Xped Limited

ABN 89 122 203 196

ASX:XPE

Annual Financial Report for the financial year ended 30 June 2018

Xped Limited

ABN 89 122 203 196

Annual Financial Report – 30 June 2018

Contents

Corporate Directory

Directors	Mr Peter Hunt, Director and Chairman Mr Christopher Wood, Executive Director Mr John Schultz, Executive Director
Company Secretaries	Ms Julie Edwards Mr John Santich
Principal Registered Office in Australia	Level 6, 412 Collins Street Melbourne, Victoria. 3000
Share Registry	Automic Registry Services Suite 310 Level 3, 50 Holt Street Surry Hills NSW 2010 Phone: 1300 288 664 Overseas Callers: 61 8 9324 2099 Facsimile: 61 8 9321 2337
Auditor	Pitcher Partners Chartered Accountants Central Plaza One 345 Queen Street Brisbane 4000
Stock Exchange Listing	Australian Securities Exchange Ltd XPE - Listed Ordinary Shares XPEOC - Listed Options Over Ordinary Shares
Website Address	www.xped.com

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group" or "Xped") consisting of Xped Limited and its controlled entities for the financial year ended 30 June 2018.

Directors
The following persons were directors of Xped Limited during the financial year and up to the date of this report unless otherwise stated:

Mr Peter Hunt	Chairman and non-executive Director (appointed 4 September 2017)
Mr John Schultz	Executive Director (resigned 22 September 2017 and reappointed 30 March 2018)
Mr Christopher Wood	Executive Director (appointed 5 April 2016)
Mr Athan Lekkas	Executive Director (resigned 30 March 2018)
Mr Martin Despain	Managing Director (resigned 30 November 2017)
Dr Wenjun Sheng	Non-executive Director (resigned 22 September 2017)

Company Secretaries (Joint)
Ms Julie Edwards
Mr John Santich (appointed 1 March 2018)

Principal Activities
Xped is focused on the commercialisation of ADRC and the growing of revenue through multiple streams based on its core technology strengths - ADRC, Xped App, Gateway Solutions, Cloud Infrastructure, its range of Devices and interoperability. Xped's revenue streams will be built on Smart Home & Consumer Solutions, Professional Healthcare Technology Solutions, and Smart Building Solutions.

JCT provides the Company with a channel in which to sell Professional Healthcare Technology equipment and solutions. JCT's expansion into delivering assisted independent living technologies has great synergies with Xped's core IoT platform and Smart Home and Smart Building solutions.

Dividends
The directors recommend that no dividend be paid or declared at this point in time. No amounts have been paid or declared by way of dividend during the year.

Review of Operations
The consolidated entity realised a loss after tax for the full-year of $9,058,493 (30 June 2017: loss of $11,853,736).

The following provides a summary of Xped's activities and achievements during the course of the financial year:

Highlights of the Year

- In July 2017, JCT was successful in being awarded two separate Research and Development grants from TechinSA. Xped provided a successful demonstration of a smart home solution to a telecommunication provider based in the Asian region. JCT Healthcare demonstrated their technology solution to senior representatives of Disability SA (the client), as well as a representative from the SA Government.

- In August 2017, Jackson Care Technology Pty Ltd ("JCT") won a $649,000 tender with Renewal SA. This is for the supply, installation and support of assistive technologies to approximately 30 properties.

- In August 2017, the company repaid the aggregate Face Value of the outstanding convertible securities from Tranche 1A.

- In August 2017, Xped signed an agreement with Eastool Solution (Eastool) in Malaysia to provide local support for Malaysia and the surrounding region. Eastool provides Xped with local business development, technical, and logistical support. Xped is pursuing opportunities to sell its Smart Home Solution within this region.

- The Company completed a placement of 249,999,998 shares at 1.2c to raise $3m capital in August 2017.

- On 1 November 2017, JCT Healthcare Pty Ltd ("JCTH") was successful in winning several tenders with its Smart Home Assisted Living Technology Solution.

- On 9 November 2017, Xped announced the receipt of a Research and Development ("R&D") Tax Refund from the Australian Tax Office of $2,335,259.66 for the financial year ending 30 June 2017.

- In December 2017, Xped invested in Marketplace Services Pty Ltd ("MPS").The investment consists of an allocation of 25 million shares for 5.5% shareholding in Marketplace Services Pty Ltd. Xped has also provided a loan of $350,000. Xped has the option to convert the loan as equity in the business. This loan is convertible into a further 12% equity of MPS on or before 1 December 2019.

- On 19 December 2017 Xped announced it had entered into an agreement with Heuresy LLC to expand the use of its Auto Discovery Remote Control ("ADRC") technologies and App into the cyber-security sector targeting use by United States Government agencies. Xped provided US$100,000 to Heuresy for initial development activities which amount will be recoverable from future revenues. Xped will receive a proportion of revenue generated from sales to the US Government by Heuresy.

- In May 2018, Xped announce the execution of a binding technology development agreement with Heuresy Labs LLC. Under the agreement, Xped will develop a new cryptographic Physical Security Token which is a hardware security device that provides authentication and encryption. A payment of US$250,000 was made within 5 days of executing the agreement and a payment of US$250,000 due upon completion of the statement of work under the agreement.

Sokoria Geothermal Project

- On 16th January 2017 KS Orka completed acquisition of Sokoria Geothermal Project. Under the terms of the SPA Xped received the nominal amount of $1 USD. An additional payment of up to $947,368 USD will become payable within 30 days of KS Orka issuing notification of intent to develop project. After taking into consideration the timing and final amount to be paid management estimate the recoverable amount at 30 June 2018 to be $900,000 AUD.

Penola Geothermal Remediation

- Xped retains tenements in the South East of Australia relating to legacy business operations. These tenements require rehabilitation so that the tenements can be surrendered to the SA Government.

- Xped remediation and rehabilitation works were undertaken on GEL 223 with the majority of Phase 3 works completed The remaining item for Phase 3 involves the disposal of approx. 50,000 litres of water recovered from the wellbore during the cementing operations. All remediation work is expected to be completed during the 18/19 financial year.

Health, Safety, Environment, and Community

- During the year under review, there were no reportable incidents relating to health, safety, or community-related matters.

- No business objective will take priority over the Occupational Health and Safety Policy and the Company's record of achievement in this important area of its activities will form an essential part of the measure of its overall success.

Significant changes in the nature of activities

There were no significant changes in the state of affairs of the Group during the financial year.

Matters Subsequent to the End of the Financial Year

There has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect the Group's operations, results or the state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Further information in relation to likely developments and the impact on the operations of the Group has not been included in this report, as the Directors believe it would result in unreasonable prejudice to the Group.

Information on Directors

Peter Hunt
Chairman / Non-executive

Qualifications
Fellow Chartered Accountant

Age
71

Experience and expertise
Mr Hunt is a Chartered Accountant and was a former partner of PKF Adelaide, Chartered Accountants, which merged with BDO Adelaide in 2012. He has broad experience as an independent director and chairman of ASX listed and private companies.

Mr Hunt is an independent non-executive director of ASX listed Intermin Resources Limited (of which he had been independent Chairman for over twenty five years).

In addition to his experience as a Board member of ASX listed entities, Mr Hunt has direct and broad experience within the aging and health care industries, which are one of Xped's key sectors. He is an investor/owner in the aged care industry and is well connected with investors in the sector.

Other current directorships
Intermin Resources Limited

Former directorships in last 3 years
Metaliko Resources Limited

Special responsibilities
Chairman of the Board (appointed 4 September 2017)
Chairman of Audit Committee

Interests in shares and options
Nil

John Shultz
Director –Executive

Qualifications
Bachelor of Engineering in Electronics Engineering

Age
52

Experience and expertise
John Schultz is a serial entrepreneur founding and successfully growing several companies over the last two decades specialising in the design, manufacture and business development of electronics systems. John has a wealth of experience running design and manufacturing businesses, managing staff and subcontractors and secured significant international business exporting vehicle immobilisers to Malaysia for aftermarket distribution and direct fit to Honda. This contract saw a peak of 30 employees locally employed and managed at Technology Park. John's involvement in the group will encompass system specification, design, product design and manufacture, resource management and developing initial commercialisation opportunities.

Other current directorships
Nil

Former directorships in last 3 years
Nil

Special responsibilities
Nil

Interests in shares and options
140,288,321 listed ordinary shares (XPE)

Christopher Wood
Director –Executive / Chief Technical Officer

Qualifications
Bachelor of Electrical and Computer Systems Engineering Hons

Age
56

Experience and expertise
Christopher Wood has extensive experience in large telecommunications companies developing mission critical software applications. Chris has architected projects worth up to $200M and been supported by a pool of 200 IT staff. Chris is a domain expert in the areas of GPS, inertial sensors and communications. Chris also possesses substantial technology development commercialisation experience. In 2003 Chris founded Neve Technologies Pty Ltd, a company which developed and commercialised an augmented GPS system for positioning vehicles in areas where GPS signals are severely degraded. In the commercialisation process Chris established a joint venture with the University of South Australia. Neve secured COMET funding, raised capital and successfully commercialised its technology internationally.

Other current directorships
Nil

Former directorships in last 3 years
Nil

Special responsibilities
Nil

Interests in shares and options
112,732,700 listed ordinary shares (XPE)

Company Secretaries (Joint)

Julie Edwards
During her extensive career, Julie has had significant experience and involvement in management of the accounting and finance functions. She holds a Bachelor Degree in Commerce, is a member of CPA Australia, holds a CPA Public Practice Certificate and is a registered Tax Agent.

John Santich
John Santich is an experienced company director and corporate lawyer, highly qualified in engineering (PhD) and admitted to practice law in South Australia. He has been a director and promotor of several ASX listed exploration and technology companies. He specialises in company start-ups, from concept and initiation through seed funding and capital raising for stock exchange listing to control and supervision of company activities.

Meetings of Directors
The numbers of meetings of the company's board of directors held during the year ended 30 June 2018, and the numbers of meetings attended by each director are as follows:

	Full Meeting of Directors	
	A	**B**
Martin Despain	6	6
Athan Lekkas	9	9
John Schultz	6	6
Christopher Wood	13	13
Wenjun Sheng	3	2
Peter Hunt	11	11

A = Number of meetings held during the time the director held office during the year.
B = Number of meetings attended.

There were no audit committee meetings or remuneration committee meetings during the financial year.

Shares under Option

Unissued ordinary shares of Xped Limited under option at the date of this report are as follows:

Grant Date	Vest Date	Expiry Date	Exercise Price	Number of Options	
27/01/2017	Fully Vested	31/12/2018	$0.10	127,254,564	Listed
				127,254,564	

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares Issued on the Exercise of Options

During the year 17,500 options were exercised at $0.04.

Remuneration Report

(a) Policy for determining the nature and amount of key management personnel remuneration

The remuneration committee of Xped Limited is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Group.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

(i) Non-Executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
Remuneration of non-executive directors is determined by the Board, within the maximum amount approved by the shareholders from time to time (currently set at an aggregate of $300,000 per annum). The Board intends to undertake an annual review of its performance and the performance of the Board committees against goals set at the start of the year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from time to time from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

The remuneration of non-executive directors for the year ended 30 June 2018 is detailed in this Remuneration Report.

(ii) Senior Executive Remuneration

Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interest of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Board has had regard to market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with all senior executives.

Remuneration Report (continued)

(iii) Variable Remuneration – Short and Long Term Incentives

Objective

The objectives of the incentive arrangements are to:

- Recognise the ability and efforts of the employees of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- Provide an incentive to the employees to achieve the long term objectives of the Group and improve the performance of the Group; and
- Attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its employees.

Structure

Long term incentives have been granted to senior executives in the form of performance bonuses. At the commencement of each financial year, the Group and each senior executive will agree upon a set of financial and non-financial objectives related to the senior executive's job responsibilities. The objectives will vary but all will be targeted directly to the Group's business and financial performance and thus to shareholder value. Short term incentives will be in the form of bonuses paid on the achievement of key performance indicators as the Group and the executives may agree from time to time.

(b) Remuneration, Group performance and shareholder wealth

The development of remuneration policies and structure are considered in relation to the effect on Group performance and shareholder wealth. They are designed by the Board to align Director and Executive behaviour with improving Group performance and ultimately shareholder wealth.

The Board considers at this stage in the Group's development, that share price growth itself is an adequate measure of total shareholder return.

Executives are currently remunerated by basis of cash remuneration and options. The options issued to directors link remuneration with group performance, through the achievement of share price growth. The options granted are considered by the Board to provide alignment between employees and shareholders interests.

(c) Key management personnel

Unless otherwise stated, the following persons were key management personnel of Xped Limited during the financial year:

Name	***Date Appointed***	***Date Resigned***	***Position Held***
Peter Hunt	04/09/2017	-	Chairman, Non-Executive Director
John Schultz	30/3/2018	-	Executive Director (resigned 22 September 2017 and reappointed on 30 March 2018)
Christopher Wood	05/04/2016	-	Executive Director, Chief Technical Officer from 29 June 2016
Marty Despain	19/09/2016	30/11/2017	Managing Director
Athan Lekkas	19/02/2013	30/03/2018	Chief Executive Officer from 29/06/16, Chairman until 04/09/17
Wenjun Shen	21/04/2016	22/09/2017	Non-Executive Director

Remuneration Report (continued)

(d) Details of remuneration

Compensation paid, payable or provided by the Group or on behalf of the Group, to key management personnel is set out below. Key management personnel include all directors of the Group and certain executives who, in the opinion of the Board and Managing Director, have authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

2018	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments		Total	Proportion of remuneration that is performance based
Name	Cash salary and fees $	Super-annuation $	Cash $	Shares $	Options $	Total $	%
Non-Executive Directors							
Peter Hunt	$91,659	-	-	-	-	$91,659	-
Wenjun Sheng	$51,361	-	-	-	-	$51,361	-
Total Non-Executive Directors	**$143,020**	**-**	-	**-**	**-**	**$143,020**	-
Executive Directors							
Christopher Wood	$281,489	-	-	-	-	$281,489	-
John Schultz	$126,500	-	-			$126,500	-
Martin Despain	$222,434	-	-	-	-	$222,434	-
Athan Lekkas	$312,870	-	-	-	-	$312,870	-
Total Executive Directors	**$943,293**	**-**	**-**	**-**	**-**	**$943,293**	**-**
Total Key Management Personnel Compensation	**$1,086,313**	**-**	**-**	**-**	**-**	**$1,086,313**	**-**

2017	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments		Total	Proportion of remuneration that is performance based
Name	Cash salary and fees $	Super-annuation $	Cash $	Shares $	Options $	Total $	%
Non-Executive Directors							
Wenjun Sheng	241,842	-	-	-	-	241,842	-
Total Non-Executive Directors	**241,842**	**-**	-	**-**	**-**	**241,842**	-
Executive Directors							
Martin Despain	499,732	-	-	-	-	499,732	-
Athan Lekkas	642,717	-	-	-	-	642,717	22.11%
John Schultz	256,000	-	-	-	-	256,000	-
Christopher Wood	424,090	-	-	-	-	424,090	-
Michael Clarke	30,223	-	-	-	-	30,223	-
Lisa Zhang	39,813	-	-	-	-	39,813	-
Total Executive Directors	**1,892,575**		-	-	-	**1,892,575**	**7.51%**
Total Key Management Personnel Compensation	**2,134,417**	**-**	-	-	-	**2,134,417**	**6.66%**

(e) Service & consultancy agreements

On appointment to the Board, non-executive directors enter into a service agreement with Xped Limited in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. Remuneration and other terms of employment for the Managing Director and the other key management personnel are also formalised in service agreements.

Peter Hunt (Non-executive Director)
Peter Hunt was appointed chairman and director on 4 September 2017. He received director's fees of $110,000 (GST Excl.) p.a. which he invoices the company for monthly.

John Schultz (Executive Director) (resigned 22 September, reappointed on 30 March 2018)
The Group entered into a consultancy agreement with JK Group and Mr Schultz which commenced on 23 March 2016, for $220,000 per annum plus board fees of $36,000 per annum. The agreement was for an initial term of 2 years. Mr Schultz's remuneration package was reduced to a total of $250,000 per annum from 4 September 2017 and on 24 March 2018 his contract was varied so as to be terminated with one months' notice from either party. John Schultz resigned as director on 22 September 2017 and was reinstated as director on 30 March 2018 for remuneration of $250,000 per annum.

Remuneration Report (continued)

Christopher Wood (Executive Director)
The Group entered into a consultancy agreement with Alanticx Pty Ltd and Mr Wood which commenced on 23 March 2016, for $220,000 per annum plus board fees of $36,000 per annum. On 29 June 2016 Mr Wood's consultancy agreement was varied, appointing him as Chief Technical Officer with a remuneration package of US$272,000 including board fees. In addition to this Mr Wood is entitled up to US$6,000 per month for expenses that include rent and health insurance. There were no expenses for the year ending 2018 (2017: $72,480). Mr Wood's remuneration was subsequently reduced to a total of $250,000 per annum from 4 September 2017 and his agreement varied on 24 March 2018 so as to terminate with one months' notice by either party.

Athan Lekkas (Executive Director) (resigned 30 March 2018)
The Group entered into a consultancy agreement with Dalext Pty Ltd and Mr Lekkas which commenced on 23 March 2016. On 29 June 2016 Mr Lekkas consultancy agreement was varied, appointing him Chairman and Chief Executive Officer with a remuneration package of US$362,000 including board fees. Mr Lekkas was also entitled to up to US$12,000 per month for expenses that include rent, motor vehicle and health insurance, however none of this entitlement was used in the years ending June 2017 or June 2018. Key performance based payments could also be made under the consultancy agreement. The agreement was for an initial term of 2 years and could be terminated by the Group with 12 months' notice or by the consultant with 3 months' notice. Athan Lekkas stepped down as chairman on 4 September 2017 and resigned as a director on 30 March 2018.

Wenjun Sheng (Non-executive Director) (resigned 22 September 2017)
The Group entered into a consultancy agreement with Dr Sheng for a period of two years for a remuneration package of US$180,000 per annum for services and board fees. The agreement could be terminated by the Group with 6 months' notice or by the consultant with 3 months' notice. Mr Sheng resigned as a director on 22 September 2017.

Martin Despain (Executive Director) (resigned 30 November 2017)
The Group entered into a consultancy agreement with MMEYE LLC and Mr. Martin Despain which commenced on 19 September 2016, for US$360,000 per annum. In addition Mr. Despain received a signing bonus of $80,000, $40,000 paid on commencement and $40,000 paid six months from commencement date. Additional performance bonuses and shares were not paid.

(f) Share-based compensation

Options may be granted to attract and retain key management personnel.

The board has rules that contain restrictions on removing the 'at risk' aspect of the options granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

There are no performance hurdles attaching to options granted other than service vesting conditions. In the event of termination (specified circumstances) only vested options are entitled to be exercised. Unvested options are forfeited.
The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

For each grant of options, the percentage of the grant that vested in the financial year, and the percentage that was forfeited because the person did not meet the service performance criteria is set out below. The options generally vest after 2 years. No options will vest if the service conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

There are currently no options affecting remuneration in the current reporting period.

During the year there were no alterations to the terms and conditions of options granted since their grant date.

No additional options were granted during the financial year, and all options that had vested were not forfeited at the date of resignation.

Remuneration Report (continued)

(g) Equity instruments disclosures relating to key management personnel

(i) Unlisted option holdings
There were no unlisted options over ordinary shares in the company held during the year by directors of Xped Limited and other key management personnel of the Group, including their personally related parties.

(ii) Ordinary share holdings
The number of shares in the company held during the year by each director of Xped Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2018 Name	Balance at start of the year	Acquired during the year	Balance at the end of the year
Directors of Xped Limited			
Ordinary shares			
P Hunt	-	-	-
C Wood	112,732,700	-	112,732,700
J Schultz	140,288,321	-	140,288,321

2017* Name	Balance at start of the year	Acquired during the year	Balance at the end of the year
Directors of Xped Limited			
Ordinary shares			
M Despain	-	-	-
A Lekkas	28,850,000	227,273	29,077,273
J Schultz	140,288,321	-	140,288,321
W Sheng	-	-	-
C Wood	112,732,700	-	112,732,700

*Figures have been adjusted for two for one share consolidation on 9 June 2017

(iii) Listed option holdings (ASX: XPEOC)

2018 Name	Balance at start of the year	Acquired during the year	Expired during the year	Balance at the end of the year
Directors of Xped Limited				
Listed options				
P Hunt	-	-	-	-
C Wood**	6,000,000	-	(6,000,000)	-
J Schultz	-	-	-	-

**Expired options were acquired by Mr Wood during the 2017 financial year

2017* Name	Balance at start of the year	Acquired during the year	Exercised during the year	Balance at the end of the year
Directors of Xped Limited				
Listed options				
M Despain	-	-	-	-
A Lekkas	-	227,273	-	227,273
J Schultz	-	-	-	-
W Sheng	-	-	-	-
C Wood	-	6,000,000	-	6,000,000

*Figures have been adjusted for two for one share consolidation on 9 June 2017

(h) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year.

(i) Other transactions with key management personnel

During the period, Electro Cad Australia Pty Ltd, an entity controlled by John Schultz, provided supplies and services to Xped Limited. $65,800 (June 2017: $192,714) has been expensed during the year in relation to these services. $6,681 was payable as at 30 June 2018 (June 2017: $1,876).

There were no other transactions with key management personnel other than reimbursement of expenses incurred by them in performing their respective duties.

END OF REMUNERATION REPORT

Insurance of Officers and Indemnities

During or since the end of the year, the Group has not given any indemnity to a current or former officer or auditor against a liability or made any agreement under which an officer or auditor may be given any indemnity of the kind covered by the *Corporations Act 2001*.

During the year, the Group paid premiums in respect of directors' and officers' indemnity insurance contracts for the period ended 30 June 2018. The insurance contracts offer continuing indemnity to officers of the Group where the person is no longer an officer at the time the claim is made. The Group paid a premium of $82,650 (2017: $80,595) to insure the directors of the Group during the financial year. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of the Group

The Group is not aware that any person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.
No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the *Corporations Act 2001*.

Non-audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for non-audit services provided by the auditors of the parent entity, its related practices and non-related audit firms:

	2018 $	2017 $
Pitcher Partners		
Audit services		
Audit and review of financial reports	75,000	87,000
Other assurance services	4,500	5,000
Financial due diligence	10,000	79,000
Taxation services		
Tax and other services	76,494	169,000
Total remuneration	**165,994**	**340,000**

Rounding of amounts

Amounts in this report have been rounded off in to the nearest dollar in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 which permits amounts to be rounded at least to the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.
This report is made in accordance with a resolution of directors.

Peter Hunt
Chairman

Date: 27 September 2018

PITCHER PARTNERS

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Auditor's Independence Declaration

As lead auditor for the audit of Xped Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

PITCHER PARTNERS

DANIEL COLWELL
Partner

Brisbane, Queensland
27 September 2018

Corporate Governance Practices and Conduct

Xped Limited has published its Corporate Governance Statement on its website. It can be found at
www.xped.com/irm/content/corporate-governance.aspx

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Annual Financial Report – 30 June 2018

These financial statements cover the consolidated entity consisting of Xped Limited and its subsidiaries. The financial report is presented in Australian currency.

Xped Limited is a listed public company limited by shares, incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

The principal place of business is:

11/2 Portrush Road
Payneham, South Australian 5070

The registered office is:
Level 6, 412 Collins Street
Melbourne, Victoria 3000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 to 3.

The financial statements were authorised for issue by the directors on 27 September 2018. The Group has the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.xped.com.

	Notes	2018 $	2017 $
Revenue and other income from continuing operations	5	3,784,887	4,191,846
Materials		(1,036,671)	(2,289,801)
Employee and contracting expenses		(3,136,776)	(518,776)
Finance costs		(727,805)	(697,149)
Directors fees		(1,086,315)	(1,421,077)
Consulting and advisory fees		(629,318)	(2,078,929)
Occupancy costs		(238,618)	(209,535)
Travel		(164,873)	(617,297)
Marketing and Promotion		(101,771)	(320,510)
Professional and Legal fees		(552,770)	(965,269)
Legal fees - Patents and Trademarks		(183,103)	(14,840)
Depreciation and amortisation	13 & 14	(358,810)	(339,607)
Impairment of other receivables	10	(750,000)	-
Impairment expense		(3,678)	(4,972,914)
Impairment of development costs	14	(2,741,984)	-
Impairment of available-for-sale financial assets	9	(250,000)	-
Foreign currency gain (loss)		4,277	(27,206)
Other expenses		(504,746)	(1,572,672)
Rehabilitation expense		(395,983)	-
Loss on sale of assets		(1,136)	-
Loss before income tax		**(9,075,193)**	**(11,853,736)**
Income tax benefit	7	12,768	-
Loss for the year		**(9,062,425)**	**(11,853,736)**
Other comprehensive income		-	-
Total comprehensive income		**(9,062,425)**	**(11,853,736)**
Loss attributable to:			
Owners of the parent		(9,058,493)	(11,853,736)
Non-controlling interests		(3,932)	-
		(9,062,425)	**(11,853,736)**
Total comprehensive income attributable to:			
Owners of the parent		(9,058,493)	(11,853,736)
Non-controlling interests		(3,932)	-
		(9,062,425)	**(11,853,736)**

Earnings per share for loss attributable to ordinary equity holders of the company:

		Cents	Cents
Basic and diluted loss per share	24	(0.62)	(1.10)

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

	Notes	2018 $	2017 $
Current assets			
Cash and cash equivalents	8	2,372,208	6,234,199
Other financial assets	9	900,668	890,000
Trade and other receivables	10	403,879	277,524
Other current assets	11	183,786	355,257
Inventory	12	524,739	372,034
Total current assets		**4,385,280**	**8,129,014**
Non-current assets			
Other receivables	10	900,000	1,300,000
Plant and equipment	13	96,728	359,152
Intangible assets	14	58,527	2,844,066
Total non-current assets		**1,055,255**	**4,503,218**
TOTAL ASSETS		**5,440,535**	**12,632,232**
Current liabilities			
Trade and other payables	15	536,262	2,186,480
Borrowings	16	109,419	1,498,695
Provisions	17	850,421	1,024,807
Income in advance		333,742	-
Total current liabilities		**1,829,844**	**4,709,982**
Non-current liabilities			
Borrowings	16	226,456	228,030
Provisions	17	19,484	56,032
Deferred tax liabilities		-	12,768
Total non-current liabilities		**245,940**	**296,830**
TOTAL LIABILITIES		**2,075,784**	**5,006,812**
NET ASSETS		**3,364,751**	**7,625,420**
EQUITY			
Contributed equity	18	26,891,949	22,071,943
Reserves	19	663,000	663,000
Accumulated losses	19	(24,214,472)	(15,155,979)
Owners of the parent		3,340,477	7,578,964
Non-controlling interests		24,274	46,456
TOTAL EQUITY		**3,364,751**	**7,625,420**

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

	Contributed Equity	Reserves	Accumulated Losses	Non-controlling Interest	Total
	$	$	$	$	$
2018					
Balance at 1 July 2017	22,071,943	663,000	(15,155,979)	46,456	7,625,420
Adjustment to opening balance	-	-	-	8,750	8,750
Loss for the year	-	-	(9,058,493)	(3,932)	(9,062,425)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	22,071,943	663,000	(24,214,472)	51,274	(1,428,255)
Transactions with owners in their capacity as owners:					
Dividends paid to non-controlling interests	-	-	-	(27,000)	(27,000)
Ordinary shares issued by private placement	3,000,000	-	-	-	3,000,000
Ordinary shares issued on conversion of convertible security	750,300	-	-	-	750,300
Bonus options issued on pro-rata offer	568,678	-	-	-	568,678
Ordinary shares issued during the year through exercise of listed options	700	-	-	-	700
Fair value of ordinary shares issued as subsequent consideration for JCT purchase	500,000	-	-	-	500,000
Fair value of ord. shares issued for investment in Market Place Services Pty Ltd	250,000	-	-	-	250,000
Cost of share issue	(249,672)	-	-	-	(249,672)
Balance at 30 June 2018	**26,891,949**	**663,000**	**(24,214,472)**	**24,274**	**3,364,751**
2017					
Balance at 1 July 2016	13,395,086	2,094,730	(5,329,478)	-	10,160,338
Adjustment to opening balance	-	-	22,505	-	22,505
Loss for the year	-	-	(11,853,736)	28,095	(11,825,641)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	13,395,086	2,094,730	(17,160,709)	28,095	(1,642,799)
Transactions with owners in their capacity as owners:					
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)
Balance at 30 June 2017	**22,071,943**	**663,000**	**(15,155,979)**	**46,456**	**7,625,420**

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

	Notes	2018 $	2017 $
Cash flows from operating activities			
Customer receipts		1,490,807	2,081,337
Interest received		40,482	66,706
Interest paid		(20,839)	(27,148)
Government Grants and R&D incentives received		2,460,985	837,473
Payments to suppliers and employees		(8,950,617)	(8,835,392)
Income tax refund (paid)		183,448	(139,259)
Net cash outflow from operating activities	22	**(4,795,735)**	**(6,016,284)**
Cash flows from investing activities			
Payments for development costs		-	(2,784,707)
Payments for plant and equipment		(54,577)	(66,940)
Proceeds from sale of plant and equipment		727	69,436
Payments for term deposits		-	96,333
Payment for intangibles		-	-
Payment for acquisition of subsidiaries net cash acquired	23	(500,000)	(1,276,125)
Payment for convertible notes		(350,000)	-
Net cash outflow from investing activities		**(903,850)**	**(3,962,002)**
Cash flows from financing activities			
Repayment of finance lease and loans		(271,471)	(522,387)
Repayment of insurance funding loan		(91,307)	-
Proceeds from borrowings		-	551,654
Dividend paid to NCI		(27,000)	-
Repayment of convertible notes		(1,081,664)	-
Issue of shares		3,000,700	8,032,212
Issue of Bonus Options		568,677	-
Share issue costs		(249,673)	(455,355)
Net cash inflow from financing activities		**1,848,262**	**7,606,124**
Net increase / (decrease) in cash and cash equivalents		(3,851,323)	(2,372,163)
Cash and cash equivalents at the beginning of the year		7,124,199	9,496,362
Cash and cash equivalents at the end of the year*	9	**3,272,876**	**7,124,199**

* 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 2018 the Group held, in addition to cash and cash equivalents, $900,668 (2017: $890,000) in term deposits. Refer to notes 8 and 9.

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

Contents of the notes to the financial statements

1. 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. Separate financial statements of Xped Limited as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*. Limited financial information for the parent entity, however, is disclosed in Note 26. It has been prepared on the same basis as the consolidated financial statements, as set out below.

(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 Australian Accounting Standards 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 3.

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 2018. 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.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Xped Limited ("company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. Xped Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(e)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Xped Limited.

(ii) *Joint arrangements*
Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations
Xped Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 29.

1. Significant accounting policies (continued)

Joint ventures
Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

(c) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(d) Income tax
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 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation
Xped Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group, using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts referred to in the following section. Any difference between these amounts is recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustment to deferred tax assets arising from unused tax losses, as a result of revised assessments of the probability of recoverability, is recognised by the head entity only.

1. Significant accounting policies (continued)

Nature of tax funding arrangements and tax sharing arrangements
The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement, which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements.

(e) Business combinations
The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(f) Impairment of assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

(g) Cash and cash equivalents
For cash-flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. Significant accounting policies (continued)

(h) Exploration and evaluation expenditure
Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:
(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
(ii) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the geothermal activity in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to property and development assets within property, plant and equipment.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration and evaluation phases that give rise to the need for restoration. Accordingly, these costs will be recognised gradually over the life of the project as the phases occur.

(i) Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days.

(j) Investments and other financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the assets were acquired. At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of comprehensive income in the period in which they occur.

The Group has no financial assets designated as available-for-sale.

Held-to-maturity investments
Held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Fair value through profit and loss
Gains or losses arising from changes in the fair value of the financial assets at fair value through profit and loss are presented in the statement of changes in comprehensive income with other income or other expenses in the period in which they arise. Dividend income from financial assets through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the group's right to receive payments is established.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Trade receivables are generally due for settlement within 30 days and are therefore classified as current.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

1. Significant accounting policies (continued)

(j) Investments and other financial assets (continued)

The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue)

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised as an impairment expense in profit or loss, with any subsequent recoveries of amounts previously written off are credited against impairment expense.

(k) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Carrying values are tested annually for impairment.

Patents and trademarks are recognised at cost of acquisition. Trademarks have an indefinite life as the Group intends to renew its trademarks continuously when its trademarks expire at little cost. Therefore trademarks are assessed to have an indefinite life and are tested annually for impairment and carried at cost less any accumulated impairment losses.

(l) Trade and other payables

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

(m)Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(n) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(o) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimate selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1. Significant accounting policies (continued)

(p) Property, plant and equipment (continued)

Depreciation of assets is calculated on the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

Classification	*Rate*	*Depreciation Basis*
Plant and equipment	20 - 100%	Straight Line and Diminishing Value
Office Equipment	5 - 100%	Straight Line
Computer Equipment	25 - 100%	Straight Line
Software	40 - 50%	Straight Line
Motor Vehicles	25%	Diminishing Value
Low Value Pool	30%	Straight Line
Leasehold Improvements	2.5%	Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(q) Employee benefits
(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. 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 end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) *Superannuation*
The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(r) Employee benefits
(iv) *Share-based payments*
Share-based compensation benefits are provided to employees.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1. Significant accounting policies (continued)

(s) Earnings per share
(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(u) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(v) Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(w) Revenue
Revenue comprises revenue from the sale of goods, government grants, interest and gain on contingent consideration. Revenue is shown in Note 5. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts. Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group’s different activities have been met.

(i) Sale of goods
Revenue from the sale of goods comprises revenue earned from the sale of goods purchased for resale. Sales revenue is recognised when the control of goods passes to the customer.

(ii) Government grants
A number of the Group’s programs are supported by grants received from the federal, state and local governments. If conditions are attached to a grant which must be satisfied before the Group is eligible to receive the contribution, recognition of the grant as revenue is deferred until those conditions are satisfied. Where a grant is received on the condition that specified services are delivered, to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at yearend until the service is delivered. Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the Group obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied. Where the Group receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

(iii) Interest
Interest income is recognised on an accrual basis using the effective interest method. Dividend income are recognised at the time the right to receive payment is established.

1. Significant accounting policies (continued)

(x) New accounting standards and interpretations
Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

AASB 9: ***Financial Instruments*** and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognize gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items, Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Directors anticipate that the adoption of AASB 9 will not materially impact the Group's financial instruments.

AASB15: ***Revenue from contracts with customers***
AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and four Interpretations issued by the AASB and amends the principles for recognising revenue from contracts with customers. The Standard requires an entity to recognise revenue on a basis that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, an entity shall apply all of the following steps:

a) identify the contract with a customer;
b) identify the separate performance obligations in the contract;
c) determine the transaction price;
d) allocate the transaction price to the separate performance obligations in the contract; and
e) recognise revenue when (or as) the entity satisfies a performance obligation.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 16: ***Leases*** (applicable to annual reporting periods beginning on or after 1 July 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117*: Leases* and related Interpretations. AASB 16 introduces a single accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB or recognize the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

1. Significant accounting policies (continued)

(x) New accounting standards and interpretations (continued)
Although the directors anticipate that the initial adoption of AASB 16 will impact the Group's statement of financial position at transition and in future years, as the Group's operating leases are recognised on balance sheet. At the present time the standard is not expected to materially impact the Group's financial performance. Rent expense currently recognised in the statement of comprehensive income will be replaced by depreciation and interest.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations and IFRSs on issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements may result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

(y) Foreign currency translation
(i) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operated ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Xped 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 profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(z) Financial guarantee contracts
Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

1. Significant accounting policies (continued)

(aa) General

Xped Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX: XPE). Its registered office is:

Level 6, 412 Collins Street, Melbourne, Victoria 3000.

(ab) Ongoing operations

The financial statements have been prepared on a going concern basis, which contemplates that the Group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 30 June 2018 the Group has $2,372,208 (2017: $6,234,199) in cash and cash equivalents. During the year ended 30 June 2018 the Group incurred a loss after tax of $9,058,493 (2017: $11,853,736 loss) and a net cash outflow from operating activities, excluding government grants and refundable R&D tax incentives, of $7,256,720 (2017: $6,853,757 outflow). The continuing cash outflows from operating activities have reduced the Group’s cash and net working capital position. This may limit the Group’s ability to further invest in the commercialisation of its IoT solutions which would prevent the development of near term revenue streams to sustain the current level of operating cash outflow.

As a result, the Directors have concluded that these events and conditions are subject to material uncertainty that may cast significant doubt over the Group’s ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The loss incurred during the year was principally a result of impairment of the capitalised IoT developments costs of $2,741,984, impairment of other receivables of $750,000, impairment of available-for-sale financial assets of $250,000, rehabilitation costs of $395,983, limited commercial revenues and an increase in employee and contracting expenses over the previous corresponding period.

At the date of this report the Directors have implemented plans to address the Group’s ongoing operations which includes, amongst others, closely monitoring the Group’s actual versus budgeted cash burn each month, restricting expenditure to commercialisation of IoT products already developed for the purpose of generating cash inflows through the realisation of revenues and reducing contracting and employee costs where possible. Additionally, the Group will reduce costs going forward with the Directors having accepted a month to month service arrangement with the Company that may be terminated with one month’s notice by either party. The Group will also not be entering into any long-term contractual expenditure commitments with its suppliers. These plans will reduce the Group’s costs going forward for the next 12 months.

The Group expects to receive a refundable R&D tax incentive relating to the 2017-18 financial year before 31 December 2018, providing the Group with at least $1,600,000 in additional cash funding. The Board will continue to monitor the development of near term revenue opportunities generated through the Group’s IoT solutions and assess the ongoing staffing and contractor requirements beyond the cost savings initiatives identified above.

The Directors believe the company will be successful in carrying out its plans described above, therefore, these financial statements have been prepared on a going concern basis.

2. Financial risk management

The Group’s principal financial instruments comprise cash, term deposits and investments. The main purpose of these financial instruments is to manage the finances for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables and short term borrowings, which arise directly from its operations. It is the Group’s policy that no trading in speculative financial instruments shall be undertaken. This does not prevent the Group from holding financial assets for strategic purposes. The main risks arising from the Group’s financial instruments are cash flow interest rate risk, credit risk and foreign currency risk.

During the year the Group has had some transactional currency exposures, principally to the US dollar. The Group has not entered into forward currency contracts to hedge these exposures due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Primary responsibility for identification and control of financial risk rests with the board of directors. However, the day-to-day management of these risks is under the control of the Executive Directors and General Manager. The board agrees the strategy for managing future cash flow requirements and projections.

2. Financial risk management (continued)

(a) Financial instruments

The Group holds the following financial instruments:

	2018 $	2017 $
Financial Assets		
Cash and cash equivalents	2,372,208	6,234,199
Other financial assets **	900,668	890,000
Trade and other receivables *	1,303,879	1,427,524
	4,576,755	8,551,723
Financial Liabilities		
Trade and other payables ***	536,262	2,183,127
Borrowings ***	335,875	1,455,254
	872,137	3,638,381

* Loans and receivables category
** Held-to-maturity category
*** Financial liabilities at amortised cost category

The carrying amounts of financial instruments approximate their fair values.

(b) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group's policy is to convert its local currency to the foreign currency at the time of the transaction. Foreign exchange risk arises from future commercial transactions and recognised financial liabilities denominated in a currency that is not the Group's functional currency (which is the Australian dollar).

The Group manages foreign exchange risk on an as-needs basis. The risk is measured using sensitivity analysis and cash-flow forecasting.

Price risk

The Group is not exposed to any significant equity security or commodity price risk.

(iii) Interest rate risk

The Group's exposure to interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates, as the Group intends to hold any fixed rate financial assets to maturity. At the end of the reporting period the Group maintained the following variable rate accounts:

	30 June 2018		30 June 2017	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash and cash equivalents	0.47%	939,963	0.51%	5,717,202

At the end of the reporting period, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

	After-tax profit higher / (lower)		Equity higher / (lower)	
	2018 $	2017 $	2018 $	2017 $
+1% (100bp)	9,400	57,172	9,400	57,172
-1% (100bp)	(9,400)	(57,172)	(9,400)	(57,172)

Interest bearing liabilities are held at fixed rates.

2. Financial risk management (continued)

(c) Credit risk

Credit risk primarily arises from cash and cash equivalents, trade and other receivables and term deposits deposited with banks. Cash and cash equivalents and term deposits are currently placed with Westpac Banking Corporation and Commonwealth Banking Corporation, which has an independently rated credit rating of AA. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past Due but Not Impaired (Days Overdue) 31–60	61–90	>90	Within Initial Trade Terms
2018					
Trade and term receivables	372,571	9,499	10,355	17,826	334,891
KS Orka receivable	900,000	-	-	-	900,000
Other receivables	29,250	-	-	-	29,250
Total	1,301,821	9,499	10,355	17,826	1,264,141
2017					
Trade and term receivables	95,240	4,162	1,762	9,591	79,725
KS Orka receivable	1,300,000	-	-	-	1,300,000
Other receivables	32,284	-	-	-	32,284
Total	1,427,524	4,162	1,762	9,591	1,412,009

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents in order to meet the Group's forecast requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in bank deposits. At reporting date, the Group did not have access to any undrawn borrowing facilities.

30-Jun-18	Interest rate %	Less than 12 months $	Between 2 - 5 years $	Total contractual cash flows $	Carrying amount $
Non-interest bearing					
Trade and other payables		536,262	-	536,262	536,262
Borrowings			266,456	266,456	266,456
Fixed interest rate instruments					
Borrowings	4.34	109,419	-	109,419	109,419
		645,681	**266,456**	**912,137**	**912,137**
Non-interest bearing					
Trade and other payables		2,186,480	-	2,186,480	2,186,480
Borrowings		-	228,030	228,030	228,030
Fixed interest rate instruments					
Borrowings	20.52	1,709,687	-	1,709,687	1,709,687
		3,896,167	**228,030**	**4,124,197**	**4,124,197**

Maturity of financial liabilities

The tables below are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

3. 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.

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

Recoverability and classification of Other Receivable from K.S Orka
The Group has a receivable in relation to an additional payment from the sale of its interest in PT Sokoria Geothermal Indonesia. The payment of the receivable under the Payment Commitment Agreement between Xped Limited and KS Orka Renewables Pte. Ltd. ('KS Orka') is triggered by KS Orka's Notice of Intent to Develop ('NOID') which is to be approved by PT PLN (Persero) under the Power Purchase Agreement ('PPA'). The Payment Multiple under the Payment Commitment Agreement is a factor of the Total Committed Capacity (as specified in the NOID) and the final negotiated Base Power Price per the PPA.

This receivable is carried at amortised cost less accumulated impairment. Management have held discussions with KS Orka in relation to the current status of the project. After taking into consideration the timing and final amount to be paid management estimate the recoverable amount at 30 June 2018 to be $900,000. Any material change in the status of the project may result in a material change in the receivable to be recovered. This receivable has been classified as non-current at 30 June 2018 due to uncertainty in the timing of final settlement.

Tax Losses
As detailed in Note 7, the Group has unrecognised deferred tax assets relating to temporary differences and tax losses, of $ 10,818,786 as at 30 June 2018 (2017: $10,341,828). The Group has determined that the unrecognised deferred tax assets are available to offset future taxable profits.

Classification of joint arrangements
Dairi Prima and Ngebel
The reporting entity currently recognises the joint arrangements referred to as Dairi Prima and Ngebel as joint operations. All parties that have joint control within the arrangements have rights to their share of the assets, and obligation for the liabilities incurred in relation to the joint arrangements. These projects are fully impaired.

4. *Operating segments*

Identification of reportable segments

The Group 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 determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments.

Operating segment are Australian based unless otherwise stated.

Activity by segment

Technology Development
Technology focussed on the Internet of Things (IoT) and primarily developing Auto Discovery Remote Control (ADRC) technology.

Healthcare Technology
JCT Healthcare Pty Ltd and Jackson Care Technologies Pty Ltd, providing communication solutions to the Healthcare sector with products that are tailored for Hospitals, Aged Care, Independent Living and Disability Care.

Jemsoft and Media Intelligence
Jemsoft is a computer vision and machine learning company providing industry leading technology to global enterprise and developers. Media Intelligence builds and implements artificially intelligent technologies that supplement media research and analytics systems for customers operating in the marketing sector.

4. Operating segments (continued)

<u>*Geothermal Projects*</u>
Xped held interests in three geothermal projects in Indonesia:

- Sokoria Geothermal Project, under a Joint Venture with PT Bakrie Power, for a 30 MW geothermal development on Flores Island, Indonesia, with Xped holding a 45% interest in the project. On 16th January 2017 KS Orka completed acquisition of Sokoria Geothermal Project. Under the terms of the SPA Xped received the nominal amount of $1 USD. An additional payment of up to $947,368 USD will become payable within 30 days of KS Orka issuing notification of intent to develop project. This has a current carrying value of AUD$900,000.

- Ngebel Geothermal Project, under a Joint Venture with PT Bakrie Power, for a 165 MW geothermal development on East Java, Indonesia, with Xped holding a 35% interest in the project. The Group will not seek to further invest in the Ngebel project and an impairment charge was recorded against the full carrying value of the asset at 30 June 2016, and has no further commitment to development of the project.

- Dairi Prima Geothermal Project, under a Joint Venture with PT Bakrie Power, for a 25 MW geothermal development in Northern Sumatra, Indonesia, with Xped holding a 51% interest in the project. The Group will not seek to further invest in the Ngebel project and an impairment charge was recorded against the full carrying value of the asset at 30 June 2016, and has no further commitment to development of the project.

Xped held an interests in a geothermal project in India:

- Puga Geothermal Project in the Himalayan Geothermal Province of Northern India, in a joint venture between Xped and Geosyndicate Power Private, under which Xped is earning in to a 49% interest. Xped is the Operator of this Project. An impairment charge has been recorded against the full carrying value of the asset as at 30 June 2016 and the Group is looking to divest its interest in the project.

<u>*Corporate*</u>
Comprising overhead costs such as director's fees, listing and share registry fees, acquisitions and associated costs.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

4. *Operating segments (continued)*

(i) Segment performance

	Technology Development	Healthcare Technology	Jemsoft & Media Intelligence	Geothermal Projects	Corporate	Total
Year ended 30 June 2018:						
Interest revenue	1	1,648	60	-	36,750	**38,459**
Sales	39,733	1,218,710	27,000	-	-	**1,285,443**
R and D tax concession	2,151,812	-	114,378	-	-	**2,266,190**
Grants	-	194,795	-	-	-	**194,795**
Total segment revenue	2,191,546	1,415,153	141,438	-	36,750	**3,784,887**
Materials	(293,215)	(733,336)	(10,119)	-	-	**(1,036,670)**
Employee and contracting expenses	(1,897,678)	(1,194,916)	(44,181)	-	-	**(3,136,776)**
Finance costs	(415,375)	(245)	(6,885)	-	(305,300)	**(727,805)**
Directors fees	-	-	-	-	(1,086,315)	**(1,086,315)**
Consulting and advisory fees	(532,192)	(87,390)	(9,737)	-	-	**(629,318)**
Occupancy costs	(118,350)	(70,100)	(41,590)	-	(8,578)	**(238,618)**
Travel	(118,445)	(46,428)	-	-	-	**(164,873)**
Marketing and promotion	(87,930)	(13,841)	-	-	-	**(101,771)**
Professional and legal fees	(485,246)	(18,350)	17,141	-	(66,315)	**(552,770)**
Legal fees - Patents and Trademarks	(183,103)	-	-	-	-	**(183,103)**
Depreciation	(343,835)	(14,975)	-	-	-	**(358,810)**
Foreign currency gains & losses	(276)	4,566	(96)	-	83	**4,277**
Impairment of other receivables	-	-	-	(400,000)	(350,000)	**(750,000)**
Impairment of development costs	(2,741,984)	-	-	-	-	**(2,741,984)**
Impairment of available-for-sale assets	-	-	-	-	(250,000)	**(250,000)**
Impairment of capitalised joint venture costs	-	-	-	-	(3,678)	**(3,678)**
Other expenses	(125,713)	(67,468)	(347)	-	(311,218)	**(504,746)**
Loss on sale of assets	(1,136)	-	-	-	-	**(1,136)**
Unwinding of discount	-	-	-	-	-	**-**
Rehabilitation expense	-	-	-	(395,983)	-	**(395,983)**
Total segment expenses	(7,344,479)	(2,242,483)	(95,814)	(795,983)	(2,381,320)	**(12,860,080)**
Profit/(loss) before income tax for the half-year	**(5,152,933)**	**(827,330)**	**45,623**	**(795,983)**	**(2,344,570)**	**(9,075,193)**

4. Operating segments (continued)

(i) Segment performance

	Technology Development	Healthcare Technology	Jemsoft & Media Intelligence	Geothermal Projects	Corporate	Total
Year ended 30 June 2017:						
Interest revenue	1	-	6	-	66,699	**66,706**
Sales	198	1,697,969	210,500	-	-	**1,908,667**
R and D tax concession	522,670	292	-	-	64,511	**587,473**
Grants	-	129,000	-	-	-	**129,000**
Gain on disposal of assets	-	-	-	-	1,500,000	**1,500,000**
Total segment revenue	522,869	1,827,261	210,506	-	1,631,210	**4,191,846**
Materials	(420,203)	(1,806,865)	(62,733)	-	-	**(2,289,801)**
Employee and contracting expenses	(95,668)	(366,287)	(56,821)	-	-	**(518,776)**
Finance costs	-	(12,213)	(304)	-	(684,632)	**(697,149)**
Directors fees	-	-	-	-	(1,421,077)	**(1,421,077)**
Consulting and advisory fees	(1,474,653)	(371,860)	(102,801)	-	(129,615)	**(2,078,929)**
Occupancy costs	(106,126)	(87,325)	(5,174)	-	(10,910)	**(209,535)**
Travel	(543,865)	(75,879)	2,601	-	(154)	**(617,297)**
Marketing and promotion	(277,684)	(42,826)	-	-	-	**(320,510)**
Professional and legal fees	(756,066)	(61,014)	(18,574)	-	(129,615)	**(965,269)**
Legal fees - Patents and Trademarks	(14,840)	-	-	-	-	**(14,840)**
Depreciation	(301,521)	(38,086)	-	-	-	**(339,607)**
Foreign currency gains & losses	-	(27,206)	-	-	-	**(27,206)**
Impairment of goodwill	-	-	-	-	(4,972,914)	**(4,972,914)**
Other expenses	(83,564)	(127,856)	(5,624)	(240)	(1,355,388)	**(1,572,672)**
Total segment expenses	(4,074,190)	(3,017,417)	(249,430)	(240)	(8,704,305)	**(16,045,582)**
Profit/(loss) before income tax for the year	**(3,551,321)**	**(1,190,156)**	**(38,924)**	**(240)**	**(7,073,095)**	**(11,853,736)**

(ii) Segment assets and liabilities

	Technology Development	Healthcare Technology	Jemsoft & Media Intelligence	Geothermal Projects	Corporate	Eliminations	Total
As at 30 June 2018:							
Total assets	1,133,792	2,146,826	162,675	900,240	21,359,244	(20,260,024)	**5,442,753**
Total liabilities	(14,694,792)	(5,006,407)	(34,364)	(2,370,983)	(231,480)	20,260,024	**(2,078,002)**
As at 30 June 2017:							
Total assets	4,571,242	3,479,178	356,625	1,300,000	17,577,254	(14,652,067)	**12,632,232**
Total liabilities	(10,908,868)	(5,511,431)	(204,379)	(675,000)	(2,359,201)	14,652,067	**(5,006,812)**

5. Revenue and other income

	2018 $	2017 $
Interest revenue	38,459	66,706
Sales receipts	1,285,443	1,908,667
R and D tax concession	2,266,190	587,473
Grant	194,795	129,000
Gain on contingent consideration payable	-	1,500,000
	3,784,887	4,191,846

6. Expenses

	2018 $	2017 $
Loss before income tax includes the following specific expenses:		
Rental expenses relating to operating leases – minimum lease rentals	192,168	139,642
Defined contribution superannuation expense	214,431	157,142

7. Income tax

(a) Income tax expense

	2018 $	2017 $
Current tax	-	-
Deferred tax	(1,332,752)	(1,048,991)
Adjustments for deferred tax assets of prior periods	8,235	-
De-recognition of deferred tax asset	1,311,749	1,048,991
	(12,768)	-

(b) Reconciliation of income tax expense to prima facie income tax

	2018 $	2017 $
Loss before income tax	(9,075,425)	(11,853,736)
Tax at the Australian tax rate of 30% (2017: 30%)	(2,722,629)	(3,556,121)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development	1,304,246	1,582,844
Share based payments	81,000	-
Non-deductible expenses	4,631	7,170
Non-deductible interest	-	196,096
Non-deductible impairment	-	1,171,020
Deferred consideration	-	(450,000)
DTA arising from prior year timing differences	8,235	-
	(1,324,517)	(1,048,991)
Deferred tax asset not recognised	1,311,749	1,048,991
Income tax expense	(12,768)	-

(c) Unrecognised deferred tax assets

	2018 $	2017 $
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences and tax losses at 30% (2017: 30%)	1,123,891	944,102
Tax losses at 30% (2017: 30%)	9,874,895	9,397,726
	10,998,786	10,341,828

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets.

(d) Tax consolidation legislation

Xped Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(d).

No amounts were recognised during the year (2017: $nil) as tax consolidation contributions by, or distributions to, equity participants.

	2018 $	2017 $

8. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	2,372,208	6,234,199

Refer to note 9 for a reconciliation of cash and cash equivalents to the cash flow statement.

9. Other financial assets

Current

	2018 $	2017 $
Term deposits	900,668	890,000

Term deposits as at 30 June 2018 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 and $10,668 for a rental guarantee. The term deposits are recognised and measured as held-to-maturity financial assets.

Reconciliation of cash and cash equivalents at year end:

	2018 $	2017 $
Cash at bank and on hand	2,372,208	6,234,199
Term deposits	900,668	890,000
Cash and cash equivalents per cash flow statement	3,272,876	7,124,199

Non-current

	2018 $	2017 $
Available for sale financial assets	250,000	-
Impairment of available for sale financial assets	(250,000)	-
	-	-

10. Trade and other receivables

Current

	2018 $	2017 $
Current		
Trade debtors	372,571	95,240
Accrued income	2,058	150,000
Other receivables	29,250	32,284
	403,879	277,524

Non-current

	2018 $	2017 $
Notes receivable	350,000	-
Impairment of notes receivable	(350,000)	-
Other receivable	1,300,000	1,300,000
Impairment of other receivable	(400,000)	-
	900,000	1,300,000

Other non-current receivables includes a receivable from K.S.Orka of $1.3 million net of a provision for impairment of $400,000. The carrying amount of the receivable from K.S.Orka is $900,000 (30 June 2017: $1,300,000). The $400,000 impairment charge was recognised in profit or loss as ‘impairment of other receivables’. Current other receivables represent GST amounts awaiting reimbursement from Australian Taxation Office and accrued interest.

11. Other Current Assets

	2018 $	2017 $
Prepayments	183,786	171,809
Income tax paid	-	183,448
	183,786	355,257

		2018 $	2017 $
12.	**Inventory**		
	Inventory	1,158,739	1,006,034
	Less provision for obsolescence	(634,000)	(634,000)
		524,739	372,034
13.	**Plant & Equipment**		
	At written down values		
	Plant and equipment	47,569	22,662
	Office Equipment	11,174	15,289
	Computer Equipment	26,083	24,726
	Software (finance leased)	2,580	284,391
	Motor vehicles	5,403	7,204
	Low Value Pool	-	757
	Leasehold improvement	3,919	4,123
		96,728	359,152
	Plant and equipment - at cost		
	Balance at beginning of year	132,887	60,578
	Additions	36,373	33,417
	Balances from acquisition	-	38,892
	Balance at end of year	169,260	132,887
	Accumulated depreciation		
	Balance at beginning of year	110,224	60,033
	Depreciation	11,467	31,177
	Balances from acquisition	-	19,015
	Balance at end of year	121,691	110,225
	Plant and equipment net book value	**47,569**	**22,662**
	Office Equipment – at cost		
	Balance at beginning of year	25,188	14,277
	Additions	1,435	10,911
	Disposal	(7,282)	-
	Balance at end of year	19,341	25,188
	Accumulated depreciation		
	Balance at beginning of year	9,899	6,249
	Depreciation	3,772	3,650
	Disposal	(5,504)	-
	Balance at end of year	8,167	9,899
	Office Equipment net book value	**11,174**	**15,289**
	Computer Equipment – at cost		
	Balance at beginning of year	39,683	30,072
	Additions	14,174	9,611
	Balance at end of year	53,857	39,683
	Accumulated depreciation		
	Balance at beginning of year	14,926	6,178
	Depreciation	12,848	8,779
	Balance at end of year	27,774	14,957
	Computer Equipment net book value	**26,083**	**24,726**

13. Plant & Equipment (continued)	2018 $	2017 $
Software (finance leased) – at cost		
Balance at beginning of year	582,185	582,185
Additions	2,595	
Balance at end of year	584,780	582,185
Accumulated depreciation		
Balance at beginning of year	297,794	7170
Depreciation	284,406	290,624
Balance at end of year	582,200	297,794
Software net book value	**2,580**	**284,391**
Motor vehicles – at cost		
Balance at beginning of year	9,091	-
Additions	-	9,091
Balances from acquisition	-	87,618
Disposals	-	(87,618)
Balance at end of year	9,091	9,091
Accumulated depreciation		
Balance at beginning of year	1,887	-
Depreciation	1,801	1,887
Balances from acquisition	-	14,119
Disposals	-	(14,119)
Balance at end of year	3,688	1,887
Motor Vehicles net book value	**5,403**	**7,204**
Low Value Pool – at cost		
Balance at beginning of year	117,193	-
Balances from acquisition	-	117,193
Balance at end of year	117,193	117,193
Accumulated depreciation		
Balance at beginning of year	116,436	-
Depreciation	757	3,490
Balances from acquisition	-	112,946
Balance at end of year	117,193	116,436
Low Value Pool net book value	**-**	**757**
Leasehold improvement – at cost		
Balance at beginning of year	8,204	-
Balances from acquisition	-	8,204
Balance at end of year	8,204	8,204
Accumulated depreciation		
Balance at beginning of year	4,081	-
Depreciation	204	217
Balances from acquisition	-	3,865
Balance at end of year	4,285	4,081
Leasehold improvement net book value	**3,919**	**4,123**
Carrying amounts		
At beginning of the year	359,152	607,482
At end of the year	**96,728**	**359,152**

14. Intangible assets

	2018 $	2017 $
At written down value		
Development costs	-	2,741,984
Customer contract	-	42,510
Patents and Trademarks	57,826	57,826
Formation costs	701	1,746
	58,527	2,844,066
Goodwill		
Balance at beginning of year	-	-
Acquisition of JCT	-	4,169,102
Acquisition of Jemsoft	-	803,812
Impairment expense	-	(4,972,914)
Balance at end of year	-	-
Development costs		
Balance at beginning of year	2,741,984	-
Additions	-	2,741,984
Impairment expense	(2,741,984)	-
Balance at end of year	-	2,741,984
Customer contract		
Balance at beginning of year	42,510	-
Additions	-	42,510
Amortisation expense	(42,510)	-
Balance at end of year	-	42,510
Trademarks		
Balance at beginning of year	57,826	57,826
Additions	-	-
Balance at end of year	57,826	57,826
Other		
Balance at beginning of year	1,746	1,400
Additions	-	346
Amortisation expense	(1,045)	-
Balance at end of year	701	1,746
Total Intangible Assets		
Carrying amounts at beginning of the year	2,844,066	59,226
Carrying amounts at end of the year	**58,527**	**2,844,066**

15. Trade and other payables

	2018 $	2017 $
Current		
Trade payables	214,915	1,023,024
Accruals	122,292	115,237
Other payables	199,055	78,219
JCT acquisition consideration payable	-	970,000
Total trade and other payables	536,262	2,186,480

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

16. Borrowings

	2018 $	2017 $
Current		
Credit Card	-	8,392
Insurance premium funding	109,419	63,832
Finance Lease	-	271,471
Convertible notes	-	1,155,000
	109,419	1,498,695
Non-Current		
Loan	226,456	228,030

17. Provisions

	2018 $	2017 $
Current		
Rehabilitation	700,000	675,000
Short-term Employee benefits	150,421	119,807
Provision for onerous contract	-	230,000
Total current provisions	850,421	1,024,807
Non-current		
Employee benefits	19,484	56,032

The provision for rehabilitation relates to 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 2019 financial year.

Movement in provisions

	Rehabilitation	Employee Benefits	Provision for onerous contract	Total
	$	$	$	$
Opening balance at 1 July 2017	675,000	175,839	230,000	1,080,839
Additional provisions	395,983	90,269	-	395,983
Amounts used	370,983	(96,203)	(230,000)	(606,917)
Balance at 30 June 2018	700,000	169,905	-	869,905

18. Contributed Equity

	2018 No.	2017 No.
Ordinary shares – fully paid	1,506,830,774	1,158,556,729

(a) Movements in equity

	No. of Shares	$
Balance at 30 June 2016	**1,885,488,158**	**13,395,086**
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)
Balance at 30 June 2017	**1,158,556,729**	**22,071,943**
Issue of share as subsequent consideration for JCT purchase (i)	25,773,196	500,000
Issue of shares by private placement (ii)	249,999,998	3,000,000
Issue of shares for investment in Market Place Services Pty Ltd (iii)	25,000,000	250,000
Issue of shares on conversion of Convertible Note	47,483,351	750,300
Issue of shares on exercise of options	17,500	700
Bonus Options issued (iv)	-	568,678
Share issue expenses	-	(249,672)
Balance at 30 June 2018	**1,506,830,774**	**26,891,949**

(b) Share options

At 30 June 2018, the following options for ordinary shares in Xped Limited were on issue:

	2018 Number	2017 Number
Listed options (XPEOC) (v)	127,254,564	102,254,564
Unlisted Options (vi)	-	30,000,000
	127,254,564	132,254,564

(i) Shares issued on 4 July 2017 in accordance with the JCT Group Acquisition Agreement for Subsequent Consideration Shares which were payable 12 months from date of acquisition
(ii) Shares issued in private placement on 30 August 2017
(iii) Shares issued on 7th December 2017 for 5.5% interest in Market Place Services Pty Ltd
(iv) 568,679,000 Listed options (ASX: XPEOD) issued under a Bonus Options Offer and Bonus Options Offer Shortfall at an issue price of $0.001 and exercise price of $0.04 expired 18 January 2018
(v) Listed options with an exercise price of $0.10 and expiring 31 December 2018:
- 102,254,564 Options issued on 27 January 2017
- 25,000,000 Options issued to Armada Capital on 30 August 2017 in consideration for services

(vi) 15,000,000 Options issued to Seneca Financial Services Pty Ltd on 7 September 2016 with an exercise price of $0.10, expired 7 September 2017
(vii) 15,000,000 Options with various exercise prices from $0.035 to $0.065 issued on 18 January 2016 expired 18 January 2018.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

19. Reserves and accumulated losses

(a) Reserves

	2018 $	2017 $
Share based payment reserve	663,000	663,000
Movements:		
Balance at beginning of year	663,000	2,094,730
Share-based payments expense (i)	-	573,000
Cancellation of Class A Performance Shares (ii)	-	(700,000)
Cancellation of Class B Performance Shares (ii)	-	(650,000)
Cancellation of Class C Performance Shares (ii)	-	(650,000)
Expiry of employee share based payments	-	(4,730)
Balance at end of year	663,000	663,000

(b) Accumulated losses

	2018 $	2017 $
Movements:		
Balance at beginning of year	(15,155,979)	(5,329,478)
Adjustment to opening balance	-	22,505
Loss for the year	(9,058,493)	(11,853,736)
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	(24,214,472)	(15,155,979)

(c) Nature and purpose of reserves

Share based payment reserve

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

20. Remuneration of auditors

During the year the following fees were paid or payable to Pitcher Partners for services provided by the auditor of the group:

	2018 $	2017 $
Audit services		
Audit and review of financial reports	75,000	87,000
Other assurance services	4,500	5,000
Financial due diligence	10,000	79,000
Taxation services		
Tax and other services	76,494	169,000
Total remuneration	165,994	340,000

21. Key management personnel

(a) Key management personnel compensation

	2018 $	2017 $
Salary and fees	1,086,313	2,134,417
Post-employment benefits	-	-
	1,086,313	2,134,417

See remuneration report for details of KMP remuneration.

(b) Other transactions with key management personnel

During the period, Electro Cad Australia Pty Ltd, an entity controlled by John Schultz, provided supplies and services to Xped Limited. $65,800 (June 2017: $192,714) has been expensed during the year in relation to these services, $6,681 payable as at 30 June 2018.

There were no other transactions with key management personnel other than reimbursement of expenses incurred by them in performing their respective duties. All transactions were on an arm's length basis.

22. Cash flow information

Reconciliation of loss after income tax to net cash outflow from operating activities

	2018 $	2017 $
Loss for the year	(9,062,425)	(11,853,736)
Non-cash items in profit or loss:		
Depreciation	315,255	339,824
Amortisation	43,555	-
Impairment	3,745,662	4,972,914
Share based payment expense	-	673,000
Interest on Convertible notes	706,966	476,227
Gain on sale of asset	1,136	4,944
Change in operating assets and liabilities:		
(Increase)/decrease in trade or other receivables	(126,355)	(1,027,330)
(Increase)/decrease in inventory	(152,705)	9,852
(Increase)/decrease in other financial assets	-	(140,000)
(Increase)/decrease in other current assets	302,331	(159,767)
Increase/(decrease) in trade and other payables	(679,194)	49,494
Increase/(decrease) in income in advance	333,742	-
Increase/(decrease) in provisions	(210,935)	638,294
Increase/(decrease) in deferred tax liabilities	(12,768)	-
Net cash outflow from operating activities	(4,795,735)	(6,016,284)

23. 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:

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

**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:

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)
Net identifiable assets acquired	**(379,158)**
Goodwill	**4,169,102**
	3,789,944

23. Business Combinations (continued)

Goodwill
The goodwill attributed to JCT was impaired during the current period. Goodwill will not be deductible for tax purposes.

Deferred Consolidation
$1,000,000 is payable to the seller within 10 days after the period ended 12 months after the completion. The amount payable, at the election of the seller, may be satisfied by the issue and allotment to the seller of Xped Ltd shares. These subsequent consideration shares will not be subject to any voluntary escrow.

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 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 $ 1.5 million in Xped shares based on an issue price of 4 cents per share or $1.5 million 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 July 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.

23. Business Combinations (continued)

Details of the purchase consideration, net assets acquired and goodwill are as follows:	**Fair Value** **$**
Purchase consideration	
Cash paid	200,000
Shares issued	700,000
	900,000

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	(264,562)
Provisions	(14,124)
Borrowings	(51,755)
Net assets	84,757
Less: Non-controlling interest in net assets	(18,361)
Xped's interest in net assets acquired	**66,396**
Customer contract intangible	42,560
Deferred tax liability	(12,768)
Net identifiable assets acquired	**96,188**
Goodwill	**803,812**
	900,000

(i) Goodwill

The goodwill attributed to Jemsoft Pty Ltd was impaired during the current period. 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 July 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.

c. Purchase consideration – cash outflows

Outflow of cash to acquire subsidiaries, net of cash acquired		
Cash consideration paid – JCT Healthcare Pty Ltd	500,000	1,316,800
Cash consideration paid – Jemsoft Pty Ltd	-	200,000
Total cash consideration paid	500,000	1,516,800
Less: Balances acquired		
Cash	-	240,675
Net outflow of cash – investing activities	**500,000**	**1,276,125**

24. Earnings per share

	2018 Cents	2017 Cents
(a) Basic and diluted earnings per share		
Loss attributable to the ordinary equity holders of the company	(0.62)	(1.10)

(b) Weighted average number of ordinary shares used as the denominator

	2018 Number	2017 Number
Number used in calculating basic and diluted earnings per share	1,450,775,034	1,080,746,847

(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.

25. Share-based payments

There were no options granted as share-based payments for services provided by directors and employees.

The following Performance shares grant to Mr Martin Despain lapsed on his resignation on 30 November 2017:

- Performance Shares A: 6,250,000* on the company generating and receiving at least $3 million in revenue within 24 months of his commencement date; and
- Performance Shares B: 6,250,000* on the company generating and receiving at least $6 million in revenue within 24 months of his commencement date; and
- Performance Shares C: 6,250,000* on the company generating and receiving at least $12 million in revenue within 24 months of his commencement date; and
- Performance Shares D: 6,250,000* on the company generating and receiving at least $20 million in revenue within 24 months of his commencement date.

26. Parent entity disclosures

a) Summary financial information
The individual financial statements for the parent entity, Xped Limited, show the following aggregations.

	2018 $	2017 $
Results		
Profit / (loss) for the year	863,590	214,748
Total comprehensive loss for the year	863,590	214,748
Financial Position		
Current assets	1,946,485	7,529,241
Non-current assets	22,761,859	14,457,752
	24,708,344	21,986,993
Current liabilities	231,479	935,676
Non-current liabilities	-	-
	231,479	935,676
Net Assets	24,476,865	21,051,317
Contributed equity	26,626,268	22,337,130
Share-based payments reserve	663,000	663,000
Accumulated losses	(2,812,403)	(1,948,813)
	24,476,865	21,051,317

b) Guarantees entered into by the parent entity
Xped Limited has not guaranteed the debts of the other subsidiaries in the Group.

c) Contingent liabilities of the parent entity
The parent entity did not have any contingent liabilities as at 30 June 2018.

d) Contractual commitments for capital expenditure
The parent entity did not have any contractual commitments for capital expenditure as at 30 June 2018.

27. Commitments

Operating leases

	2018 $	2017 $
Within one year	190,801	120,533
Later than one year but not later than five years	236,859	180,404
Later than five years	-	-
	427,660	300,937

Provision for restoration, rehabilitation and environmental expenditure
The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

	2018 $	2017 $
Within one year	700,000	-
Later than one year but not later than five years	-	675,000
Later than five years	-	-
	700,000	675,000

28. Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding (1) 2018 %	 2017 %
Xped Holdings Ltd	Australia	Ordinary	100	100
Xped Corporation Pty Ltd	Australia	Ordinary	100	100
Xped USA Holdings Pty Ltd	Australia	Ordinary	100	100
Xped Asia Holding Pty Ltd	Australia	Ordinary	100	100
Xped Healthcare Pty Ltd	Australia	Ordinary	100	100
Panax Holdings Pty Ltd (closed March 2018)	Australia	Ordinary	100	100
Scopenergy Pty Ltd (closed March 2018)	Australia	Ordinary	100	100
Scopenergy Petroleum Pty Ltd (2) (closed March 2018)	Australia	Ordinary	100	100
Osiris Energy Ltd	Australia	Ordinary	100	100
JCT Healthcare Pty Ltd	Australia	Ordinary	100	100
Jackson Care Pty Ltd	Australia	Ordinary	100	100
Jemsoft Pty Ltd	Australia	Ordinary	100	100
Media Intelligence Co Pty Ltd	Australia	Ordinary	56	56
Xped Global Pte Ltd	Singapore	Ordinary	100	100
Panax Geothermal (Singapore) No.1 Pte Ltd	Singapore	Ordinary	100	100
Panax Geothermal (Singapore) No. 2 Pte Ltd	Singapore	Ordinary	100	100
Panax Geothermal (Singapore) No. 3 Pte Ltd	Singapore	Ordinary	100	100
Xped USA LLC	USA	Ordinary	100	100
Xped Products HK Limited	Hong Kong	Ordinary	100	100
Xped HK Holdings Limited	Hong Kong	Ordinary	100	100
Xped Data HK Limited	Hong Kong	Ordinary	100	100
Raya HK Limited	Hong Kong	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.
(2) A 100% controlled entity of Scopenergy Pty Ltd.

29. Interests in joint arrangements and associates

The Group has the following significant interests in joint arrangements.

(a) Joint Arrangements
The Group has a 45 per cent equity shareholding in P.T. Sokoria Geothermal Indonesia with 50% voting power, a joint venture established in Indonesia with P.T. Bakrie Power, the Group's joint venture partner, to pursue the development of the Sokoria geothermal Project on the island of Flores in Indonesia.

On 16th January 2017 KS Orka completed acquisition of Sokoria Geothermal Project. Under the terms of the SPA Xped received the nominal amount of $1 USD. An additional payment of up to $947,368 USD will become payable within 30 days of KS Orka issuing notification of intent to develop project. After taking into consideration the timing and final amount to be paid management estimate the recoverable amount at 30 June 2018 to be $900,000.

(b) Joint Operations
The Group has a 51 per cent interest in the Dairi prima Geothermal Project, a joint operation with P.T. Bakrie power to jointly develop spare capacity of the Sibayak geothermal reserves in Northern Sumatra, Indonesia, to be supplied to the Dairi Prima mine. These projects were fully impaired in a prior year. The Group will look to divest its impaired projects moving forward.

(c) Investment in Associates
The Group has a 35 per cent equity interest in Vital Xense Pte Ltd, a company incorporated in Singapore. Vital Xense is an IoT solutions and platform manufacturer. The carrying amount of the investment is nil.

30. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of the report any matter or circumstance that has significantly affected, or may significantly affect the Group's operations, results or the state of affairs in future financial years.

XPED LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

 (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of directors.

Peter Hunt
Chairman

Adelaide, South Australia
27 September 2018

Pitcher Partners

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Independent auditor's report to the members of Xped Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xped Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(ab) in the financial report which indicates that as at 30 June 2018 the Group has $2,372,208 (2017: $6,234,199) in cash and cash equivalents. The Group also incurred a loss after tax of $9,058,493 (2017: $11,853,736 loss) and a net cash outflow from operating activities, excluding government grants and refundable R&D tax incentives, of $7,256,720 (2017: $6,853,757 outflow) for the year then ended. The continuing cash outflows from operating activities have reduced the Group's cash and net working capital position. This may limit the Group's ability to further invest in the commercialisation of its IoT solutions which would prevent the development of near term revenue streams to sustain the current level of operating cash outflow.

As stated in Note 1(ab), these events or conditions, along with other matters as set forth in Note 1(ab), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Going Concern *Refer to Note 1(ab) in the Annual Report*	
The Group remains in the development phase of its life cycle and continues to invest in the development and commercialisation of its IoT products and solutions. Revenue from the development and exploitation of the Group's technologies have been difficult to predict and as a result of the significant investment made by the Group it has been loss making and cash utilising for a number of years. The Directors have continued to adopt the going concern basis of preparation in preparing the Group Financial Statements, having taken account of the capital raising completed during August 2017 to raise an additional $3 million, and having prepared detailed cash flow forecasts that are subject material uncertainty as to whether the Group will have sufficient cash resources to pay its forecast liabilities for a period of at least 12 months from the date these Financial Statements were approved. The Director's assessment of the Group's going concern ability was an area of focus as it requires significant judgement in determining the key assumptions supporting the expected future cash flows. We have paid particular attention to the key assumptions and judgements taken by the Directors that most significantly impacted their cash flow forecasts, including: • forecast IoT sales revenues; • forecast R&D cash incentives; • forecast cash receipts from KS Orka; and • forecast operating expenses.	Our procedures included, amongst others: • Checking to satisfy ourselves that the cash flow forecasts prepared by the Directors is consistent with those approved by the Board and that these have been subject to the appropriate review and approval processes and controls. • Inspecting existing customer contracts and purchase orders and challenging the Directors' assumptions on forecast IoT sales revenues. This included, amongst others, assessing the reliability of historical forecasts. • Assessing the Directors' cash flow forecast, by applying sensitivities including the exclusion of all non-contracted revenues and related gross profits, the exclusion of forecast cash inflows attributable to receipts from KS Orka for the sale of the Group's interest in the Sokoria Geothermal Project, and the exclusion of forecast R&D cash incentives related the the financial year ended 30 June 2019 in the period under review, to determine the extent of change necessary to result in the Group not having sufficient cash resources to meet its forecast liabilities. • Understanding the Directors' assumptions for forecast cash outflows during the period under review for the purpose of concluding on the reasonableness of the estimated cash outflows. This included, assessing the consistency of forecast expenses with prior year expenditure. • Assessing the adequacy of the disclosures included in the financial report when events or conditions have been identified and material uncertainty exists.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">Carrying Value of Intangible Assets
Refer to Notes 1(f) & 14 in the Annual Report</td></tr>
<tr><td>The carrying amount of development cost intangibles at the beginning of the year was $2,741,984, as disclosed in Note 14. During the current year these development cost intangibles have been fully impaired through profit or loss.

We have focused on this area because the value of the development costs intangible asset is material and the evaluation of the recoverable amount of each cash generating unit ('CGU') requires significant judgement in determining the key assumptions and estimates, including but not limited to:
growth rate assumptions; and
forecast future cash flows supporting the expected future cash flows of the business;</td><td>Our procedures included, amongst others:
Obtaining an understanding of the relevant controls associated with the preparation of the value in use valuation model used to assess the recoverable amount of the Group's cash generating units;
Critically evaluating management's methodology and their documented basis for key assumptions utilised in the value in use valuation model;
Assessing and challenging:
the identification of cash generating units to assess value in use of the intangible asset;
the key assumptions for long-term growth rates in the forecast cash flows by comparing them to historical results, economic and industry forecasts; and
the discount rate applied;
Checking the mathematical accuracy of the cash flow model, agreeing forecast cash flows to the latest Board approved forecasts and assessing the historical accuracy of forecasting by the Group;
Performing sensitivity analysis on the key drivers of growth rates used in the cash flow forecasts and the discount rate used; and
Assessing management's consideration of the sensitivity to a change in key assumptions that both individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions arising.
Assessing the adequacy of the disclosure in the financial report.</td></tr>
<tr><td colspan="2">Inventory Provision
Refer to Notes 1(o) and 12 in the Annual Report</td></tr>
<tr><td>We have focused on this area because the value of the inventory is material and the evaluation of the recoverable amount, given the specialised nature of inventory, requires significant judgement.</td><td>Our procedures included, amongst others:
Attending the Group's stocktake to identify items which appeared to be slow moving and subsequently assessed these items for potential impairment;
Obtaining an understanding and assessed the relevant controls and processes associated with identifying slow moving and obsolete inventory and adjustments made by management;
Assessing historical sales history and consideration of the ability of the Group to realise existing stock holdings through use or sale;</td></tr>
</table>

Key audit matter	How our audit addressed the matter
	• Evaluating the assumptions and methodology in management's assessment of stock obsolescence; and • Assessing the adequacy of the disclosure in the financial report.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Directory, Directors' Report, Corporate Governance Practices & Conduct and ASX Additional Information which was obtained as at the date of our audit report, and any additional other information that will be included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the additional other information in the Annual Report not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action to take.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the Directors' Report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Xped Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners

PITCHER PARTNERS

DANIEL COLWELL

Partner

Dated: 27 September 2018

Additional information required by the Australian Securities Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows. This information is current as at 11 September 2018.

Twenty Largest Shareholders

Rank	Name of Holder	No. of ordinary shares held	Issued Capital %
1	JK GROUP AUSTRALIA PTY LTD <JK FAMILY A/C>	140,288,321	9.31%
2	ALANTICX TECHNOLOGIES PTY LTD <ALANTICX A/C>	112,732,700	7.48%
3	BNP PARIBAS NOMS PTY LTD <DRP>	22,908,500	1.52%
4	MRS DUANRONG ZHANG	21,000,000	1.39%
5	CITICORP NOMINEES PTY LIMITED	19,465,736	1.29%
6	MR HEMANT KUMAR VANMALI <SUNI-JAY A/C>	18,250,000	1.21%
7	MR ALDO MOSENICH	11,000,000	0.73%
7	MR JOHN MIHAILAROS	11,000,000	0.73%
8	CS FOURTH NOMINEES PTY LTD <HSBC CUST NOM AU LTD 11 A/C>	10,539,485	0.70%
9	NOMEZ PTY LTD <NOMEZ FAMILY A/C>	10,475,000	0.70%
10	PHILLIP CARRIG	10,148,936	0.67%
11	MR GREGORY ALAN STOREY	10,000,000	0.66%
12	J A GREEN INVESTMENTS PTY LTD <J A GREEN HOLDINGS A/C>	9,500,000	0.63%
13	MR TERRY DOUGLAS ALBERT JONES	9,100,000	0.60%
14	MISS LAN DAI	9,000,000	0.60%
15	GLM KOPPA PTY LTD <KOPPA FAMILY SUPER FUND A/C>	8,450,000	0.56%
16	MR DJONNY SUPARMAN	8,300,888	0.55%
17	MR FRED WATERS	8,000,000	0.53%
18	OZZY BUCCO PTY LTD <OZZY BUCCO HOLDINGS A/C>	7,714,156	0.51%
19	MR IVAN IVANOV	7,639,298	0.51%
	Totals	**465,513,020**	**30.89%**
	Total Issued Capital	**1,506,830,774**	**100.00%**

Substantial Shareholders

Substantial shareholders as advised to the company are set out below:

Name of Holder	No. of ordinary shares held	Issued Capital %
JK GROUP AUSTRALIA PTY LTD <JK FAMILY A/C>	140,288,321	9.31%
ALANTICX TECHNOLOGIES PTY LTD <ALANTICX A/C>	112,732,700	7.48%

Distribution of member holdings

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	224	29,572	0.00%
1,001 - 5,000	85	293,979	0.02%
5,001 - 10,000	105	797,016	0.05%
10,001 - 100,000	1,898	83,278,006	5.53%
100,001 - 9,999,999,999	1,505	1,422,432,201	94.40%
Totals	**3,817**	**1,506,830,774**	**100.00%**

The number of security investors holding less than a marketable parcel of securities is 2,911 with a combined total of 182,733,188 securities.

Voting Rights

All shares carry one vote per share without restriction.