

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

28 February 2017

By Electronic Lodgement

Dear Sir/Madam,

LODGE MENT OF INTERIM FINANCIAL REPORT (APPENDIX 4D)

In accordance with the Listing Rules, please find attached the Interim Financial Report (Appendix 4D) for XTEK Ltd (XTE) for the half-year period ended 31 December 2016. The information contained in this report should be read in conjunction with the 2016 Annual Report.

Should you require any further information in respect to this matter please contact the Chairman, Mr. Uwe Boettcher by email on Uwe.Boettcher@xtek.net or telephone 02 6232 0601 in the first instance.

Yours sincerely,



Lawrence A. Gardiner
Company Secretary

Attachment: XTEK Limited Interim Financial Report for half-year ended 31 December 2016.

XTEK Limited
and Controlled Entities

APPENDIX 4D

INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2016

SUMMARY OF RESULTS FOR ANOUCNEMENT TO THE MARKET

Key Information	Half Year 2016 \$'000	Half Year 2015 \$'000		Change %
Revenue from ordinary activities	1,130	2,120	↓	-47%
Profit/(loss) after tax from ordinary activities	(1,339)	(708)	↓	-89%
Net Profit/(loss) attributable to members	(1,339)	(708)	↓	-89%

Dividends	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to dividend		Not applicable

Profit/(loss) per share attributable to the ordinary equity holders of the company	2016 \$	2015 \$
Basic profit/(loss) per share	(0.045)	(0.031)
Diluted profit/(loss) per share	(0.045)	(0.031)

Net tangible asset backing per share	2016 \$	2015 \$
Net tangible asset backing per share	0.053	0.065



XTEK LIMITED

and

Controlled Entities

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

This Interim Financial Report incorporating Appendix 4D is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

The information contained in this report is to be read in conjunction with XTEK Limited's 2016 Annual Report and any announcements to the market by XTEK Limited during the half-year period ending 31 December 2016.

Current period:	1 July 2016 to 31 December 2016
Prior corresponding period:	1 July 2015 to 31 December 2015

XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

XTEK Limited and Controlled Entities

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XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Directors' Report

Half-year Ended 31 December 2016

Your Directors submit the financial report for the half-year ended 31 December 2016.

Directors

The names of Directors who held office during or since the end of the half-year ended 31 December 2016, are:

- Mr. Uwe Boettcher
- Mr. Lawrence Gardiner
- Mr. Philippe Odouard
- Mr. Robert Quodling
- Mr. Ivan Slavich

Review of Operations

The financial performance of XTEK Limited and Controlled Entities (XTEK) for the half-year ended 31 December 2016 is consistent with the normal seasonal pattern for the industry. XTEK's sales tend to be heavily skewed to the second half of the financial year, and FY17 is no different.

While this means that the first half produced a net loss of \$1.3 million, XTEK is expecting a strong second half result based on the current orders in hand of \$6.3 million. This is a material improvement for FY17 earnings when compared to the previous financial year.

In October 2016 Mr. Philippe Odouard was appointed as XTEK's new Managing Director, following the departure of former Chief Executive Officer, Mr. Brian Malcolm. Mr Odouard is the former Managing Director of Quickstep Holdings Limited (ASX: QHL), an emerging Defence technology company that he took from having no revenue to one that had contracts for the Joint Strike Fighter of \$720,000,000 (USD). He is expected to drive future contracts and sales.

Outlook

The new calendar year will be a particularly exciting period for shareholders due to the number of short and medium-term milestones that have the potential to launch XTEK on its next phase of growth. The company's existing business is moving from strength to strength as the government increases spending on Defence and security during these unpredictable times.

"The Defence Industrial Capability Plan will be a centrepiece of the Government's strategy to position our defence industry to seize the unprecedented opportunities available over the next decade and beyond."

The Minister for Defence Industry, the Hon Christopher Pyne MP, 11 January 2017

Significant business performance outlook factors for FY17 include:

- Revenue recognised for the period 1 January to 21 February 2017 – to the value of \$1.1 million.
- FY17 sales and orders in hand at 21 February 2017 – to the value of \$8.5 million.
- Further orders are expected for the remainder of the second half of FY17.
- If forecasts are met, XTEK will be profitable for the second half of FY17.

XTEK has a number of unique ground breaking technology solutions that are close to achieving significant commercial milestone outcomes, allowing investors to see the viability of XTEK's innovative products as these opportunities start to be realised this year.



XTEK LIMITED & CONTROLLED ENTITIES
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Directors Report (continued)

Growth in Existing Agency Business

New contracts and purchase orders worth approximately \$0.5 million have been signed for the sale and maintenance of Explosive Ordnance Disposal (EOD) robots, with delivery expected before the end of the current financial year. Management believes that XTEK is well placed to secure more sales contracts in the short to medium term, given that many of the EOD and tactical robots used by the nation's law enforcement agencies are coming to the end of their productive life and will need to be either replaced or upgraded. XTEK is the market leader in Australia for the supply, customisation and maintenance of these systems.

Significant orders included in the \$6.3 million orders in hand are:

- Maintenance and repair of Small Unmanned Aerial Systems (SUAS) to the value of \$2.6 million;
- Purchase of X-Ray generator kits for use by the Australian Army to the value of \$1.2 million; and
- Production and delivery of the XTEK Tac 2 Sniper Rifle for the Australian Army, to the value of \$1.7million.

Of the orders in hand, \$6.2 million is with State and Federal Government agencies on thirty-day accounts. These sales will be self-funding and contribute to XTEK's cash surplus by the end of the financial year.

XTEK announced in April 2016 that it has been selected as the preferred tenderer for the Land 129 Phase 4 tender for SUAS. Ministerial approval for this multi-million dollar project is expected in April of this year.

Additionally, XTEK is anticipating demand for other products and services in 2017 and 2018. The company has added a range of cutting edge security products to its portfolio in recent times, including the next generation security screening systems, called Ronin. A great deal of interest has been shown in the Ronin system and further demonstrations should lead to sales orders in the second half.

XTEK Propriety Products

The Company has continued to make inroads in the commercialisation of the following proprietary technologies:

- **XTclave™**

XTEK has finalised test results for the Foreign Comparative Testing (FCT) Program to the US Government. The tests provide evaluation of body armour plates manufactured by XTEK's XTclave™ composite consolidation technology compared to those manufactured in other current conventional systems. The FCT program is entirely funded by the US Department of Defence and it aims to evaluate Small Arms Protective Insert (SAPI) plates that are used in personal body armour. A final confidential report will be sent to the US FCT Project Office shortly.

XTEK is undertaking comparative performance tests of its own XTclave™ manufactured SAPI plates against current in-service SAPI plates used by Defence and Law Enforcement Agencies worldwide. The company is looking to complete these tests in the second half of FY17 and has started to communicate with potential clients in Europe and the Asia Pacific region. Totum has been appointed as its representative in Europe to assist XTEK in the commercialisation of XTclave™.

In addition, XTEK is currently negotiating a Broad Agency Agreement (BAA) proposal with the US Government to build and test new ballistic helmet designs using XTclave™. Commercially, this could be very promising, as there is a global demand for lighter weight ballistic helmets with increased protection levels.

- **XTatlas™**

Significant progress has been made in the commercialisation of XTEK's geospatial video and mosaic mapping solution, XTatlas™. The company has designed and built a sub-system that interfaces a range of sensors into XTatlas™ that will detect and map the source locations. The new sensors include magnetic, chemical, biological, radiological, nuclear and explosive (CBRNE).



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Directors Report (continued)

A commercial demonstration of the enhanced system to potential key customers was conducted on 2 February 2017. The demonstration successfully showcased the powerful features of XTAtlas™, which included live video overlaid geospatially on digital maps, production of mosaic mapping from the video, low explosive levels of gas and radiation source detection and mapping.

In operational terms, it means Unmanned Aerial Vehicles (UAVs) and Unattended Ground Vehicles (UGVs) will be able to be used to detect and map magnetic and CBRNE sources safely from a distance.

- **XTviz™**

XTEK's subsidiary Simmersion, is gaining market interest. The 3D visualisation software XTviz™, which is aimed at urban planners, architects, mining companies and environmental impact consultants, is being trialled by a number potential customers.

Simmersion has been contracted by Hume Coal to extend the scope of work related to a 3D simulation model of the proposed Hume Coal project near Moss Vale. This work will result in the use of XTviz™ to produce a geospatially accurate 3D simulation model of the mine, both above and below ground. This work has already started and will generate additional revenue in the second half of FY17.

- **XTEK Tac 2 Sniper Rifle System**

XTEK anticipates further sales of its Tac 2 Sniper Rifle and associated weapon ancillaries (magazines etc.) to Defence and Law Enforcement agencies in the region. In addition, there are also prospects that further sales could be secured through international agreements.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2016.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.



Mr Uwe Boettcher

Chairman

28 February 2017



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016



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Hardwickes Partners Pty Ltd
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Liability limited by a scheme
approved under Professional
Standards Legislation

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2016, there have been:

- a. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

Hardwickes

Hardwickes
Chartered Accountants

Robert Johnson
Partner

Canberra

Date: 28 February 2017



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year Ended 31 December 2016

	Note	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Revenue	3	1,130,467	2,120,057
Changes in inventories of finished goods and work in progress		(993,112)	(1,494,077)
Gross profit		137,355	625,980
Other income	3	329,607	299,299
Operational expenditure	4	(718,812)	(700,765)
Employee benefits expense	4	(1,038,376)	(889,183)
Depreciation	4	(35,596)	(41,289)
Finance costs	4	(13,564)	(2,825)
(Loss) from operations before income tax		(1,339,386)	(708,783)
Income tax expense		-	-
(Loss) from operations		(1,339,386)	(708,783)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(1,339,386)	(708,783)



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Financial Position

As At 31 December 2016

	Note	As at 31 December 2016 \$	As at 30 June 2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	263,688	549,517
Trade and other receivables	8	549,934	711,900
Inventories	9	938,161	769,232
Other assets	10	454,212	153,490
TOTAL CURRENT ASSETS		2,205,995	2,184,139
NON-CURRENT ASSETS			
Property, plant and equipment	11	312,478	277,340
Intangible assets	12	77,922	71,225
TOTAL NON-CURRENT ASSETS		390,400	348,565
TOTAL ASSETS		2,596,395	2,532,704
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	750,255	507,526
Provisions	14	155,035	154,395
Deferred income	15	-	2,910
TOTAL CURRENT LIABILITIES		905,290	664,831
NON-CURRENT LIABILITIES			
Trade and other payables	13	29,453	33,984
Provisions	14	6,954	15,314
Deferred income	15	78,900	78,900
TOTAL NON-CURRENT LIABILITIES		115,307	128,198
TOTAL LIABILITIES		1,020,597	793,029
NET ASSETS		1,575,798	1,739,675
EQUITY			
Issued capital	16	22,744,510	21,569,000
Reserves		516,110	516,110
Accumulated losses		(21,684,822)	(20,345,435)
TOTAL EQUITY		1,575,798	1,739,675



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2016

	Issued Capital \$	Capital Reserve \$	Equity based payments Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	21,569,000	1,882	514,228	(20,345,435)	1,739,675
Loss for the half-year	-	-	-	(1,339,387)	(1,339,387)
Issue of shares	1,248,066	-	-	-	1,248,066
Transaction costs associated with share capital	(72,556)	-	-	-	(72,556)
Balance at 31 December 2016	22,744,510	1,882	514,228	(21,684,822)	1,575,798

	Issued Capital \$	Capital Reserve \$	Equity based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2015	19,907,301	-	514,228	(18,757,252)	1,664,277
Profit for the year	-	-	-	(1,588,183)	(1,588,183)
Issue of shares	1,970,067	-	-	-	1,970,067
Capital reserve on purchase	-	1,882	-	-	1,882
Transaction costs associated with share capital	(308,368)	-	-	-	(308,368)
Balance at 30 June 2016	21,569,000	1,882	514,228	(20,345,435)	1,739,675



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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2016

	Half-year Ended 31 December 2016	Half-year Ended 31 December 2015
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	1,787,828	2,370,456
Payments to suppliers and employees	(3,363,067)	(3,178,789)
	(1,575,239)	(808,333)
Receipt from grants	-	49,430
Interest received	3 6,614	6,145
Interest paid	4 (13,564)	(2,825)
Net cash provided by/(used in) operating activities	(1,582,189)	(755,583)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(72,454)	(36,142)
Payment for intangible asset	(6,697)	(7,612)
Payment of subsidiary, net of cash acquired	-	51,178
Net cash used by investing activities	(79,151)	7,424
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of ordinary shares	1,248,000	500,000
Payment of transaction costs associated with issued share capital	(72,489)	(24,334)
Proceeds from short term loan	300,000	-
Repayment of short term loan	(100,000)	-
Net cash used by financing activities	1,375,511	475,666
Net increase/(decrease) in cash and cash equivalents held	(285,829)	(272,493)
Cash and cash equivalents at beginning of year	549,517	890,314
Cash and cash equivalents at end of the half year	7 263,688	617,821



XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Notes to the Financial Statements

Half-year Ended 31 December 2016

The consolidated financial report covers XTEK Limited and Controlled Entities (XTEK). XTEK is a for-profit company limited by shares, incorporated and domiciled in Australia.

Each of the entities within XTEK prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 28 February 2017

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2016 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of XTEK Limited and controlled entities (XTEK). As such it does not contain information that represents relatively insignificant changes occurring during the half year within XTEK. This condensed consolidated financial report does not include all the 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 XTEK for the year ended 30 June 2016, together with any public announcements made during the half year.

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.

2 Summary of Significant Accounting Policies

(a) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

XTEK has incurred a loss of \$1,339,386 for the half-year ended 31 December 2016 (full year ended 30 June 2016: Loss of \$1,588,183 and half-year ended 31 December 2015: loss of \$708,783). Accumulated losses to 31 December 2016 total \$21,684,822 (accumulated losses to 30 June 2016 of \$20,345,435 and accumulated losses to 31 December 2015 total \$19,466,035). The balance of cash and cash equivalents was \$263,688 as at 31 December 2016 (as at 30 June 2016: \$549,517 and as at 31 December 2015: \$617,821).



XTEK LIMITED & CONTROLLED ENTITIES
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Notes to the Financial Statements

Half-year Ended 31 December 2016

The Directors have reviewed XTEK's financial position and cash flow forecasts for the next twelve months, which show that XTEK will be able to meet its debts as and when they fall due and payable and are, therefore, of the opinion that the use of the going concern basis of accounting is appropriate. This is based on the expectation that XTEK will meet projected revenue from its agency and product development businesses and that XTEK will be able to retain overheads at budgeted levels.

(b) Derivative financial instruments

XTEK uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Changes in fair value are recognised immediately in profit or loss in income or expenses. Forward currency contracts are recognised as an asset when their value is positive and as a liability when their value is negative.

3 Revenue and Other Income

	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Revenue from continuing operations	<u>1,130,467</u>	2,120,057
	<u>1,130,467</u>	<u>2,120,057</u>
Other Income		
- Interest income	6,614	6,145
- R&D tax incentive (refer Note 5a)	317,861	238,992
- Grant income	-	40,219
- Other income	5,132	13,943
	<u>329,607</u>	299,299
Total Revenue and other income	<u><u>1,460,074</u></u>	<u><u>2,419,356</u></u>



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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Notes to the Financial Statements

Half-year Ended 31 December 2016

4 Expenses

	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Employee Benefits		
Salaries and wages	886,580	767,669
Superannuation	108,399	91,768
Payroll tax	30,900	22,712
Workers compensation	12,497	7,034
Total employee benefits	1,038,376	889,183
Depreciation		
Plant and machinery	13,848	20,860
Furniture and fixtures	15,551	13,662
Motor vehicles	458	458
Office equipment	5,739	4,043
Computer software	-	189
Total depreciation	35,596	39,212
Operational expenditure		
Accounting and audit fees	28,882	31,574
Advertising and conferences	57,005	34,693
Consultancy fees	86,363	106,821
Directors fees	80,000	49,167
Insurance	70,666	56,840
FBT	4,103	5,234
Office administrative costs	253,176	228,040
Lease charges	12,390	7,691
Share registry fees	25,439	27,686
Travel and entertainment	26,389	49,707
Workshop / project expenses	6,371	18,815
Net foreign currency losses	1,870	22,015
Other expenses	66,158	62,483
Total operational expenditure	718,812	700,766
Finance costs		
Interest	13,564	2,825
Total finance costs	13,564	2,825



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Notes to the Financial Statements

Half-year Ended 31 December 2016

5 Government Grants

(a) AusIndustries R&D Tax Incentive

R&D tax incentive estimate of \$317,861 has been included as an R&D tax incentive in revenue for the half year ended 31 December 2016. The balance included is collectible on the granting of approval from the Department of Industry, Innovation & Science and lodgement of an R&D tax incentive return for the full year 2017. \$546.75 was also recognised as income from deferred income from the 2015 financial year. No further deferred income is held in the accounts relating to this source of funds.

\$238,992 was taken up in the comparative half year to 31 December 2015. Funds of \$467,118 were received from AusIndustry's R&D Tax Incentive Regime in December 2016 and related to R&D expenses for the full financial year 2016.

(b) Other Grants

No grants were received in financial half-year ended 31 December 2016.

6 Business Combinations

On 9 November 2015, the parent company acquired 100% interest of Simmersion Holdings Pty Limited and resulted in XTEK Limited obtaining control of Simmersion Holdings Pty Limited. This acquisition is expected to increase XTEK's share of this market and reduce costs through economies of scale.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value \$
Purchase consideration:	
Equity issued	70,000
Total purchase consideration	70,000
Assets or liabilities acquired:	
Cash	51,178
Trade receivables	265
Plant and equipment	97
Intangible assets	20,342
Total net identifiable assets	71,882
Identifiable assets acquired and liabilities assumed	71,882
Goodwill consideration	70,000
Less: Identifiable assets acquired	71,882
Capital Reserve	(1,882)



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Notes to the Financial Statements

Half-year Ended 31 December 2016

7 Cash and Cash Equivalents

	Half-year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
Cash at bank and in hand	263,688	549,517
	<u>263,688</u>	<u>549,517</u>

8 Trade and Other Receivables

	Half-year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
CURRENT		
Trade receivables	495,654	228,510
Other receivables	33,117	483,390
GST receivable	21,163	-
Total current trade and other receivables	<u>549,934</u>	<u>711,900</u>

9 Inventories

	Half-year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
CURRENT		
Product and spare products	825,504	561,472
Work in progress	112,657	207,760
	<u>938,161</u>	<u>769,232</u>

10 Other Assets

	Half-year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
CURRENT		
Prepayments	136,351	153,490
R&D tax incentive (see note 5a)	317,861	-
	<u>454,212</u>	<u>153,490</u>



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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Notes to the Financial Statements
Half-year Ended 31 December 2016

11 Property, plant and equipment

	Half-year ended 31 December 2016 \$	Year ended 30 June 2016 \$
Plant and equipment		
At cost	237,129	237,129
Accumulated depreciation	(136,465)	(122,869)
Total plant and equipment	100,664	114,260
Office Furniture and Equipment		
At cost	216,694	212,760
Accumulated depreciation	(131,916)	(116,114)
Total office furniture and equipment	84,778	96,646
Motor vehicles		
At cost	58,011	58,011
Accumulated depreciation	(50,731)	(50,273)
Total motor vehicles	7,280	7,738
Demonstration Equipment		
At cost	137,920	124,247
Accumulated depreciation	(109,780)	(104,389)
Total demonstration equipment	28,140	19,858
Computer software		
At cost	67,114	67,114
Accumulated depreciation	(67,114)	(67,114)
Total computer software	-	-
Property Improvements		
At cost	61,272	61,272
Accumulated depreciation	(50,968)	(48,899)
Total property improvements	10,304	12,373
UAS - Work in progress		
At cost	81,312	26,465
Total UAS	81,312	26,465
Total property, plant and equipment	312,478	277,340



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Half-year Ended 31 December 2016

12 Intangible Assets

	Half-year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
Patents		
Cost	77,922	71,225
	<u>77,922</u>	<u>71,225</u>

13 Trade and Other Payables

	Half-year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
CURRENT		
Trade payables	209,162	147,011
GST payable	43,891	25,612
Accrued expenses	173,261	201,846
Employee entitlements (Annual Leave)	114,879	123,994
Rent payable	9,062	9,063
Directors' Loan	200,000	-
	<u>750,255</u>	<u>507,526</u>
	\$	\$
NON-CURRENT		
Rent payable	29,453	33,984
	<u>29,453</u>	<u>33,984</u>

14 Provisions

	Half-year ended 31 December 2016	Year ended 30 June 2016
	\$	\$
CURRENT		
Employee benefits (Long Service Leave)	155,035	154,395
	<u>155,035</u>	<u>154,395</u>
NON-CURRENT		
Employee benefits (Long Service Leave)	6,954	15,314
	<u>6,954</u>	<u>15,314</u>



XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Notes to the Financial Statements

Half-year Ended 31 December 2016

15 Deferred income

	Half-year ended 31 December 2016 \$	Year ended 30 June 2016 \$
CURRENT		
Customer Deposits	-	2,910
Total	-	2,910

	Half-year ended 31 December 2016 \$	Year ended 30 June 2016 \$
NON-CURRENT		
Customer deposits	78,900	78,900
Total	78,900	78,900

16 Issued Capital

	Half-year ended 31 December 2016 \$	Year ended 30 June 2016 \$
29,472,429 (2016: 25,713,393) Ordinary shares	22,744,510	21,569,000
Total	22,744,510	21,569,000

Movement in ordinary shares on issue

	No.	\$
At the beginning of the reporting period	25,713,393	21,569,000
Shares issued during the year	3,759,036	1,248,000
Shares bought back during the year	-	-
Transaction cost on share issued	-	(72,490)
At the end of the reporting period	29,472,429	22,744,510

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

500,000 unlisted options with an exercise price of \$0.45 per option, expiring 15 July 2018 were allotted and issued to Kentgrove Equity Placement Agreement on 15 July 2015. The issued capital of XTEK now comprises 29,472,429 fully paid Ordinary Shares with 500,000 unlisted options currently on issue.



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Half-year Ended 31 December 2016

17 Operating Segments

XTEK has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and allocation of resources.

XTEK is managed primarily on the basis of product category and service offerings as the diversification of the Company's operations inherently have different risk profiles and performance assessment criteria.

(a) Revenue by geographical region

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the location of the assets.

	Half-year Ended 31 December 2016 \$	Half-year Ended 31 December 2015 \$
Australia	1,105,063	1,865,792
New Zealand	25,314	4,010
United States of America	90	250,255
	<u>1,130,467</u>	<u>2,120,057</u>

(b) Major customers

XTEK has a number of customers to whom it provides both products and services. The Company supplies a number of Australian Government agencies that, combined for half-year 2016, account for 91% of external revenue (half-year ended 31 December 2015: 82%). The next most significant client for the half-year ended 31 December 2016 accounts for 2.5% of external revenue and relates to the Western Australian Police Force (half-year ended 31 December 2015: 12%).

18 Contingencies

In the opinion of the Directors, XTEK did not have any contingencies at 31 December 2016 (30 June 2016: None).

19 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 XTEK, the results of those operations, or the state of affairs of XTEK in future financial years.



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Notes to the Financial Statements

Half-year Ended 31 December 2016

20 Parent entity

The following information has been extracted from the books and records of the parent, XTEK Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, XTEK Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	Half-year ended 31 December 2016 \$	Year ended 30 June 2016 \$
Statement of Financial Position		
Assets		
Current assets	2,243,817	2,181,569
Non-current assets	388,457	346,632
Total Assets	2,632,274	2,528,201
Liabilities		
Current liabilities	(891,446)	(638,417)
Non-current liabilities	(115,307)	(128,199)
Total Liabilities	(1,006,753)	(766,616)
Net Assets	1,625,521	1,761,585
Equity		
Issued capital	22,744,510	21,569,000
Reserves	514,228	514,228
Accumulated losses	(21,633,217)	(20,321,643)
Total Equity	1,625,521	1,761,585
Statement of Profit or Loss and Other Comprehensive Income		
Profit / (Loss) for the year	(1,311,575)	(1,564,389)
Total comprehensive income	(1,311,575)	(1,564,389)



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Directors' Declaration

The Directors of XTEK declare that:

1. The consolidated financial statements and notes, as set out on pages 6-19 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that XTEK 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 Board of Directors.



Uwe Boettcher

Director



Lawrence A. Gardiner

Company Secretary

Dated this 28th day of February 2017

XTEK LIMITED & CONTROLLED ENTITIES
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2016



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Standards Legislation

Independent Auditor's Review Report to the members of Xtek Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Xtek Limited and Controlled Entities, which comprises the consolidated condensed statement of financial position as at 31 December 2016, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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



CHARTERED ACCOUNTANT
AUSTRALIA • NEW ZEALAND

XTEK LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016



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Independent Auditor's Review Report to the members of Xtek Limited and Controlled Entities

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 Xtek Limited and Controlled Entities, would be in the same terms if given to the directors as at the time of this auditor's 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 Xtek Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Hardwickes
Chartered Accountants

Robert Johnson
Partner

Canberra

28 February 2017

