

# Xped Limited

ABN 89 122 203 196



ASX:XPE

## Appendix 4E Preliminary final report

### REPORTING PERIOD

The financial information contained in this report is for the year ended 30 June 2017. Comparative amounts, unless otherwise indicated, are for the year ended 30 June 2016.

### RESULTS FOR ANNOUNCEMENT TO THE MARKET (UNAUDITED)

	Change	% Change		\$
<b>Revenues from ordinary activities and other income</b>	up	9493%		4,191,845
<b>Loss from ordinary activities after tax attributable to members</b>	up	252%		10,865,294
<b>Net Loss attributable to members</b>	up	252%		10,865,294
<b>Dividends (distributions)</b> (The Company does not propose to pay dividends)	N/A	N/A		Nil

### COMMENTARY ON THE RESULTS FOR THE YEAR

The revenues from ordinary activities increased due to sales in JCT Healthcare Pty Ltd. The loss from ordinary activities has increased compared to prior year.

### AUDIT

This report is based on accounts which are in the process of being audited.

### NET TANGIBLE ASSET BACKING PER SHARE

	2017 (Cents)	2016 (Cents)
Net tangible asset (liability) backing per ordinary share	0.43	1.07*

\* Adjusted for the 2-for-1 share consolidation which occurred during the year

**Xped Limited**  
**Unaudited Consolidated Statement of Comprehensive Income**  
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Revenue and other income from continuing operations</b>	3	4,191,846	43,698
Cost of goods sold		(1,311,992)	-
Employee and contracting expenses		(518,776)	(704,793)
Finance costs		(697,149)	(5,845)
Directors fees		(1,421,077)	(107,000)
Consulting and advisory fees		(2,078,929)	(522,765)
Occupancy costs		(209,535)	(44,363)
Travel		(617,297)	(272,052)
Marketing and Promotion		(320,510)	(72,747)
Professional and Legal fees		(965,269)	(359,576)
Materials		(793,809)	(82,867)
Patents and Trademarks		(14,839)	(155,248)
Depreciation	8	(339,824)	(12,265)
Impairment expense		(4,169,103)	(1,606,448)
Impairment of development costs		-	(4,392,985)
Foreign currency losses		(27,206)	-
Other expenses		(1,572,455)	(115,643)
Due diligence costs		-	(403,069)
Related party loans forgiven		-	5,727,146
<b>Loss before income tax</b>		<b>(10,865,924)</b>	<b>(3,086,822)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(10,865,924)</b>	<b>(3,086,822)</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(10,865,924)</b>	<b>(3,086,822)</b>
<b>Earnings per share for loss attributable to ordinary equity holders of the company</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	18	(1.01)	(0.57)*

\* Adjusted for the 2-for-1 share consolidation which occurred during the year

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**Xped Limited**  
**Unaudited Consolidated Statement of Financial Position**  
As at 30 June 2017

	Notes	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	4	6,234,199	8,846,362
Other financial assets	5	890,000	750,000
Trade and other receivables	6	1,577,524	102,745
Other current assets	7	355,257	180,409
Inventory		556,032	-
<b>Total current assets</b>		<b>9,613,012</b>	<b>9,879,516</b>
<b>Non-current assets</b>			
Plant and Equipment	8	359,152	607,482
Intangible assets	9	3,647,878	59,226
Investments accounted for using the equity method	10	-	1,300,000
<b>Total non-current assets</b>		<b>4,007,030</b>	<b>1,966,708</b>
<b>TOTAL ASSETS</b>		<b>13,620,042</b>	<b>11,846,224</b>
<b>Current liabilities</b>			
Trade and other payables	11	1,708,480	653,300
Borrowings	12	1,498,695	421,495
Provisions	13	1,024,807	300,630
<b>Total current liabilities</b>		<b>4,231,982</b>	<b>1,375,425</b>
<b>Non-current liabilities</b>			
Other payables	14	478,000	-
Borrowings	12	228,030	295,465
Provisions	13	56,032	14,996
Deferred tax liabilities		12,768	-
<b>Total non-current liabilities</b>		<b>774,830</b>	<b>310,461</b>
<b>TOTAL LIABILITIES</b>		<b>5,006,812</b>	<b>1,685,886</b>
<b>NET ASSETS</b>		<b>8,613,232</b>	<b>10,160,338</b>
<b>EQUITY</b>			
Contributed equity	15	22,071,943	13,395,086
Reserves	16	663,000	2,094,730
Accumulated losses	16	(14,168,167)	(5,329,478)
Owners of the parent		8,566,776	10,160,338
Non-controlling interests		46,456	-
<b>TOTAL EQUITY</b>		<b>8,613,232</b>	<b>10,160,338</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**Xped Limited**  
**Unaudited Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2017

	Contributed Equity	Other Reserve	Accumulated Losses	Non- controlling Interest	Total
	\$	\$	\$	\$	\$
<b>2017</b>					
<b>Balance at 1 July 2016</b>	13,395,086	2,094,730	(5,329,478)	-	10,160,338
Adjustment to opening balance	-	-	22,504	-	22,504
Loss for the year	-	-	(10,894,019)	28,095	(10,865,924)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	13,395,086	2,094,730	(16,172,898)	28,095	(683,082)
<b>Transactions with owners in their capacity as owners</b>					
Ordinary shares issued	3,118,800	-	-	-	3,118,800
Ordinary shares issued on conversion of convertible security	2,188,373	-	-	-	2,188,374
Ordinary shares issued during the year through exercise of listed options	2,725,039	-	-	-	2,725,039
Fair value of ordinary shares issued as consideration	1,100,000	-	-	-	1,100,000
Non-controlling interest on acquisition of subsidiary	-	-	-	18,361	18,361
Cancellation of Class A Performance shares	-	(700,000)	700,000	-	-
Cancellation of Class B Performance shares	-	(650,000)	650,000	-	-
Cancellation of Class C Performance shares	-	(650,000)	650,000	-	-
Expiry of employee share based payments	-	(4,730)	4,730	-	-
Fair value of Options issued as consideration	-	573,000	-	-	573,000
Cost of share issue	(455,355)	-	-	-	(455,355)
<b>Balance at 30 June 2017</b>	<b>22,071,943</b>	<b>663,000</b>	<b>(14,168,168)</b>	<b>46,456</b>	<b>8,613,232</b>
<b>2016</b>					
<b>Balance at 1 July 2015</b>	645,800	-	(2,242,656)	-	(1,596,856)
Loss for the year	-	-	(3,086,822)	-	(3,086,822)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	645,800	-	(5,329,478)	-	(4,683,678)
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	927,933	-	-	-	927,933
Fair value of ordinary shares issued as consideration	8,941,003	-	-	-	8,941,003
Fair value of Class A Performance shares issued	-	700,000	-	-	700,000
Fair value of Class B Performance shares issued	-	650,000	-	-	650,000
Fair value of Class C Performance shares issued	-	650,000	-	-	650,000
Fair value of employee share based payments	-	4,730	-	-	4,730
Ordinary shares issued during the year through exercise of listed options	2,856,959	-	-	-	2,856,959
Shares to be issued	113,391	-	-	-	113,391
Cost of share issue	(90,000)	90,000	-	-	-
<b>Balance at 30 June 2016</b>	<b>13,395,086</b>	<b>2,094,730</b>	<b>(5,329,478)</b>	<b>-</b>	<b>10,160,338</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Xped Limited**  
**Unaudited Consolidated Statement of Cash Flows**  
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Customer receipts		2,081,337	1,345
Interest received		66,706	10,178
Interest paid		(27,148)	(5,845)
Government Grants and R&D incentives received		837,473	377,804
Payments to suppliers and employees		(8,835,392)	(2,767,129)
Income tax paid		(139,259)	-
<b>Net cash outflow from operating activities</b>	17	<b>(6,016,284)</b>	<b>(2,383,647)</b>
<b>Cash flows from investing activities</b>			
Payments for development costs		(2,784,707)	-
Payments for plant and equipment		(66,940)	(607,821)
Proceeds from sale of plant and equipment		69,436	-
Payments for term deposits		96,333	300,000
Payment for intangibles		-	(57,826)
Payment for acquisition of subsidiaries net cash acquired	19 (c)	(1,276,125)	-
		-	7,955,767
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(3,962,002)</b>	<b>7,590,120</b>
<b>Cash flows from financing activities</b>			
Loans from related entities		-	(260,000)
Loans to related entities		-	756,070
Repayment of finance lease and loans		(522,387)	(79,473)
Proceeds from borrowings		551,654	-
Issue of shares		8,032,212	3,898,283
Share issue costs		(455,355)	-
<b>Net cash inflow / (outflow) from financing activities</b>		<b>7,606,124</b>	<b>4,314,880</b>
Net increase / (decrease) in cash and cash equivalents		(2,372,163)	9,521,353
Cash and cash equivalents at the beginning of the year		9,496,362	(24,991)
<b>Cash and cash equivalents at the end of the year*</b>	5	<b>7,124,199</b>	<b>9,496,362</b>

\* The Group classifies term deposits with maturity dates greater than three months and term deposits which are held as securities for bank guarantees as other financial assets. As at 30 June 2017 the Group held, in addition to cash and cash equivalents above, \$890,000 (2016: \$750,000) in term deposits.

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements relate to the consolidated entity consisting of Xped Limited and its subsidiaries.

### **(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. Xped Limited is a for-profit entity for the purpose of preparing financial statements.

#### *Compliance with IFRS*

This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### *Historical cost convention*

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

#### *Critical accounting estimates and judgements*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### *New and amended standards adopted by the group*

There are a number of new and amended accounting standards issued by the AASB which are applicable for reporting periods beginning on 1 July 2016. All the mandatory new and amended accounting standards issued that are relevant to our operations and effective for the current reporting period have been adopted. There was no material impact on the financial report as a result of the mandatory new and amended accounting standards adopted.

## 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Goodwill Impairment*

Goodwill arising on business combinations is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

#### *Rehabilitation*

The Group assesses rehabilitation requirements at each reporting date by evaluating costs both for close down and restoration and for environmental cleanup costs. Provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

	2017 \$	2016 \$
<b>3. Revenue and other income</b>		
Interest revenue	66,706	17,616
Sales receipts	1,908,667	26,082
R and D tax concession	64,803	-
Grant	651,670	-
Gain on contingent consideration payable	1,500,000	-
	<u>4,191,846</u>	<u>43,698</u>

**4. Cash and cash equivalents**

Cash at bank and on hand	<u>6,234,199</u>	<u>8,846,362</u>
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**5. Other financial assets**

Term deposits	<u>890,000</u>	<u>750,000</u>
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Term deposits as at 30 June 2017 are held as security in favour of the Commonwealth Bank of \$650,000 for a software finance lease, National Australia Bank of \$140,000 for credit cards, South Australian Government (PIRSA) of \$100,000 for the Limestone Coast tenements. The term deposits are recognised and measured as Held-to-maturity financial assets.

*Reconciliation of cash and cash equivalents at year end:*

Cash at bank and on hand	6,234,199	8,846,362
Term deposits	890,000	650,000
Cash and cash equivalents per cash flow statement	<u>7,124,199</u>	<u>9,496,362</u>

**6. Trade and other receivables**

Current		
Trade debtors	95,240	-
Accrued income	150,000	-
Other receivables	1,332,284	102,745
	<u>1,577,524</u>	<u>102,745</u>

Other receivables mainly represent \$1.3 million receivable from KS Orka in relation to the sale of shares held in Sokoria Geothermal. The residual balance represents GST amounts awaiting reimbursement from Australian Taxation Office and accrued interest.

**7. Other current assets**

Prepayments	171,809	180,409
Income tax paid	183,448	-
	<u>355,257</u>	<u>180,409</u>

	2017 \$	2016 \$
<b>8. Plant and Equipment</b>		
<i>Plant and equipment - at cost</i>		
Balance at beginning of year	60,578	60,578
Additions	33,417	-
Balances from acquisition	38,892	-
Balance at end of year	<u>132,887</u>	<u>60,578</u>
Accumulated depreciation		
Balance at beginning of year	60,033	59,593
Depreciation	31,177	440
Balances from acquisition	19,015	-
Balance at end of year	<u>110,225</u>	<u>60,033</u>
<b>Plant and equipment net book value</b>	<b><u>22,662</u></b>	<b><u>545</u></b>
<i>Office Equipment – at cost</i>		
Balance at beginning of year	14,277	18,713
Additions	10,911	1,445
Transfer to computer equipment	-	(5,882)
Balance at end of year	<u>25,188</u>	<u>14,277</u>
Accumulated depreciation		
Balance at beginning of year	6,249	7,772
Depreciation	3,650	3,055
Transfer to computer equipment	-	(4,578)
Balance at end of year	<u>9,899</u>	<u>6,249</u>
<b>Office Equipment net book value</b>	<b><u>15,289</u></b>	<b><u>8,028</u></b>
Balance at beginning of year	30,072	-
Additions	9,611	24,190
Transfer from office equipment	-	5,882
Balance at end of year	<u>39,683</u>	<u>30,072</u>
Accumulated depreciation		
Balance at beginning of year	6,178	-
Depreciation	8,779	1,600
Transfer from office equipment	-	4,578
Balance at end of year	<u>14,957</u>	<u>6,178</u>
<b>Computer Equipment net book value</b>	<b><u>24,726</u></b>	<b><u>23,894</u></b>
<i>Software – at cost</i>		
Balance at beginning of year	582,185	-
Additions	-	582,185
Balance at end of year	<u>582,185</u>	<u>582,185</u>
Accumulated depreciation		
Balance at beginning of year	7,170	-
Depreciation	290,624	7,170
Balance at end of year	<u>297,794</u>	<u>7,170</u>
<b>Software net book value</b>	<b><u>284,391</u></b>	<b><u>575,015</u></b>



	2017 \$	2016 \$
<i>Motor vehicles – at cost</i>		
Balance at beginning of year	-	-
Additions	9,091	-
Balance from acquisitions	87,618	-
Disposals	(87,618)	-
Balance at end of year	<u>9,091</u>	-
Accumulated depreciation		
Balance at beginning of year	-	-
Depreciation	1,887	-
Balances from acquisitions	14,119	-
Disposals	(14,119)	-
Balance at end of year	<u>1,887</u>	-
<b>Motor vehicles net book value</b>	<b><u>7,204</u></b>	<b>-</b>
<i>General pool – at cost</i>		
Balance at beginning of year	-	-
Additions	-	-
Balance from acquisitions	117,193	-
Balance at end of year	<u>117,193</u>	-
Accumulated depreciation		
Balance at beginning of year	-	-
Depreciation	3,490	-
Balances from acquisitions	112,946	-
Balance at end of year	<u>116,436</u>	-
<b>General pool net book value</b>	<b><u>757</u></b>	<b>-</b>
<i>Leasehold improvement – at cost</i>		
Balance at beginning of year	-	-
Additions	-	-
Balance from acquisitions	8,204	-
Balance at end of year	<u>8,204</u>	-
Accumulated depreciation		
Balance at beginning of year	-	-
Depreciation	217	-
Balance from acquisitions	3,865	-
Balance at end of year	<u>4,081</u>	-
<b>Leasehold improvement net book value</b>	<b><u>4,123</u></b>	<b>-</b>
Carrying amounts		
At beginning of the year	<u>607,482</u>	<u>11,926</u>
<b>At end of the year</b>	<b><u>359,152</u></b>	<b><u>607,482</u></b>

	2017 \$	2016 \$
<b>9. Intangible Assets</b>		
Development costs	2,741,984	-
Goodwill	803,623	-
Customer contract	42,510	-
Patents and Trademarks	57,826	57,826
Formation costs	1,935	1,400
	<u>3,647,878</u>	<u>59,226</u>

**10. Investment accounted for using the equity method**

Interest in joint venture entity	-	<u>1,300,000</u>
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On 16<sup>th</sup> January 2017 KS Orka completed acquisition of Sokoria Geothermal Project. Under the terms of the SPA Xped will receive the nominal amount of \$1 USD. An additional payment of up to \$947.368 USD will be payable within 30 days of KS Orka issuing notification of intent to develop project. Refer to note 6 for current receivable.

**11. Trade and other payables**

Trade payables	1,023,024	345,454
Accruals	115,237	276,642
Other payables	74,866	31,204
JCT acquisition consideration payable	492,000	-
Total trade and other payables	<u>1,705,127</u>	<u>653,300</u>

Trade payables are unsecured, non-interest bearing and are generally due 30 days from the date of recognition.

**12. Borrowings**

*Current*

Credit Card	8,392	-
Insurance premium funding	63,832	138,770
Finance Lease	271,471	282,725
Convertible Security	1,155,000	-
Total current borrowings	<u>1,498,695</u>	<u>421,495</u>

*Non-current*

Loan	228,030	-
Finance Lease	-	295,465
	<u>228,030</u>	<u>295,465</u>

**13. Provision**

**Current**

Rehabilitation	675,000	280,000
Short-term employee benefits	119,807	20,630
Provision for onerous contract	230,000	-
Total current provisions	<u>1,024,807</u>	<u>300,630</u>

**Non-current**

Employee benefits	<u>56,032</u>	<u>14,996</u>
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The provision for rehabilitation relates to the Group's tenement interests that the group is required to rehabilitate land and surrounding environment to its original condition. The work is anticipated to be carried out in the 2018 financial year.

	2017 \$	2016 \$
<b>14. Other Payables</b>		
<b>Non- Current</b>		
JCT acquisition payable	478,000	-

	2017 No.	2016 No.
<b>15. Contributed equity</b>		
Ordinary shares – fully paid	1,158,556,729	1,885,488,158
<b>(a) Movements in equity</b>	<b>No. of Shares</b>	<b>\$</b>
<b>Balance at 30 June 2016</b>	<b>1,885,488,158</b>	<b>13,395,086</b>
Issue of shares	94,508,980	3,118,800
Issue of Jemsoft acquisition shares	50,000,000	700,000
Issue of shares for advisor consideration	10,000,000	400,000
Issue of shares of conversion of Convertible Note	82,202,409	2,188,373
Issue of shares on exercise of options	189,228,510	2,725,039
2 for 1 consolidation	(1,152,871,328)	-
Share issue expenses	-	(455,355)
<b>Balance at 30 June 2017</b>	<b>1,158,556,729</b>	<b>22,071,943</b>

**(b) Share options**

At 30 June 2017, the following options for ordinary shares in Xped Limited were on issue:

	2017 Number	2016 Number
Listed options (XPEOC)	102,254,564	-
Listed options (XPEOB)	-	189,228,510
Unlisted Options	30,000,000	30,000,000
Employee unlisted options	-	1,100,000
Management performance shares Class A	-	50,000,000
Management performance shares Class B	-	50,000,000
Management performance shares Class C	-	50,000,000
	<b>132,254,564</b>	<b>370,328,510</b>

## 16. Reserves and accumulated losses

	2017 \$	2016 \$
<b>(a) Reserves</b>		
Other reserve	663,000	2,094,730
<b>Movements:</b>		
<i>Other reserve</i>		
Balance at beginning of year	2,094,730	-
Share-based payments expense	573,000	2,094,730
Cancellation of Class A Performance Shares	(700,000)	-
Cancellation of Class B Performance Shares	(650,000)	-
Cancellation of Class C Performance Shares	(650,000)	-
Expiry of employee share based payments	(4,730)	-
Balance at end of year	663,000	2,094,730
<b>(b) Accumulated losses</b>		
<b>Movements:</b>		
Balance at beginning of year	(5,329,478)	(2,242,656)
Adjustment to opening balance	22,503	
Loss for the year	(10,865,924)	(3,086,822)
Cancellation of Class A Performance Shares	700,000	-
Cancellation of Class B Performance Shares	650,000	-
Cancellation of Class C Performance Shares	650,000	-
Expiry of employee share based payments	4,730	-
Balance at end of year	(14,168,167)	(5,329,478)

### Nature and purpose of reserves

#### *Other reserve*

The Other reserve is used to recognise the fair value of performance shares issued and options issued but not exercised.

## 17. Cash flow information

### (a) Reconciliation of loss after income tax to net cash outflow from operating activities

Loss for the year	(10,865,924)	(3,086,822)
<u>Non-cash items in profit or loss:</u>		
Impairment of development costs	-	4,392,985
Loans forgiven	-	(5,726,630)
Depreciation	339,824	12,265
Impairment	4,169,103	1,606,448
Share based payment expense	673,000	-
Interest on Convertible notes	476,227	-
Gain on sale of asset	4,944	-
<u>Change in operating assets and liabilities:</u>		
(Increase)/decrease in trade or other receivables	(1,027,330)	371,351
(Increase)/decrease in inventory	(174,148)	-
(Increase)/decrease in other financial assets	(140,000)	(4,914)
(Increase)/decrease in other current assets	(159,767)	(125,170)
Increase/(decrease) in trade and other payables	49,495	105,066
Increase/(decrease) in provisions	638,294	71,774
Increase/(decrease) in other liabilities	-	-
Net cash outflow from operating activities	(6,016,284)	(2,383,647)

## 18. Earnings per share

	2017 Cents	2016 Cents
<b>(a) Basic and diluted earnings per share</b>		
Loss attributable to the ordinary equity holders of the company	(1.01)	(0.57)
<b>(b) Weighted average number of ordinary shares used as the denominator</b>		
	2017 Number	2016 Number
Number used in calculating basic and diluted earnings per share	1,080,746,847	537,387,465*

### (c) Information concerning earnings per share:

Options granted are considered to be potential ordinary shares. As the group has incurred losses the potential voting rights are deemed to be anti-dilutive.

\*Adjusted for the 2-for-1 share consolidation which occurred during the year

## 19. Business Combinations

### (a) Acquisition of JCT Healthcare Group

On 4 July 2016 Xped Limited acquired 100% of the issued shares in JCT Healthcare Pty Ltd and Jackson Care Technologies Pty Ltd (JCT), providers of communication solutions to the Healthcare sector with products that are tailored for Hospitals, Aged Care, Independent Living and Disability Care for consideration of \$3,789,944.

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

	\$
<b>Purchase consideration</b>	
Cash paid or payable	1,360,237
Contingent consideration 12 months from completion (milestone 1)	1,500,000
Contingent consideration 18 months from completion (milestone 2)	476,192*
Contingent consideration 24 months from completion (milestone 3)	453,515*
	<u>3,789,944</u>

\*5% discount rate applied to account for the time value of consideration

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value
Cash and cash equivalents	43,422
Trade and other receivables	220,027
Financial assets	3,151
Inventory	381,884
Prepayments	22,603
Plant and equipment	100,659
Trade and other payables	(380,072)
Income in advance	(407,856)
Provisions	(85,542)
Current tax liabilities	21,586
Borrowings	(299,020)
<b>Net identifiable assets acquired</b>	<u>(379,158)</u>
<b>Goodwill</b>	<u>4,169,102</u>
	<u>3,789,944</u>

The goodwill is attributed to JCT's strong position, profitability and synergies expected to arise after the company's acquisition of the new subsidiary.

### **Contingent consideration**

Additionally there are some 37,500,000 performance based shares to be issued (**performance shares**). It is noted that the performance milestones for JCT is defined by 3 separate and distinct events as noted below:

#### **Milestone 1:**

12,500,000 performance based shares in Xped. The milestone to be met is when JCT generates \$3m of revenue and recoverable work in progress within 12 months from 1st July 2016 and has a gross profit margin of minimum 50% for that period. At the time the above milestones are satisfied, the Vendor may elect to either: (a) convert all of the Milestone 1 Performance Shares into Xped fully paid ordinary shares (Xped Shares) on a one (1) for one (1) basis; or (b) receive a cash payment of \$500,000 from Xped within 10 business days of its election, in which case, all of the Milestone 1 Performance Shares will be converted into one Xped Share.

#### **Milestone 2:**

12,500,000 performance based shares in Xped. The milestone to be met is when JCT generates \$6m of revenue and recoverable work in progress within 18 months from 1st July 2016 and has a gross profit margin of minimum 50% for that period. At the time the above milestones are satisfied, the Vendor may elect to either: (a) convert all of the Milestone 2 Performance Shares into Xped fully paid ordinary shares (Xped Shares) on a one (1) for one (1) basis; or (b) receive a cash payment of \$500,000 from Xped within 10 business days of its election, in which case, all of the Milestone 2 Performance Shares will be converted into one Xped Share.

#### **Milestone 3:**

12,500,000 performance based shares in Xped. The milestone to be met is when JCT generates \$12m of revenue and recoverable work in progress within 24 months from 1st July 2016 and Xped Care has a gross profit margin of minimum 50% for that period. At the time the above milestones are satisfied, the Vendor may elect to either: (a) convert all of the Milestone 3 Performance Shares into Xped fully paid ordinary shares (Xped Shares) on a one (1) for one (1) basis; or (b) receive a cash payment of \$500,000 from Xped within 10 business days of its election, in which case, all of the Milestone 3 Performance Shares will be converted into one Xped Share. If all three (3) Milestones are achieved the former shareholder of JCT will receive a total of \$ 1.5m in Xped shares based on an issue price of 4 cents per share or \$1.5m in cash.

#### *(i) Revenue and profit contribution*

The acquired JCT Healthcare Pty Ltd business contributed revenues of \$1,827,240 and net loss of \$1,674,373 to the group for the period from 4 July 2016 to 30 June 2017.

If the acquisition had occurred on 1 January 2016, consolidated pro-forma revenue and profit of the year ended 30 June 2017 would have been \$1,827,240 and \$1,674,373 respectively.

#### *(ii) Acquisition related costs*

Acquisition related costs of \$26,173 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

**(b) Acquisition of Jemsoft Pty Ltd**

On 19 May 2017 Xped Limited acquired 100% of the issued shares in Jemsoft Pty Ltd and 56% of Media Intelligence Co Pty Ltd. Jemsoft is a computer vision and machine learning company providing industry leading technology to global enterprise and developers. As part of this acquisition, Xped Limited also acquired a 56% ownership interest in Media Intelligence Co Pty Ltd ("MIC"), a company that builds and implements artificially intelligent technologies that supplement media research and analytics systems for customers operating in the marketing sector.

Details of the purchase consideration, net assets acquired and goodwill are as follows:	<b>Fair Value</b>
	<b>\$</b>
<b>Purchase consideration</b>	
Cash paid	200,000
Shares issued	700,000
	<u>900,000</u>

The fair value of 50,000,000 ordinary shares issued as part of the consideration paid for Xped Limited was based on the closing share price of \$0.014 on 19 May 2017, the date the acquisition was completed.

**The assets and liabilities recognised as a result of the acquisition are as follows:**

Cash and cash equivalents	197,253
Trade and other receivables	217,945
Trade and other payables	(264,162)
Provisions	(14,124)
Borrowings	(51,755)
Net assets	<u>84,757</u>
Less: Non-controlling interest in net assets	<u>(18,361)</u>
<b>Xped's interest in net assets acquired</b>	<b>66,396</b>
Customer contract intangible	42,560
Deferred tax liability	(12,768)
<b>Net identifiable assets acquired</b>	<b>96,188</b>
<b>Goodwill</b>	<b>803,812</b>
	<u>900,000</u>

*(i) Goodwill*

The goodwill is attributable to the assembled workforce of the acquired business and represents the future benefit to Xped Limited through reduced expenditure on external IT consultants. Goodwill will not be deductible for tax purposes.

*(ii) Accounting policy choice for non-controlling interests*

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Media Intelligence Co Pty Ltd, the group has elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

*(iii) Revenue and profit contribution*

The acquired business contributed revenues of \$210,500 and a net loss of \$19,407 to the group for the period from 19 May 2017 to 30 June 2017.

If the acquisition had occurred on 1 January 2016, consolidated pro-forma revenue and net profit of the year ended 30 June 2017 would have been \$1,008,000 and \$89,396 respectively.

*(iv) Acquisition related costs*

Acquisition related costs of \$24,790 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

*(v) Provisional accounting*

The assets acquired and liabilities assumed have been accounted for on a provisional basis.

**(c) Purchase consideration – cash outflows**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Outflow of cash to acquire subsidiaries, net of cash acquired</b>		
Cash consideration paid – JCT Healthcare Pty Ltd	1,316,800	-
Cash consideration paid – Jemsoft Pty Ltd	200,000	-
Total cash consideration paid	<u>1,516,800</u>	<u>-</u>
Less: Balances acquired		
Cash	240,675	-
Bank overdraft	-	-
	<u>240,675</u>	<u>-</u>
<b>Net outflow of cash – investing activities</b>	<b><u>1,276,125</u></b>	<b><u>-</u></b>