Xped Limited

ASX:XPE

Appendix 4D Half Year Report ended 31 December 2019

Results for announcement to the market

Results	Movements			$ 31 December 2019	$ 31 December 2018
Revenue from ordinary activities	down	19.65%	to	2,301,582	2,864,460
Profit / (loss) from ordinary activities after tax	up	617.64%	to	533,496	(103,063)
Profit / (loss) for the period attributable to the shareholders	up	777.11%	to	533,496	(78,789)
From continuing activities:					
Revenue from continuing activities	down	19.65%	to	2,301,582	2,864,460
Profit / (loss) from continuing activities after tax	up	1,562.71%	to	533,496	(36,473)
Profit / (loss) from continuing activities attributable to the shareholders	up	1,562.71%	to	533,496	(36,473)

	Cents	Cents
Earnings per share for profit / (loss) from continuing operations attributable to the shareholders of the company		
Basic earnings (loss) per share	0.04	(0.002)
Earnings per share for profit / (loss) attributable to the shareholders of the company		
Basic and diluted (loss) per share	0.04	(0.007)
Net tangible asset backing		
Per ordinary security (cents per share)	0.02	0.21

Dividends payable

The Directors do not propose or recommend the payment of a dividend.

Control gained over entities having a material effect
Nil

Loss of control of entities having a material effect
Nil

Detail of associates and joint venture entities

Nil

Xped Limited

ABN 89 122 203 196

ASX:XPE

Interim Financial Report for the half-year ended 31 December 2019

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Corporate Directory

Directors	Mr Con Unerkov (Chairman and non-executive director) Mr John Schultz (Executive director) Mr Loui Kotsopoulos (Non-executive director)
Company secretary	Ms Julie Edwards
Registered office in Australia	Level 6, 412 Collins Street Melbourne, Victoria 3000
Principal office in Australia	Unit 1, 25 London Road, Mile End South, SA 5031
Share registry	Automic Registry Services Level 5, 126 Phillip Street Sydney NSW 2000 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
Website address	www.xped.com

Directors' Report

The directors present their report on Xped Limited (the "Company" or "Xped") and the entities it controlled ("the Group") at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Xped Limited during the half-year under review and up to the date of this report, unless otherwise stated:

Mr. John Schultz	Executive director	
Mr. Peter Hunt	Chairman and non-executive director	(resigned on 5 February 2020)
Mr. Christopher Wood	Executive director	(resigned on 31 December 2019)
Mr. Con Unerkov	Chairman and non-executive director	(appointed on 31 December 2019)
Mr. Loui Kotsopoulos	Non-executive director	(appointed on 31 December 2019)
Mr. George Yatzis	Non-executive director	(appointed on 23 January 2020 and resigned on 7 February 2020)

Company secretaries

Mrs. Julie Edwards	
Mr. John Santich	(resigned on 9 January 2020)

Principal activities

Xped is focused on developing and selling professional healthcare technology equipment and solutions, and delivering assisted independent living technologies using IoT products and solutions for smart homes and smart buildings.

There were no significant changes in the nature of the Group's activities during the half-year. There were no significant changes in the state of the Group's affairs during the half-year.

Dividends

No amounts have been paid or declared by way of dividend during the half-year.

Review and results of operations

The Group realised a profit after tax for the half-year of $533,496 (2018: loss of $103,063). The following provides a summary of the Group's activities and achievements during the course of the half year:

- Successfully raised $250,000 in equity funding.
- AusIndustry finding appeal successful with the Group no longer being required to repay the tax incentive received of $1.6 million.
- Continued to rationalize the operation for reducing the loss.

Events occurring after balance sheet date

In February 2020, the Company's wholly owned subsidiary, Xped Corporation Pty Ltd ("Xped Corp") received a letter of notice of lease contract default in respect to a leased premise including GST totaling A$13,833 but excluding the legal cost and a termination of tenancy. The lease was to mature in May 2020 and has been included in note 8.

Other than the event disclosed above, there has been no matter or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

(a) the operations, in financial periods subsequent to 31 December 2019, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial periods subsequent to 31 December 2019, of the Group.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding" of amounts in the directors' report and financial report. The Group has rounded amounts in the directors' report and financial report to the nearest dollar, in accordance with that instrument.

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

Mr. Con Unerkov
Chairman

Adelaide, South Australia
28 February 2020

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF XPED LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

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

This declaration is in respect of Xped Limited and the entities it controlled during the period.

PITCHER PARTNERS

DAN COLWELL
Partner

Brisbane, Queensland
28 February 2020

	Notes	Half-year to 31 December 2019 $	31 December 2018 $
Revenue and other income from continuing operations	3	2,301,582	2,864,460
Employee and contracting expense		(802,412)	(1,310,463)
Professional and legal fees		(302,583)	(114,143)
Director fees		(166,983)	(304,996)
Impairment of inventory		(118,220)	-
Occupancy costs		(53,346)	(93,259)
Finance costs		(39,731)	(3,416)
Depreciation and amortisation expense		(37,715)	(15,981)
Marketing and promotion costs		(24,782)	(70,284)
Material costs		(24,257)	(425,848)
Patents and trademarks fees		(22,872)	(90,086)
Travel and accommodation costs		(22,544)	(29,448)
Foreign currency losses		(772)	(1,859)
Consulting and advisory fees		(143)	(8,133)
Impairment of other receivables		-	(250,000)
Other expenses		(151,726)	(183,017)
Profit / (loss) before income tax		**533,496**	**(36,473)**
Income tax expense		-	-
Profit / (loss) from continuing operations		**533,496**	**(36,473)**
Loss from discontinuing operations	6	-	(66,590)
Total profit / (loss) for the half-year		**533,496**	**(103,063)**
Other comprehensive income		-	-
Total comprehensive income for the half-year		**533,496**	**(103,063)**
Total comprehensive income attributable to:			
Owners of the parent		533,496	(78,789)
Non-controlling interests		-	(24,274)
		533,496	**(103,063)**
Total comprehensive income attributable to:			
Continuing operations		533,496	(36,473)
Discontinued operations		-	(66,590)
		533,496	**(103,063)**
Earnings per share for profit / (loss) from continuing operations attributable to the shareholders of the company		**Cents**	**Cents**
Basic and diluted earnings (loss) per share		0.04	(0.002)
Earnings per share for profit / (loss) attributable to the shareholders of the company		**Cents**	**Cents**
Basic and diluted earnings (loss) per share		0.04	(0.007)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	31 December 2019 $	30 June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents		586,918	1,405,831
Other financial assets		100,000	120,000
Trade and other receivables		92,808	96,367
Other current assets		85,380	124,489
Inventory		268,456	375,782
Total current assets		**1,133,562**	**2,122,469**
Non-current assets			
Other receivables		-	-
Plant and equipment		53,778	65,296
Right of use assets	1	54,814	-
Total non-current assets		**108,592**	**65,296**
TOTAL ASSETS		**1,242,154**	**2,187,765**
LIABILITIES			
Current liabilities			
Trade and other payables		261,387	363,406
Provisions		160,691	252,783
Contract liabilities		56,779	-
Lease liability	1	51,517	-
Total current liabilities		**530,374**	**616,189**
Non-current liabilities			
Trade and other payables		-	1,634,607
Borrowings		258,260	224,880
Provisions		18,773	63,747
Lease liability	1	2,909	-
Total non-current liabilities		**279,942**	**1,923,234**
TOTAL LIABILITIES		**810,316**	**2,539,423**
NET ASSETS / (LIABILITIES)		**431,838**	**(351,658)**
EQUITY			
Contributed equity	5	27,141,949	26,891,949
Reserves		-	-
Accumulated losses		(26,710,111)	(27,243,607)
TOTAL EQUITY / (DEFICITS)		**431,838**	**(351,658)**

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

	Contributed equity	Reserves	Accumulated losses	Non-controlling interests	Total
	$	$	$	$	$
2019					
Balance at 1 July 2019	26,891,949	-	(27,243,607)	-	(351,658)
Profit for the half-year	-	-	533,496	-	533,496
Total comprehensive income for the half-year	-	-	533,496	-	533,496
Transactions with owners in their capacity as owners:					
Ordinary shares issued by private placement	250,000	-	-	-	250,000
Balance at 31 December 2019	**27,141,949**	**-**	**(26,710,111)**	**-**	**431,838**
2018					
Balance at 1 July 2018	26,891,949	663,000	(24,214,472)	24,274	3,364,751
Loss for the half-year	-	-	(78,789)	(24,274)	(103,063)
Total comprehensive loss for the half-year	-	-	(78,789)	(24,274)	(103,063)
Transactions with owners in their capacity as owners:					
Expiry of options	-	(663,000)	663,000	-	-
Balance at 31 December 2018	**26,891,949**	**-**	**(23,630,261)**	**-**	**3,261,688**

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

	Notes	Half-year to 31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Customer receipts		736,990	1,141,279
Interest received		1,999	8,412
Interest paid		(1,553)	(3,587)
R&D tax concession received		-	1,634,607
Payments to suppliers and employees		(1,795,419)	(3,307,445)
Net cash outflow from operating activities – continuing operations		**(1,057,983)**	**(526,734)**
Net cash outflow from operating activities – discontinued operations	6	-	(51,751)
Total net cash outflow from operating activities	4	**(1,057,983)**	**(578,485)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		455	-
Payments for plant and equipment		-	(3,559)
Proceeds from investment in term deposits		20,000	-
Total net cash inflow/(outflow) from investing activities		**20,455**	**(3,559)**
Cash flows from financing activities			
Repayment of borrowings		(4,798)	(82,064)
Repayment of lease liabilities		(26,587)	-
Proceeds from issue of shares		250,000	-
Total net cash inflow/(outflow) from financing activities		**218,615**	**(82,064)**
Net decrease in cash and cash equivalents		(818,913)	(664,108)
Cash and cash equivalents at the beginning of the half-year		1,405,831	3,272,876
Cash and cash equivalents at the end of the half-year		**586,918**	**2,608,768**

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

1. Significant accounting policies

(a) Basis of preparation

These general purpose condensed financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard AASB134 *Interim Financial Reporting*.

The Group is a for-profit entity for the purpose of preparing the financial statements. This interim financial report is intended to provide users with an update of the latest half-year financial statements of Xped Limited and its controlled entities (the Group). As such, it does not contain all notes of the type normally included in an annual financial report. The same accounting policies have been applied in the interim financial statements as compared to the most recent annual financial statements for the year ended 30 June 2019, with the exception of the initial application of AASB 16 *Leases*. It is therefore recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2019, together with any public announcements made during the half-year.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. There was no material impact on the financial report as a result of the adoption of these standards.

(b) Going concern

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 31 December 2019 the Group has $586,918 (June 2019: $1,405,831) cash and cash equivalents. During the half-year ended 31 December 2019 the Group realised a profit after tax of $533,496 (2018: loss of $103,063) and net cash outflows from operating activities (excluding refundable R&D tax offsets) of $1,057,983 (2018: $578,485 outflow). The continuing cash outflows from operating activities continue to reduce the Group's cash and net working capital position.

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

At the date of this report the Directors have implemented plans to address the Group's ongoing operations which includes, amongst others:

(i) closely monitoring the Group's actual versus budgeted cash burn each month,
(ii) ceasing the operational expenditures relating to R&D expenditures associated with IoT products,
(iii) providing close management and assistance to support a ROI outcome for the JCT healthcare business, through sales growth or company sale,
(iv) continuing to monitor the development of near term revenue opportunities generated through the Group's IoT solutions,
(v) exploring M&A and or capital raising opportunities with external parties,
(vi) reducing director fees,
(vii) streamlining the Group's operating structure and reducing its costs, and
(viii) ensuring the Group does not enter into long term contractual commitments with suppliers.

The Group expects to apply for and receive a refundable R&D tax incentive for the 2018-19 year, which based on current expenditure is expected to exceed $700,000. The R&D cash refund will likely be received in the second half of the 2020 financial year.

In addition, the Board will continue to monitor the development of near term revenue opportunities generated through JCT's healthcare business and evaluate alternative funding options that may include a future capital raising and/or a restructuring of the Group's operations in addition to the cost saving initiatives identified above.

These actions and measures will reduce the Group's costs and increase capital and income going forward for the next 12 months. The Directors believe the Company will be successful in carrying out its plans described above and therefore, the interim financial statements have been prepared on a going concern basis.

(c) New and amended accounting standards adopted by the Group

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 30 June 2019. The changes in accounting policies will also be reflected in the Group's consolidated financial statements for the year ending 30 June 2020.

AASB 16 Leases

This new standard replaced AASB 117 and some lease-related Interpretations. It requires all leases to be accounted for "on balance sheet" by lessees, other than for short-term and low value asset leases. The standard also provides new guidance on the definition of a lease and on sale and leaseback accounting and requires new and different disclosures about leases. The accounting requirements for lessors remains largely unchanged from AASB 117. The Group adopted the new standard on 1 July 2019 using the modified retrospective approach. In calculating the effect on adoption the Group applied the following practical expedients available under AASB 16:

- applied a single discount rate to all our property leases;
- excluded leases expiring within one year of the implementation date;
- excluded leases of low value (less than $5,000);
- preserved the assessment of whether an arrangement was a lease under the previous lease standards; and
- used hindsight when determining the lease term.

On adoption of AASB 16 *Leases* ("AASB 16"), the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.20%.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

The recognised right-of-use assets relate to premises leases. The impact on assets, liabilities and retained earnings as at 1 July 2019 is set out below:

	As previously reported $	AASB 16 adjustments $	As restated $
Right-of-use assets	-	81,013	81,013
Deferred taxes (net)	-	-	-
Lease liability – current	-	53,807	53,807
Lease liability – non-current	-	27,206	27,206
Retained earnings	27,243,607	-	27,243,607

The recognised right-of-use assets and lease liabilities as at 31 December 2019 is set out below:

	31 December 2019 $	1 July 2019 $
Right-of-use assets:		
Right-of-use assets	54,814	81,013
Lease liabilities:		
Lease liabilities – current	51,517	53,807
Lease liabilities – non-current	2,909	27,206

The present value of operating lease commitments disclosed in our 30 June 2019 annual financial statements, discounted using the discount rate at transition date, differed from the lease liabilities recognised on adoption of AASB 16; a reconciliation of the difference is set out below:

Operating lease commitments disclosed at 30 June 2019	169,659
Plus: lease payments included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	3,039
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	(84,499)
Less: impact of discounting lease payments to their present value at 1 July 2019	(7,186)
Lease liability recognised at 1 July 2019	81,013

Recognised as	
Current lease liability	53,807
Non-current lease liability	27,206
	81,013

The Group lease various offices under rental contracts that normally range from one to two years, with many contracts containing extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Under the relevant lease agreements (mainly premises) the rentals are subject to periodic review to market and/or for CPI increases. These leases are under normal commercial lease terms and conditions.

Prior to the 2020 financial year, the Group classified leases of property, plant and equipment as either finance or operating leases; leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Operating lease payments, net of any incentives received from the lessor, were charged to expense on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option; in these instances the Group depreciate the right-of-use asset over the useful life of the asset.

The Group initially measure assets and liabilities arising from a lease on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Where the Group is required to return the premises to their original condition at the end of the lease, a provision for lease remediation is recorded equal to the present value of the estimated liability.

Right-of-use assets are measured at cost and comprise the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(d) Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding" of amounts in the directors' report and financial report. The Group has rounded amounts in the directors' report and financial report to the nearest dollar, in accordance with that instrument.

2. 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 focused on the Internet of Things (IoT) and primarily developing Auto Discovery Remote Control (ADRC) Technology. The development team was discontinued and this business segment is currently being restructured.

Healthcare Technology

JCT Healthcare Pty Ltd and Jackson Care Technologies Pty Ltd provide 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 was a computer vision and machine learning company providing industry leading technology to global enterprise and developers. Media Intelligence built and implemented artificially intelligent technologies that supplement media research and analytics systems for customers operating in the marketing sector. This segment was discontinued during the year ended 30 June 2019.

Geothermal Projects

Xped initially held a 45% interests in a geothermal project in Indonesia (referred herein as the "Sokoria Geothermal Project") under a Joint Venture with PT Bakrie Power, for a 30 MW geothermal development on Flores Island, Indonesia. On 16 January 2017 KS Orka completed acquisition of Sokoria Geothermal Project. Under the terms of the SPA Xped received the nominal amount of US$1. An additional payment of up to US$947,368 will become payable within 30 days of KS Orka issuing notification of intent to develop the project.

Corporate

Comprising overhead costs such as non-executive director's fees, listing and share registry fees, insurance, and corporate services.

2. Operating segments (continued)

Segment performance

	Technology development	Healthcare technology	Jemsoft & Media Intelligence	Geothermal projects	Corporate	Total
Half-year ended 31 December 2019:						
Interest revenue	-	-	-	-	1,728	1,728
Revenue:						
- Over time	-	500,444	-	-	-	500,444
- At a point in time	-	168,260	-	-	-	168,260
Gain on disposal of assets	-	455	-	-	-	455
R and D tax concession	1,630,695	-	-	-	-	1,630,695
Total segment revenue	1,630,695	669,159	-	-	1,728	2,301,582
Total segment expenses	(542,588)	(903,205)	-	-	(322,293)	(1,768,086)
Profit/(loss) before income tax for the half-year	1,088,107	(234,046)	-	-	(320,565)	533,496
Half-year ended 31 December 2018:						
Interest revenue	-	1,039	570	-	6,803	8,412
Revenue:						
- Over time	246,864	661,004	-	-	-	907,868
- At a point in time	-	314,143	-	-	-	314,143
R and D tax concession	1,634,607	-	-	-	-	1,634,607
Total segment revenue	1,881,471	976,186	570	-	6,803	2,865,030
Total segment expenses	(1,382,687)	(1,176,686)	(67,160)	(188,566)	(152,994)	(2,968,093)
Profit/(loss) before income tax for the half-year	498,784	(200,500)	(66,590)	(188,566)	(146,191)	(103,063)

Reconciliation of reportable segment revenues and profit or loss:

	Half-year to 31 December 2019	Half-year to 31 December 2018
Revenues	**$**	**$**
Total revenue for reportable segments	2,301,582	2,865,030
Elimination of discontinued operations	-	(570)
Consolidated revenue from continuing operations	2,301,582	2,864,460
Profit or loss		
Total profit/(loss) for reportable segments	533,496	(103,063)
Elimination of discontinued operations	-	66,590
Consolidated profit/(loss) before income tax from continuing operations	533,496	(36,473)

Segment assets and liabilities

	Technology development	Healthcare technology	Jemsoft & Media Intelligence	Geothermal projects	Corporate	Eliminations	Total
As at 31 December 2019:							
Total assets	25,485	811,543	-	240	24,302,363	(23,897,477)	1,242,154
Total liabilities	(15,847,506)	(3,398,833)	-	(2,287,964)	(83,546)	20,807,533	(810,316)
As at 30 June 2019:							
Total assets	1,010,617	1,468,097	-	240	20,453,752	(20,744,941)	2,187,765
Total liabilities	(17,129,869)	(3,821,343)	-	(2,287,964)	(45,188)	20,744,941	(2,539,423)

3. Revenue and other Income from continuing operations

	Half-year to 31 December 2019 $	Half-year to 31 December 2018 $
Revenue from contracts with customers:		
Revenue recognised at a point in time – sale of goods	500,444	907,868
Revenue recognised over time – projects and services	168,260	314,143
	668,704	1,222,011
Other income:		
Interest income	1,728	7,842
R&D tax concession*	1,630,695	1,634,607
Gain on disposal of assets	455	-
	1,632,878	1,642,449
	2,301,582	2,864,460

* Xped received $1,634,607 of R&D tax incentive in the half-year ended 31 December 2018. Subsequently, Xped received a Certificate of Findings under section 27J of the *Research and Development Act 1986* from the Commonwealth Department of Industry, Innovation and Science. The Certificate of Findings assessed that certain activities of Xped were ineligible for the R&D tax incentive for the 2017/18 income year. Certain tax deductions were deemed to be not allowable and the full amount of the tax offset of $1,634,607 was deemed to be repayable by the Company.

On 27 December 2019 the Group successfully appealed the finding and has since received a new Certificate of Findings confirming that the majority of activities were eligible. As such, the Group is not required to repay the majority of the R&D tax incentive received in relation to the 2017/18 financial year and has reversed $1,630,695 of the payable recognised at 30 June 2019 to other income during the half-year.

4. Cash flow information

	Half-year to 31 December 2019 $	Half-year to 31 December 2018 $
Reconciliation of loss after income tax to net cash outflow from operating activities:		
Profit/(loss) for the year	533,496	(103,063)
Non-cash items in profit or loss:		
Depreciation	37,715	15,981
Bad debts	11,250	268,411
Non-cash finance costs	38,178	-
Loss/(gain) on sale of asset	(455)	4,158
Change in operating assets and liabilities:		
(Increase)/decrease in trade or other receivables	11,778	169,210
(Increase)/decrease in inventory	107,326	94,297
(Increase)/decrease in other current assets	39,109	58,976
Increase/(decrease) in trade and other payables	(1,756,094)	(249,689)
Increase/(decrease) in contract liabilities	56,779	(267,783)
Increase/(decrease) in provisions	(137,065)	(568,983)
Net cash outflow from operating activities	(1,057,983)	(578,485)

5. Contributed equity

(a) Movements in equity

	31 December 2019 No.	30 June 2019 No.
Ordinary shares – fully paid	1,756,830,774	1,506,830,774

	Half-year to 31 December 2019		Half-year to 31 December 2018	
	No.	$	No.	$
Balance at the start of the half-year	1,506,830,774	26,891,949	1,506,830,774	26,891,949
Issue of shares by private placement (i)	250,000,000	250,000	-	-
Balance at the end of the half-year	1,756,830,774	27,141,949	1,506,830,774	26,891,949

(i) 250,000,000 shares issued by private placement, raising $250,000.

(b) Share options

250 million options were issued to Teko international Limited ("Teko"), a company in which our chairman has interest in, on 31 December 2019 (2019: nil) for no consideration. The options may be converted to ordinary shares up to and including 30 June 2020 for an exercise price of $0.001 per share. The fair value of the options has been assessed as $nil for accounting purposes.

6. Discontinued operations

The Group wound up operations in three of its subsidiaries during the comparative half-year ended 31 December 2018, being Jackson Care Technologies Pty Ltd, Media Intelligence Co Pty Ltd and Jemsoft Pty Ltd. All assets were transferred and liabilities assumed by the parent company.

The comparative consolidated statement of profit or loss and other comprehensive income has been presented to show the discontinued operation separately from continuing operations.

	Half-year to	
	31 December 2019 $	31 December 2018 $
Financial performance		
Revenue and other income from discontinued operations	-	570
Expenses	-	(67,160)
Loss before tax from discontinued operations	-	(66,590)
Income tax expense	-	-
Loss after tax from discontinued operations	-	(66,590)
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the year	-	(66,590)
Cash flows		
Net cash outflow from operating activities	-	(51,751)
Net decrease in cash generated by the component	-	(51,751)

7. Contingent liabilities

On 31 December 2019, Xped Limited entered into a Share Placement Agreement ("SPA") issuing 250 million ordinary shares in the Company at $0.001 per ordinary share for total proceeds of $250,000. Pursuant to the SPA, the parent company made certain representations in respect to liabilities in the Company to Teko, the purchaser. However, in the process of preparing the Company's half-year accounts, the Company has become aware that some of the representations made by the Company were not accurate.

The Company intend to seek legal advice to determine the extent of its legal liabilities in respect of a potential breach of the SPA. At the date of this report, the Group has not been able to quantify the liability, if any, in respect to these breaches.

8. Commitments

(a) Operating leases

	31 December 2019 $	30 June 2019 $
Within one year	30,305	139,368
Later than one year but not later than five years	-	30,291
Later than five years	-	-
	30,305	169,659

(b) Provision for restoration, rehabilitation and environmental expenditures

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

Within one year	31,016	52,000
Later than one year but not later than five years	-	-
Later than five years	-	-
	31,016	52,000

(c) Provision for technology development expenditures

On 23 May, 2018, Xped Limited entered into a technology development agreement ("Agreement") with Heuresy LLC ("Heuresy") to develop a new cryptographic Physical Security Token with the total contract sum of US$500,000. Pursuant to the terms of the Agreement, Heuresy paid US$250,000 to the Company shortly after execution of the Agreement and the remaining balance of US$250,000 would be repaid upon completion of the work as described in the Scope of Work ("SOW") attached in the Agreement. As announced to the ASX on 30 October 2019 due to the need to conserve funds, the Company downsized its operations in its Internet of Things Business unit, which was responsible for developing the Physical Security Token. As a result, the Company has been unable to complete the SOW.

As announced to the ASX on 10 February 2020, given the Company granted a license to its intellectual property to Heuresy, it has partially performed the SOW and does not seek the final payment of US$250,000 from Heuresy, the Board does not believe the Company has a material loss exposure under the Agreement. However, if the Company were to become subject to arbitration or other legal action that could be taken by Heuresy, there could be no assurance as to the outcome or the costs to defend such action.

9. Events subsequent to the reporting date

In February 2020, the Company's wholly owned subsidiary, Xped Corporation Pty Ltd ("Xped Corp") received a letter of notice of lease contract default in respect to a leased premise including GST totaling A$13,833 but excluding the legal cost and a termination of tenancy. The lease was to mature in May 2020 and has been included in note 8.

Other than the event disclosed above, there has been no matter or circumstance, which has arisen since 31 December 2019 that has significantly affected or may significantly affect:

(a) the operations, in financial periods subsequent to 31 December 2019, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial periods subsequent to 31 December 2019, of the Group.

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 Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001;* and
   (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

This declaration is made in accordance with a resolution of the Directors.

Mr Con Unerkov
Director

28 February 2020

PITCHER PARTNERS

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Independent Auditor's Review Report to the Members of Xped Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Xped Limited ("the Company") and its controlled entities ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Xped Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which states that as at 31 December 2019 the Group has $586,918 in cash and cash equivalents and a net asset position of $431,838. The Group had a loss after tax, excluding the reversal of the R&D tax payable, of $1,097,199 and a net cash outflow from operating activities, excluding government grants and refundable R&D tax incentives, of $1,057,983 for the half-year ended 31 December 2019.

The continuing losses and cash outflows from operating activities have significantly reduced the Group's cash and net working capital position.

As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Pitcher Partners

PITCHER PARTNERS

DANIEL COLWELL
Partner

Brisbane, Queensland
28 February 2020