement of financial Position as at 30 June 2010

	Notes	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		683,063	1,338,813
Trade and other receivables		500,501	1,756,581
Inventories		1,199,188	1,559,666
Property, plant and equipment classified as held for sale		-	13,818
Other		187,797	108,992
<b>Total current assets</b>		<b>2,570,549</b>	<b>4,777,870</b>
<b>Non-current assets</b>			
Property, plant and equipment		372,068	480,980
<b>Total non-current assets</b>		<b>372,068</b>	<b>480,980</b>
<b>Total assets</b>		<b>2,942,617</b>	<b>5,258,850</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		528,148	1,432,474
Interest bearing liabilities	8	-	18,760
Provisions		200,066	206,634
Deferred income		104,766	399,233
Other		267,080	281,188
<b>Total current liabilities</b>		<b>1,100,060</b>	<b>2,338,289</b>
<b>Non-current liabilities</b>			
Provisions		14,206	33,068
<b>Total non-current liabilities</b>		<b>14,206</b>	<b>33,068</b>
<b>Total liabilities</b>		<b>1,114,266</b>	<b>2,371,357</b>
<b>Net assets</b>		<b>1,828,351</b>	<b>2,887,493</b>
<b>EQUITY</b>			
Contributed equity	9	17,417,311	17,030,626
Reserves		514,228	488,344
Accumulated losses		(16,103,188)	(14,631,477)
<b>Total equity</b>		<b>1,828,351</b>	<b>2,887,493</b>

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**Statement of Cash Flows for the year ended 30 June 2010**

	Notes	2010 \$	2009 \$
<b>Cash flows from/(used in) operating activities</b>			
Receipts from customers		10,399,231	14,549,632
Payments to suppliers and employees		<u>(11,428,194)</u>	<u>(14,009,954)</u>
		(1,028,963)	539,678
Interest received		22,146	17,790
Borrowing costs		<u>(3,676)</u>	<u>(20,981)</u>
<b>Net cash flows (used in)/from operating activities</b>	5	<b>(1,010,493)</b>	536,487
<b>Cash flows from/(used in) investing activities</b>			
Payments for property, plant and equipment		<b>(81,714)</b>	(42,617)
Proceeds from sale of property, plant and equipment classified as held for sale		<b>13,818</b>	235,286
Proceeds from sale of property, plant and equipment		<u>54,714</u>	<u>2,182</u>
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(13,182)</b>	194,851
<b>Cash flows (used in)/from financing activities</b>			
Proceeds from issues of ordinary shares net of transaction costs		<b>386,685</b>	190,191
Payments of finance lease	8	<u>(18,760)</u>	<u>(308,521)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<b>367,925</b>	(118,350)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(655,750)</b>	612,988
Cash and cash equivalents at the beginning of the financial year		<u>1,338,813</u>	<u>725,825</u>
<b>Cash and cash equivalents at end of year</b>		<b>683,063</b>	1,338,813



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**Statement of Changes in Equity**

For the year ended 30 June 2010

	Issued Capital (Note 9) \$	Other Equity Securities (Note 9) \$	Equity-based payments reserve \$	Retained earnings \$	Total equity \$
<b>At 1 July 2008</b>	16,767,388	73,067	435,526	(15,438,836)	1,837,145
Profit for the year	-	-	-	807,359	807,359
<b>Total income and expense for the period</b>	-	-	-	807,359	807,359
Issues of ordinary shares during the year:					
Issue of share capital	191,761	-	-	-	191,761
Transaction costs associated with issue of share capital	(1,590)	-	-	-	(1,590)
Cost of share based-payments	-	-	52,818	-	52,818
<b>At 30 June 2009</b>	16,957,559	73,067	488,344	(14,631,477)	2,887,493
<b>At 1 July 2009</b>	16,957,559	73,067	488,344	(14,631,477)	2,887,493
Loss for the year	-	-	-	(1,471,711)	(1,471,711)
<b>Total income and expense for the period</b>	-	-	-	(1,471,711)	(1,471,711)
Issues of ordinary shares during the year:					
Issue of share capital	389,415	-	-	-	389,415
Transaction costs associated with issue of share capital	(2,730)	-	-	-	(2,730)
Cost of share based-payments	-	-	25,884	-	25,884
<b>At 30 June 2010</b>	17,344,244	73,067	514,228	(16,103,188)	1,828,351

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### Appendix 4E Preliminary Final Report – 30 June 2010 Notes to the Financial Statements

#### 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the preliminary final report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The preliminary final report includes the financial statements for XTEK Limited as an individual entity.

##### (a) Corporate Information

The preliminary final report of XTEK Limited for the year ending 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 31 August 2010.

XTEK Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

##### (b) Going Concern basis of Accounting

The preliminary final report has been prepared on the going concern basis. The company has made a loss for the year ended 30 June 2010 of \$1,471,711 (year ended 30 June 2009: profit of \$807,359). Accumulated losses to 30 June 2010 total \$16,103,188 (accumulated losses of \$14,631,477 as at 30 June 2009). The balance of cash and cash equivalents at 30 June 2010 was \$683,063 (as at 30 June 2009: \$1,338,813). The ability of the company to continue as a going concern is dependant on the company's ability to meet its debts as and when they fall due and payable. The company has prepared cash flow forecasts for the next twelve months which reveal that the company will be able to meet its debts as and when they fall due and payable. These cash flow forecasts are based on a number of assumptions in particular the company's ability to meet projected agency sales levels and the retention of overheads at budgeted levels.

The directors are confident that the company will meet these projected agency sales and/or can further reduce overheads to meet targeted outcomes while at the same time recognising this may impact future revenue opportunities past 2011 in a business with several long lead time projects. On this basis the directors believe the adoption of the going concern basis of accounting is justified. However, should this position change the company may not be able to pay its debts as and when they fall due and may be required to raise capital or realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the company not continue as a going concern.

##### (c) New Accounting Standards and Interpretations

###### Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009:

- AASB 8 Operating Segments effective 1 July 2009
- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 July 2009
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

###### *AASB 8 Operating Segments*

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Company concluded that the operating segment determined in accordance with AASB 8 is the same as the business segment previously identified under AASB 114.

###### *AASB 101 Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

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**Notes to the Financial Statements**

Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2010:

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project  [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> <li>• has primary responsibility for providing the goods or service;</li> <li>• has inventory risk;</li> <li>• has discretion in establishing prices;</li> <li>• bears the credit risk.</li> </ul> <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>	1 January 2010	These amendments are not expected to have a material impact on the Company's preliminary financial report.	1 July 2010

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Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p>	1 January 2010	The Company does not have any cash settled share base payment transactions and as such these amendments are not expected to have any impact on the Company's preliminary financial report.	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	The Company does not issue rights in a currency other than their functional currency and as such such these amendments are not expected to have any impact on the Company's preliminary financial report.	1 July 2010

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Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> <li>• two categories for financial assets being amortised cost or fair value</li> <li>• removal of the requirement to separate embedded derivatives in financial assets</li> <li>• strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows</li> <li>• an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition</li> <li>• reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes</li> <li>• changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income</li> </ul>	1 January 2013	These amendments are not expected to have a material impact on the Company's preliminary financial report.	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)</p>	1 January 2011	These amendments are not expected to have a material impact on the Company's preliminary financial report.	1 July 2011

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Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	<p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 2010	The company has not extinguished any financial liabilities with equity instruments and as such the amendments are not expected to have any impact on the Company's preliminary financial report.	1 July 2010
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;</p> <p>(b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and</p> <p>(c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	These amendments are not expected to have a material impact on the Company's preliminary financial report.	1 July 2011

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AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 January 2013	These amendments are not expected to have a material impact on the Company's preliminary financial report.	1 July 2013

**(d) Significant accounting judgment, estimates and assumptions**

*(i) Significant accounting judgment*

In the process of applying the Company accounting policies, management has made the following judgments, apart from those involving estimates, which have made the most significant effect on the amounts recognised in the financial statements.

**Finance Lease Commitments**

The Company has entered into leases over some items of Plant and Office Equipment. The Company has determined that those effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company and has thus classified them as finance leases.

*(ii) Significant accounting estimates and assumptions*

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

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#### Impairment of goodwill and intangibles with indefinite useful lives

The Company estimates whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This required the estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with useful lives are allocated.

#### Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to either the Black Scholes, Binomial or Monte Carlo valuation model.

#### (e) Foreign currency translation

##### (i) Functional and presentation currency

The financial statements are presented in Australian dollars, which is XTEK Limited's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

#### (f) Property, plant and equipment

##### (i) Cost and Valuation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

##### (ii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Major depreciation periods are:

- plant and equipment	3 -15 years
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##### (iii) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

#### (g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. XTEK Limited does not currently hold any qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).



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#### (h) Intangible Assets

##### (i) *Research and development*

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable. Where recognition criteria are not met development costs are recognised in the statement of comprehensive income as incurred.

Gains or losses from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

##### (i) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

##### (j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

##### (k) Trade receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable amounts. Receivables are non-interest bearing and are generally on 30 day terms, unless otherwise agreed with the customer. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the company will not be able to collect the debt.

Receivables from related parties are recognised and carried at amortised cost, with interest recognised using the effective interest rate method.

##### (l) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and equivalents as defined above, net of outstanding bank overdrafts.

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#### (m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time, is recognised as a finance cost.

#### (n) Share-based payment transactions

##### *Equity-settled transactions*

The Company provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- (i) the XTEK Long Term Incentive Performance Rights Plan (LTIPRP), this replaced the Senior Executive Share Ownership Plan (SESOP); and
- (ii) the Employee Share Ownership Plan (ESOP), which provides benefits to all employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to either the Black Scholes valuation or by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of XTEK Limited ('market conditions') if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award, (ii) the current best estimate of the awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is also a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as an additional share dilution in the computation of diluted earnings per share.

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#### (o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (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 the goods to the customer.

##### (ii) Rendering of Services

Revenue 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.

##### (iii) Interest revenue

Revenue is recognised as interest accrues and is based on actual interest rates.

##### (iv) Deferred Income

Deferred income consists of customer deposits received. Deferred income is not recognised as revenue until such time when the ownership of the goods is transferred to the customer.

#### (p) Taxes

The income tax expense or revenue for the period is the tax payable on the current period's 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, and to unused tax losses.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at all tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

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#### (q) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
  - other types of employee entitlements,
- are charged against surpluses on a net basis in their respective categories.

The contributions made to superannuation funds are charged to the statement of comprehensive income.

##### (i) Long service leave

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, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (ii) 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 Company 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 balance sheet date are discounted to present value.

#### (r) Earnings per share

##### (i) Basic earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

##### (ii) Diluted earnings per share

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary charges in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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#### (s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

#### (t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (u) 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, net of tax, 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 the acquisition as part of the purchase consideration.

#### (w) Dividends

No dividends were declared on or before or subsequent to the end of the financial year.

#### (w) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (x) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

##### *Impairment of Loans*

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of 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) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

#### (y) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

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When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive statement over the expected useful life of the relevant asset by equal annual instalments.

#### (z) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

##### *Company as a lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

##### *Company as a lessor*

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Income from leases relates only to property which is sub-let by the Company.

## 2. Revenue

	2010	2009
	\$	\$
<b><i>From operations</i></b>		
<i>Sales revenue</i>		
Sale of goods	6,837,337	11,334,255
Revenue from repairs	1,243,300	1,519,129
Revenue from services	156,235	501,770
	8,137,872	13,355,154

## 3. Other income

	2010	2009
	\$	\$
Rental Income	98,189	33,271
Interest	22,146	17,790
Other	24,007	10,984
Settlement of written-off loan - QES	-	32,440
Profit on sale of property, plant and equipment	-	17,031
	144,342	111,516

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### 4. Expenses

	2010 \$	2009 \$
<b>(Loss)/Profit before income tax includes the following specific expenses:</b>		
<i>Employee Benefits</i>		
Salaries and Wages	2,126,951	2,122,502
Superannuation	200,459	204,581
Redundancy payments	62,208	(51,840)
Payroll Tax	86,190	93,990
Share Based Payments	25,884	52,818
Workers Compensation	29,747	35,335
Total Employee Benefits	<u>2,531,439</u>	<u>2,457,386</u>
<i>Depreciation</i>		
Plant and Equipment	20,555	49,333
Motor Vehicles	11,874	7,769
Office Furniture and Equipment	37,940	49,810
Demonstration Equipment	78,948	91,219
Leasehold Property Improvements	11,969	5,821
Rental Equipment	23,294	65,073
Total Depreciation	<u>184,580</u>	<u>269,025</u>
<i>Operational Expenditure</i>		
Accounting Fees	26,033	22,292
Audit Fees	72,664	78,880
Advertising and Conferences	193,757	243,260
Bank Charges	5,615	9,667
Consultancy Fees	51,171	63,612
Director Fees	156,052	121,686
Insurance	140,893	192,793
FBT	64,746	88,727
Legal Fees	6,052	29,829
Office Administrative Costs	632,696	631,187
Operating Lease Charges	115,614	166,622
Share Registry Fees	33,430	22,862
Travel and Entertainment	267,688	300,756
Staff Training	10,129	7,228
Net foreign currency losses	26,545	33,490
Other expenses	144,308	34,138
Total Operational Expenditure	<u>1,947,393</u>	<u>2,047,029</u>
<i>Additional Expenses</i>		
Restructure costs (written back)/expensed	119,296	(305,223)
Total Additional Expenses	<u>119,296</u>	<u>(305,223)</u>
<i>Finance costs</i>		
Interest and finance charges	3,376	20,981
Total Finance Costs	<u>3,376</u>	<u>20,981</u>

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**5. Reconciliation of (losses)/profits after income tax to net cash flows (used in)/from operating activities**

	2010	2009
	\$	\$
(Loss)/Profit for the year	(1,471,711)	807,359
<i>Adjustments for:</i>		
Depreciation	184,580	269,025
Net (profit) on disposal of assets classified as held for sale	-	(16,157)
Net (profit) on disposal of property, plant and equipment	(14,775)	(874)
Share based payment expense	25,884	52,818
<i>Changes in assets and liabilities</i>		
Decrease in Trade debtors	1,256,080	10,969
Decrease/(increase) in Inventory	326,585	(294,171)
(Increase)/decrease in Prepayments and Other Assets	(78,805)	32,796
(Decrease)/increase in Trade and other payables	(904,326)	198,255
(Decrease)/increase in Unearned Income	(294,467)	224,495
(Decrease) in Provisions	(25,430)	(707,309)
(Decrease) in Accrued liabilities	(14,108)	(40,719)
Net cash flow from (used in) from operating activities	<u>(1,010,493)</u>	<u>536,487</u>

*Non Cash investing activities*

During the 2009-2010 financial year, XTEK transferred demonstration equipment to the value of \$33,893 (2008-2009: \$39,266) from inventory to property, plant and equipment.

**6. Earnings per share**

	2010	2009
	\$	\$
<b>(a) Basic earnings per share</b>		
(Loss)/Profit attributable to the ordinary equity holders of the company	(0.017)	0.010
<b>(b) Diluted earnings per share</b>		
(Loss)/Profit attributable to the ordinary equity holders of the company	(0.017)	0.010



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**6. Earnings per share (continued)**

	2010 Number	2009 Number
<b>(c) Weighted average number of shares used as the denominator</b>		
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	85,106,458	78,335,935
Adjustments for calculation of diluted earnings per share:		
Options and share performance rights	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	85,106,458	78,335,935

*(i) Options and share performance rights*

Options and share performance rights granted to employees and directors that are considered to be potential ordinary shares have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at reporting date, the options and share performance rights have not been included in the determination of basic earnings per share.

**7. Share Based Payments**

**(a) Expired Options and Share Performance Rights**

In the period to 30 June 2010, 500,000 options expired and 850,000 share performance rights lapsed and were therefore cancelled.

There were no options or share performance rights exercisable at the end of the year or any prior year. As at 30 June 2010 the balance of unissued shares consisted of 500,000 options which expired on 2 August 2010.

**(b) Weighted average share price**

The weighted average market price at 30 June 2010 was 4 cents.

**8. Interest Bearing Liabilities**

There were no interest bearing liabilities at 30 June 2010.

**9. Contributed Equity**

**(a) Share Capital**

	No of shares	\$
Movement in ordinary shares on issue		
At 1 July 2009	81,128,064	16,957,559
Issued on 3 March 2010	12,169,205	389,415
Transaction costs on share issue	-	(2,730)
At 30 June 2010	93,297,269	17,344,244

**Ordinary Shares**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**(b) Other Equity Securities**

**Movement in other equity securities**

At 1 July 2009 and at 30 June 2010		\$ 73,067
<b>Total Contributed Equity</b>		<b>17,417,311</b>

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**10. Contingent Liabilities**

There are no contingent liabilities at 30 June 2010.

No changes have been reported in contingent liabilities since the last annual reporting date.

**11. Events occurring after the balance sheet date**

(a) On 2 August 2010, 500,000 options held by previous Directors and related parties, as described in the Prospectus, lapsed. There was no financial impact on the 2008-2009 financial year and there will be no impact on the 2009-2010 financial year.

(b) On 12 July 2010, Robert Sykes was appointed as the interim Chief Executive Officer (CEO) of XTEK for a six-month period. During the course of Mr. Syke's tenure XTEK will conduct a search for a new CEO. It is expected Mr. Sykes will participate in this process.

(c) On 30 July 2010, the Company made an announcement offer to shareholders to participate in a non-renounceable rights issue of up to 37,318,892 new shares to raise up to approximately \$970,000. Under the rights issue, eligible shareholders of XTEK Limited will have an entitlement to acquire 2 new shares for every 5 existing shares at a price of \$0.026 per share.

In addition to being able to apply for new shares in the manner described above, subscribing shareholders also had the opportunity to apply for new shares that were not subscribed for under the Rights Issue ("Shortfall Shares"). The Shortfall Shares will be issued at the same price and on the same terms as the new shares. Shortfall Shares will only be issued to the extent necessary to make up any shortfall in subscriptions.

On 30 August 2010, the Company announced that approximately \$425,000 had been raised in the rights issue.

There will not be a profit and loss impact in FY11.

(d) On 18 August 2010, the Company requested a trading halt which was lifted on 20 August 2010. This was in connection with a potential issue with a new product range which was part of the new business growth initiatives as announced on 25 June 2010. The trading halt was requested to allow the Company to assess any potential financial impact as a consequence of a performance issue with a product raised in an independent expert report. Cost of rectification and/or certification in FY10 has been estimated at \$21,200 and this has not been provided for in these accounts as it is considered to be not material.

(e) On 23 August 2010, Mr. Craig Higgins resigned as a Non-Executive Director of the Company.

(f) On 25 August 2010, Mr. Robert Sykes was appointed as an Executive Director of the Company.

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**Compliance**

1. This report is based on accounts which are in the process of being audited.
2. The entity has a formally constituted audit committee.

Signed



Printed Name: Uwe Boettcher (Chairman)  
Date: 31 August 2010