



ABN 43 147 799 951

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2017

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Directors

Mr Frank Hurley – Non-Executive Chairman
Mr Joseph Copley – Non-Executive Director
Mr Stuart Richardson – Non-Executive Director
Mr Quentin Gracanin – Non-Executive Director

Chief Executive Officer

Mr Steven Wildisen

Company Secretary

Mr Matthew Foy

Registered Office

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Subiaco WA 6008

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Subiaco WA 6904

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Stock Exchange

Australian Securities Exchange Limited (ASX)
Home Exchange – Perth
Ticker: XTD

Australian Company Number

ACN 147 799 951

Australian Business Number

ABN 43 147 799 951

Auditors

PKF Mack
Level 4, 35 Havelock Street
West Perth WA 6005

Solicitors

GTP Legal
Level 1, 28 Ord St
West Perth WA 6005

Bankers

National Australia Bank
Level 1, 1238 Hay Street
West Perth WA 6005

Share Registry

Security Transfers Registers
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Applecross WA 6153

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Domicile and Country of Incorporation

Australia

The Directors submit their report on the consolidated entity (referred to hereafter as the **Group**) consisting of XTD Limited (the **Company, XTD**) and the entities it controlled for the year ended 30 June 2017.

1. DIRECTORS AND COMPANY SECRETARY

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Mr Stuart Richardson - Non-Executive Director

Mr Richardson has experience in capital markets in both Australia and overseas in the field of stockbroking and investment banking. He is a founding director of Blackwood Capital Limited, an Australian based investment bank operating in capital markets, advisory services and funds management in equities and private equity funds. He holds a Bachelor of Business from the Swinburne University of Technology, Melbourne, Australia, and is a CPA.

Mr Richardson is currently a Non-Executive Director of Abundant Produce Limited. In the last three years Mr Richardson was a director of UnderCoverWear Limited (resigned 4 November 2014).

Frank Hurley - Non-Executive Chairman

Mr Hurley was previously the Chief Executive Officer of Wrays Pty Ltd and Managing Director of Wrays Lawyers. Mr Hurley is also a Board member of Focus Mobile Media and Discovery Capital and was previously responsible for international and national business development for one of Australia's largest law firms. Mr Hurley has consulted to a number of industries including, mining, aviation, banking and law. Mr Hurley has also lectured at MBA level in a number of universities in Western Australia.

Mr Hurley is not currently a director of any other listed company. In the last three years Mr Hurley has not held any other directorships.

Mr Quentin Gracatin – Non-Executive Director (appointed 8 December 2016)

Quentin Gracatin is Group Chief Executive Officer of retail and property enterprise Spotlight Retail Group which owns and operates Spotlight Stores and outdoor Adventure chain Anaconda. The group has more than 7,000 employees working in 170 locations across Australia, New Zealand, Malaysia and Singapore. He has a 30-year career in business planning and management and has worked with emerging markets including India and in South East Asia for the past 25 years.

Mr Gracatin is not currently a director of any other listed company. In the last three years Mr Gracatin has not held any other directorships.

Mr Joseph Copley – Non-Executive Director (appointed 8 December 2016)

Joe Copley has a proven record in leadership roles in the Australian media industry. He is formerly the founding managing director of Posterscope in Australia, having launched and established the business in what is now a leading market for the world's largest out-of-home specialist agency network. He is currently Principal at Joe Copley Consulting Pty Ltd and Chairman of Contact Light Pty Ltd.

Mr Copley is not currently a director of any other listed company. In the last three years Mr Copley has not held any other directorships.

Mark Niutta - Non-Executive Director (resigned 31 December 2016)

Mr Niutta has been involved in stockbroking since working for the Perth Stock Exchange (now ASX) in 1986. He was previously an authorised representative specialising in capital raisings and giving advice to retail clients involving the purchase and sale of listed equities. Mr Niutta spent 13 years with Morgan Stockbroking Perth (Now RBS Morgans).

Mr Niutta is not currently a director of any other listed company. In the last three years Mr Niutta has not held any other directorships.

John Toll - Non-Executive Director (resigned 31 December 2016)

Mr Toll is a Partner of Azure Capital Ltd, a boutique advisory firm based in Perth, Western Australia. Prior to joining Azure Capital Ltd, Mr Toll spent over two years working for a UK-based investment bank offering equity capital markets and advisory services to an international client base. With a particular focus on the natural resources sector, he advised clients in Europe, Africa, South America and Asia. He has experience in mergers and acquisitions, capital raisings and IPOs. Mr Toll started his career within the assurance and advisory division of KPMG in Perth.

Mr Toll graduated from the University of Western Australia in 2000 with a Bachelor of Commerce majoring in Accounting and Finance. Mr Toll also completed the Institute of Chartered Accountants CA Program and a Graduate Diploma in Applied Finance.

Mr Toll is not currently a director of any other listed company. In the last three years Mr Toll has not held any other directorships.

Mr Matthew Foy, Company Secretary

BCom, GradDipAppFin, GradDipACG, SAFin, AGIA, ACIS

Mr Foy, previously a Senior Adviser at the ASX has five years' experience in facilitating the compliance of listed companies. Mr Foy is a member of Governance Institute of Australia, has a Graduate Diploma (Applied Finance) from FINSIA and a B.Com from the University of Western Australia. Mr Foy is Company Secretary to several ASX listed companies.

2. DIRECTORS' SHAREHOLDINGS

The following table sets out each current Director's relevant interest in shares and rights or options to acquire shares of the Company or a related body corporate as at the date of this report.

| | Fully Paid Ordinary Shares | Performance Shares |
|----------------------|---|-------------------------------|
| Mr Frank Hurley | 6,273,198 | 4,800,012 |
| Mr Stuart Richardson | 2,372,598 | - |
| Mr Joseph Copley | 183,333 | - |
| Mr Quentin Gracanin | 442,833 | - |
| | <u>9,271,962</u> | <u>4,800,012</u> |

3. DIVIDENDS

No dividend has been paid during the year and no dividend is recommended for the year.

4. DIRECTORS' MEETINGS

The following directors' meetings (including meetings of committees of directors) were held during the year and the number of meetings attended by each of the directors during the year were:

| 2017 | Directors' meetings eligible to attend | Directors' meetings attended |
|-------------------|--|------------------------------------|
| Directors | | |
| Frank Hurley | 9 | 9 |
| Stuart Richardson | 9 | 9 |
| Joseph Copley | 6 | 6 |
| Quentin Gracanin | 6 | 5 |
| John Toll | 4 | 2 |
| Mark Niutta | 4 | 4 |

For details of the function of the Board, Audit Committee and Remuneration Committee, please refer to the Corporate Governance Statement on the Company's website.

5. PRINCIPAL ACTIVITIES

XTD Limited is an Australian-based emerging service provider to the growing Out-of-Home Advertising (**OOH Advertising**) sector.

6. REVIEW OF OPERATIONS

During the period, XTD continued its focus as a provider to the growing Out-of-Home Advertising (**OOH Advertising**) sector, owning and operating the world's first, designed for rail, cross-track digital video system that uses billboard-size LED television screens coupled to high definition sound to broadcast all forms of content to metro train commuters.

The Company has a seven-year contract with Queensland Rail for the installation and operation of the XTD system in four of Brisbane's busiest metro rail stations. Passenger traffic on Queensland Rail City Services has now reached 55 million customers annually, fuelled by strong population growth in South East Queensland and an increasing trend toward using public transport.

The Company is also operating 32 XTD digital screens across three underground rail stations in Melbourne as part of a separate seven-year contract with Metro Trains Melbourne Pty Ltd.

Through its proprietary XTD system, Lunalite has designed a solution which gives the advertising market a medium to provide digital advertising to rail commuters from a cross track location whilst they await their train. To date, cross track advertising within train stations globally has largely been accomplished via static media posters which are expensive to print and mount, difficult to maintain / change (by virtue of their location) and losing appeal in a market becoming increasingly dominated by digital alternatives.

The key attributes of the XTD system include:

- Custom engineered large format digital LED screens with stereo sound to display TV commercials.
- Wirelessly coupled to a proprietary XTD train approaching system.
- Dynamic content management system software which enables adverts to be changed wirelessly at any time.
- Meets OHS and regulatory requirements to satisfy both government and rail operator requirements as evidenced by completion of successful 6 month trials in both Melbourne and Queensland.
- Offers a server platform to install phase two of the XTD package – Contact Light Pty Ltd (**Contact Light**).

Cross-Track System Trial Delhi, India

During the Period the Company announced it had signed a binding term sheet for the trial of the XTD system at a location within the New Delhi, India, metro rail network. XTD and TDI International India (P) Limited (**TDI**) signed the binding term sheet, effective from Tuesday, 6 September, which is an initial step towards a long-term partnership between the two companies.

TDI is one of the largest outdoor media companies in India. Established in 1986, it is primarily engaged in transit and airport advertising and has exclusive advertising rights to 100 of the Delhi Metro's 160 rail stations.

Installing a test of the XTD system in one of New Delhi's metro rail stations will allow TDI to fully assess the functionality and capabilities of the XTD media system. XTD is responsible for the supply and install of its cross-track system for the six-month trial, with the equipment being used in a network rollout if the trial is successful. TDI will be responsible for securing advertisers to use the system during the trial period, with all commercial receipts split 50/50 between the two parties.

Four screens were installed for the six-month trial that commenced in April that showcases the functionality and capabilities of the media system in partnership with TDI and Delhi Metro Rail Corporation.

Delhi's metro rail network is the world's 12th largest and India's most modern rail transit system. It has been certified by the United Nations as the first metro rail and rail-based system in the world to get carbon credits for reducing greenhouse gas emissions. Delhi Metro alone carries a daily total of three million passengers, as against Australia's national daily rail commuter total of 1.8 million.

On 29 May 2017 XTD announced it had created an India media-first by streaming video content to billboard-size digital TV screens installed in sections of the Delhi Metro Rail network. The project, which is live, is a demonstration of the cross-track digital video and information system developed by XTD, with six screens installed that will carry content in both Hindi and English.

XTD's digital cross-track media system is designed for metro-rail networks and offers the world's highest broadcast standards for media in metro-rail environments. The system consists of large LED screens and high fidelity sound capabilities that engage commuters at rail stations while they wait for their trains. Content on the screens can be long and short form, including general news, sport, business updates and relevant commuter information.

As part of the Delhi Metro demonstration, XTD will also be trialling the capability for the digital screens to connect with people's mobile devices so commuters have the ability to retain content from the XTD screens on their mobiles for viewing and action beyond their platform waiting times.

In June 2017 the Company advised that premier Indian television broadcaster NDTV will provide content to the billboard-size digital TV screens installed by XTD in the Delhi Metro Rail network.

APN Outdoor Agreement Executed

Subsequent to the Period on 17 July 2017, XTD advised it had signed a new reseller agreement with Australia's largest outdoor media companies, APN Outdoor. The new agreement will see APN Outdoor continue to act as the content sales agency for XTD's digital screen networks in the Melbourne and Brisbane metro rail networks.

The new agreement with APN Outdoor increases the scope of the partnership with XTD, with the new term set to run for the next 18 months, with considerations for an additional extension term of 18 months.

According to the latest figures from the Outdoor Media Association (OMA), the Australian Out of Home advertising industry attracted revenues of \$678 million per annum, of which 28% was digital out of home - up from 17% the previous year.

XTD's digital screen systems in the Melbourne and Brisbane metro rail networks form part of APN Outdoor's national XTrackTV out of home network.

XTD's technology subsidiary Contact Light is continuing its development and deployment of patented technology that allows interactivity between digital screens and people's mobile devices, meaning that digital screen content can be viewed or actioned by people beyond their initial engagement with the content.

CORPORATE

Board Changes

On 8 December 2016 the Company advised of the appointment of Quentin Gracanin and Joe Copley to the Company's Board of Directors. Following the appointment of Mr Gracanin and Mr Copley, the Company further advised that two of XTD's founding directors, John Toll and Mark Niutta retired from the Board effective 31 December 2016.

Corporate Governance

The Board of Directors of XTD Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of XTD Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

XTD Limited's corporate governance practices were in place throughout the year ended 30 June 2017 and were compliant with the ASX Governing Council's best practice recommendations, unless otherwise stated.

Information on Corporate Governance is available on the Company's website at:
<http://xtd.tv/investor-information/>

7. FINANCIAL RESULTS

The cash and cash equivalents as at 30 June 2017 totalled \$1,830,292 (2016: \$2,208,980). The net asset position as at 30 June 2017 was \$4,315,220 (2016: \$5,115,583). The net loss after tax for the year attributable to the members of the Group was \$2,584,725 (2016: \$2,858,180).

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

9. EVENTS SINCE THE END OF THE FINANCIAL YEAR

Subsequent to the Period on 17 July 2017, XTD advised it had signed a new reseller agreement with Australia's largest outdoor media companies, APN Outdoor. The new agreement will see APN Outdoor continue to act as the content sales agency for XTD's digital screen networks in the Melbourne and Brisbane metro rail networks. The new agreement with APN Outdoor increases the scope of the partnership with XTD, with the new term set to run for the next 18 months, with considerations for an additional extension term of 18 months.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

10. LIKELY FUTURE DEVELOPMENTS, PROSPECTS AND EXPECTED RESULTS OF OPERATIONS

The Directors intend to remain focussed on operations in cross track digital media installation and service provision.

11. ENVIRONMENTAL REGULATIONS

The Group is not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board is not aware of any breach of environmental requirements as they apply to the Group.

12. GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Group is cognisant of the reporting requirements under the Energy Efficiencies Opportunity Act 2006 or the National Greenhouse Energy Efficient Reporting Act 2007, and believes it has adequate processes in place to ensure compliance with these Acts.

13. REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A Remuneration Governance
- B Remuneration Structure
- C Details of Remuneration
- D Share-based compensation
- E Equity instruments issued on exercise of remuneration options
- F Value of options to Directors
- G Equity instruments disclosures relating to key management personnel
- H Other transactions with key management personnel
- I Additional statutory information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001. The remuneration arrangements detailed in this report are for the key management personnel of the Group as follows:

Mr Francis Hurley – Non-Executive Chairman
Mr Stuart Richardson – Non-Executive Director
Mr Joseph Copley – Non-Executive Director (appointed 8 December 2016)
Mr Quentin Gracanin – Non-Executive Director (appointed 8 December 2016)
Mr Mark Niutta – Non-Executive Director (resigned 31 December 2016)
Mr John Toll – Non-Executive Director (resigned 31 December 2016)
Steven Wildisen – Chief Executive Officer

Use of remuneration consultants

The Company did not employ services of consultants to review its existing remuneration policies.

Voting and comments made at the Company's 2016 Annual General Meeting

The Company received 99.89% of “yes” proxy votes on its remuneration report for the 2016 financial year, inclusive of discretionary proxy votes. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

A Remuneration Governance

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the Directors of the Group and Executives of the Group. The performance of the Group depends upon the quality of its key management personnel. To prosper the Group must attract, motivate and retain appropriately skilled directors and executives.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Group does not engage the services of any remuneration consultants.

B Remuneration Structure

Non-Executive remuneration arrangements

The remuneration of Non-Executive Directors (**NED**) consists of Directors' fees, payable in arrears. They serve on a month to month basis and there are no termination benefits payable. They do not receive retirement benefits but are able to participate in share option based incentive programmes in accordance with Group policy.

Directors are paid consulting fees on time spent on Group business, including reasonable expenses incurred by them on business of the Group, details of which are contained in the Remuneration Table disclosed in Section C of this Report. Remuneration of Non-Executive Directors are based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors.

The Group has provided variable remuneration incentive schemes to certain Non-Executive Directors associated with the acquisition of Lunalite as detailed in Note 27.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which will be periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 per annum as per the Group's constitution and may be varied by ordinary resolution of the shareholders in general meeting.

C Details of Remuneration

The key management personnel ("KMP") of the Group are the Directors and management of XTD Limited detailed in the table below. Details of the remuneration of the Directors of the Group are set out below:

| | Short-term benefits | | | Post-employment benefits | Share-based payment | Total \$ | Percentage remuneration consisting of performance shares for the year |
|-------------------|---------------------|---------------|----------------------------------|--------------------------|-----------------------|------------------|---|
| | Salary & fees \$ | Cash bonus \$ | Annual and Long Service Leave \$ | Superannuation \$ | Performance shares \$ | | |
| 30/06/2017 | | | | | | | |
| Directors | | | | | | | |
| Mr Hurley | 50,000 | - | - | - | 211,569 | 261,569 | 81% |
| Mr Richardson | 36,000 | - | - | - | - | 36,000 | 0% |
| Mr Copley (i) | 90,981 | - | - | - | - | 90,981 | 0% |
| Mr Gracanin (ii) | 20,322 | - | - | - | - | 20,322 | 0% |
| Mr Niutta (iii) | 20,600 | - | - | - | 102,472 | 123,072 | 83% |
| Mr Toll (iv) | 18,000 | - | - | - | - | 18,000 | 0% |
| Other KMP | | | | | | | |
| Mr Wildisen (v) | 158,654 | 60,000 | 11,538 | 20,297 | 356,120 | 606,609 | 59% |
| Total | 394,557 | 60,000 | 11,538 | 20,297 | 670,161 | 1,156,553 | 58% |

- (i) Mr Copley (Non-Executive Director) (appointed on 8 December 2016)
- (ii) Mr Gracanin (Non-Executive Director) (appointed on 8 December 2016)
- (iii) Mr Niutta (Non-Executive Director) (resigned on 31 December 2016)
- (iv) Mr Toll (Non-Executive Director) (resigned on 31 December 2016)
- (v) Mr Wildisen refunded \$25,000 advanced during the year

| | Short-term benefits | | | Post-employment benefits | Share-based payment | Total \$ | Percentage remuneration consisting of performance shares for the year |
|-------------------|---------------------|---------------|----------------------------------|--------------------------|-----------------------|------------------|---|
| | Salary & fees \$ | Cash bonus \$ | Annual and Long Service Leave \$ | Superannuation \$ | Performance shares \$ | | |
| 30/06/2016 | | | | | | | |
| Directors | | | | | | | |
| Mr Hurley | 50,000 | - | - | - | 382,275 | 432,275 | 88% |
| Mr Niutta | 45,200 | - | - | - | 382,275 | 427,475 | 89% |
| Mr Richardson | 36,000 | - | - | - | - | 36,000 | 0% |
| Mr Toll | 36,000 | - | - | - | - | 36,000 | 0% |
| Other KMP | | | | | | | |
| Mr Wildisen | 157,884 | 60,000 | 10,385 | 20,699 | 671,262 | 920,230 | 73% |
| Total | 325,084 | 60,000 | 10,385 | 20,699 | 1,435,812 | 1,851,980 | 78% |

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| | Fixed Remuneration | | At risk – STI** | | At risk – LTI * | |
|------------------|--------------------|------|-----------------|------|-----------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Director | | | | | | |
| Mr Hurley | 19% | 12% | 0% | 38% | 85% | 50% |
| Mr Richardson | 100% | 100% | - | - | - | - |
| Mr Copley | 100% | - | - | - | - | - |
| Mr Gracani | 100% | - | - | - | - | - |
| Mr Niutta | 9% | 11% | 0% | 38% | 83% | 51% |
| Mr Toll | 100% | 100% | - | - | - | - |
| Other KMP | | | | | | |
| Mr Wildisen | 31% | 27% | 10% | 33% | 59% | 40% |

*Long term incentives are provided by way of the performance shares issued with long term performance milestones (Class B, C and D). The percentages disclosed reflect the fair value of remuneration consisting of the performance shares, based on the value of the performance shares expensed during the year.

** Cash bonuses are dependent on meeting certain performance measures which are determined by the Board.

Remuneration Policy

Non-Executive Directors

Total remuneration for all Non-executive Directors, is not to exceed \$250,000 per annum as approved by shareholders. This does not include Consulting Fees.

Non-executive directors, received a fixed fee for their services of \$36,000 per annum (excl. GST) for services performed. Mr Frank Hurley is paid an additional \$14,000 per annum as Chairman of the Board. There are currently no Executive Directors employed by the Group.

The Group has provided variable remuneration incentive schemes to certain Non-Executive Directors associated with the acquisition of Lunalite as detailed in Note 27. There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

Other KMP - Mr Steve Wildisen – Chief Executive Officer

Outlined below is a summary of the material provisions of the Executive Services Agreement between the Company and Mr Wildisen. Mr Wildisen receives an annual salary of \$175,000 plus statutory superannuation. Either party may terminate the Executive Services Agreement by giving three months written notice. A bonus based on KPIs will be paid as follows:

- i. \$30,000 payable on EBITDA equal to or exceeding \$1.25 million based on a normalised EBITA adjusting for Contact Light Pty Ltd expenditure and non-cash items, subject to audited accounts;
- ii. \$20,000 payable upon an offshore contract of at least 20 screens installed and generating revenue;
- iii. \$20,000 payable upon an offshore contract of an additional 20 screens (for a total of 40 screens) installed and generating revenue; and
- iv. \$30,000 payable upon the XTD share price sustaining at least 40¢ for 45 consecutive trading days in any period up to 31 August 2017.

D Share-based Compensation

Short term and long term incentives

In the previous financial year Mr Hurley, Mr Niutta and Mr Wildisen were issued performance shares in connection with the acquisition of Lunalite. These performance shares were issued to provide key management personnel and Directors effective incentives for their work and ongoing commitment and contribution to the Company.

The performance shares were issued in four classes, each with different performance milestones. Details of the performance shares issued are as follows:

| Class | Director and Other KMP | Number Issued | Grant Date | Exercise Price | Expiry Date of Milestone Achievements | Underlying Share Price on Grant Date (\$) | Total Fair Value (\$) |
|-------|---------------------------------------|-------------------------------------|------------|----------------|---------------------------------------|---|---------------------------------|
| A | Mr Hurley Mr Niutta Mr Wildisen | 1,050,003 1,050,003 1,950,005 | 19/12/14 | Nil | 19/12/16 | 0.20 | 210,000 210,000 390,001 |
| B | Mr Hurley Mr Niutta Mr Wildisen | 1,050,003 1,050,003 1,950,005 | 19/12/14 | Nil | 19/12/16 | 0.20 | 210,000 210,000 390,001 |
| C | Mr Hurley Mr Niutta Mr Wildisen | 1,050,003 1,050,003 1,950,005 | 19/12/14 | Nil | 19/12/17 | 0.20 | 210,000 210,000 390,001 |
| D | Mr Hurley Mr Niutta Mr Wildisen | 3,750,009 3,750,009 6,000,015 | 19/12/14 | Nil | 19/12/19 | 0.20 | 750,002 750,002 1,200,003 |

The performance milestones attached with each of the classes are detailed below:

- First revenue to Lunalite from Queensland Contract. This milestone expires two years from completion of the acquisition (19 December 2014). This milestone was achieved during the 2015 financial year.
- Security mobile application being developed and either being adopted by one rail operator, or achieving a minimum of 200,000 subscribers. This milestone expires two years from completion of the acquisition (19 December 2014). This milestone was achieved during the 2016 financial year.
- Lunalite generating total revenue of at least \$5 million in any 12 month period. This milestone expires three years from completion of the acquisition (19 December 2014).
- Lunalite being awarded an offshore XTD contract of at least 40 screens and that contract being successfully installed and generating revenue to Lunalite. This milestone expires within five years from completion of the acquisition (19 December 2014).

Refer to Note 27 for further details in respect to the performance shares granted.

E Equity Instruments Issued on Exercise of Remuneration Options

No equity instruments were issued during the year to Directors or key management as a result of exercising remuneration options (2016: Nil).

F Value of options to Directors

No options were granted, exercised or lapsed during the year to Directors or key management as part of their remuneration (2016: Nil).

G Equity instruments disclosures relating to key management personnel

Share holdings

The numbers of shares in the Company held during the financial year by each Director and other key management personnel (KMP) of the Group are set out below.

| 2017 | Opening Balance | Received as Remuneration | Received During Year on Exercise of Options | Net Change Other | Closing Balance |
|------------------------|----------------------------|-------------------------------------|--|-----------------------------|----------------------------|
| Directors | | | | | |
| Mr Hurley | 6,136,835 | - | - | 136,363 | 6,273,198 |
| Mr Niutta ¹ | 6,880,518 | - | - | (6,880,518) | - |
| Mr Richardson | 2,072,598 | - | - | 300,000 | 2,372,598 |
| Mr Toll ¹ | 1,645,505 | - | - | (1,645,505) | - |
| Mr Quentin Gracanin | - | - | - | 442,833 | 442,833 |
| Mr Joseph Copley | - | - | - | 50,000 | 50,000 |
| Other KMP | | | | | |
| Mr Wildisen | 7,332,641 | - | - | - | 7,332,641 |
| | 24,068,097 | - | - | (7,596,827) | 16,471,270 |

¹ Resigned 31 December 2016

Deferred performance shares holdings

The table shows how many deferred KMP performance shares were granted, vested and forfeited during the year.

| | Year Granted | No Granted | Grant Date Value per share | Vested % | Vested Number | Forfe ited % | Financial Years in which the shares may vest | Maximum value yet to vest |
|--------------------|-----------------|---------------|--|-------------|------------------|--------------------|--|---------------------------------|
| Mr Hurley | | | | | | | | |
| Class A * | 2015 | 1,050,003 | \$0.20 | 100 | 1,050,003 | - | 2015 | - |
| Class B** | 2015 | 1,050,003 | \$0.20 | 100 | 1,050,003 | - | 2016 | - |
| Class C | 2015 | 1,050,003 | \$0.20 | - | - | - | 2018 | \$32,794 |
| Class D | 2015 | 3,750,009 | \$0.20 | - | - | - | 2020 | \$370,276 |
| | | | | | | | | |
| Mr Niutta | | | | | | | | |
| Class A* | 2015 | 1,050,003 | \$0.20 | 100 | 1,050,003 | - | 2015 | - |
| Class B** | 2015 | 1,050,003 | \$0.20 | 100 | 1,050,003 | - | 2016 | - |
| Class C | 2015 | 1,050,003 | \$0.20 | - | - | - | 2018 | \$32,794 |
| Class D | 2015 | 3,750,009 | \$0.20 | - | - | - | 2020 | \$370,276 |
| | | | | | | | | |
| Mr Wildisen | | | | | | | | |
| Class A* | 2015 | 1,950,005 | \$0.20 | 100 | 1,950,005 | - | 2015 | - |
| Class B** | 2015 | 1,950,005 | \$0.20 | 100 | 1,950,005 | - | 2016 | - |
| Class C | 2015 | 1,950,005 | \$0.20 | - | - | - | 2018 | \$60,905 |
| Class D | 2015 | 6,000,015 | \$0.20 | - | - | - | 2020 | \$592,441 |

* Deferred performance shares which vested during the period as a result of the performance milestone being achieved were issued to Directors and Other KMP on 25 August 2015.

** Deferred performance shares which vested during the period as a result of the performance milestone being achieved were issued to Directors and Other KMP on 25 February 2016.

H Other transactions with key management personnel

During the year, the Group was charged \$18,000 (2016: \$39,000) by Azure Capital. Azure Capital provided consultancy and management services to the Group on normal commercial terms. John Toll is a director of Azure Capital. The balance owing at year end is \$nil.

During the year, the Group was charged \$36,000 (2016: \$21,000) by Boston First Capital. Boston First Capital provided consultancy and management services to the Group on normal commercial terms. Stuart Richardson is a director of Boston First Capital. The balance owing at year end is \$nil.

During the year, the Group loaned \$25,000 (2016: \$nil) to Mr Steve Wildisen. Steve Wildisen in the Chief Executive Officer of XTD Ltd. This employee loan was repaid in full during the year. The balance owing at year end is \$nil.

I Additional statutory information

Relationship between remuneration and the Group's performance

The following table shows key performance indicators for the Group over the last five years:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Loss for the year | \$2,584,725 | \$2,858,180 | \$8,943,251 | \$329,114 | \$683,977 |
| Closing Share Price | 10.0 cents | 18.0 cents | 21.0 cents | 1.1 cents | N/A* |
| KMP Incentives | \$670,161 | \$1,435,812 | \$1,455,785 | \$nil | \$nil |
| Total KMP Remuneration | \$1,156,553 | \$1,851,980 | \$1,703,332 | \$30,000 | \$nil |

* No closing share price at 30 June 2013 due to the suspension of trading on the ASX

End of Audited Remuneration Report

14.SHARES UNDER OPTION

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

| Expiry Date | Exercise price | Balance at start of year | Issued during the year | Cancelled/ lapsed during the year | Balance at the end of the year |
|--------------------|-----------------------|---------------------------------|-------------------------------|--|---------------------------------------|
| 28 June 2020 | 22 cents | - | 5,000,000 | - | 5,000,000 |

15.PROCEEDINGS ON BEHALF OF THE COMPANY

No 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 to which the Group is a party, for the purposes of taking responsibility on behalf of the Group for all or part of those proceedings.

16.INDEMNIFYING OFFICERS

During the financial year the Group paid a premium of \$15,004 to insure the directors and officers of the company and its Australian based controlled entities against a liability incurred as such a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Group against a liability incurred as such as an officer or auditor.

17. NON-AUDIT SERVICES

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

The Board of Directors advises that non-audit services were provided by the Group's auditors during the year. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

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 *Corporation Act 2001* for the following reasons:


- All non-audit services have been reviewed by the audit committee 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 Professionals Accountant*.

| | 2017 | 2016 |
|---|---------------|--------------|
| | \$ | \$ |
| Non-Audit Services | | |
| PKF Mack – Income Tax | 6,330 | 4,650 |
| PKF Mack – Export Market Development Grant claim | 5,675 | 3,950 |
| Total of non- audit services provided to the Group | 12,005 | 8,600 |

18. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 16.

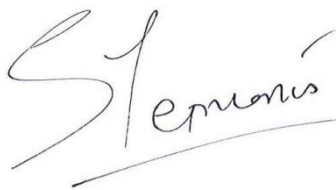
Signed in accordance with a resolution of the Board of Directors.



Mr Stuart Richardson
Perth, Western Australia
Date: 27 September 2017

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF XTD LIMITED**

In relation to our audit of the financial report of XTD Limited for the year ended 30 June 2017, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**PKF MACK****SIMON FERMANIS
PARTNER****27 SEPTEMBER 2017
WEST PERTH
WESTERN AUSTRALIA**

XTD LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

| | | 30-Jun-17 | 30-Jun-16 |
|--|------|--------------------|--------------------|
| | Note | \$ | \$ |
| Revenue from continuing operations | 8 | 2,931,352 | 3,452,991 |
| Other income | 8 | 453,502 | 487,803 |
| Amortisation of intangibles | | (124,470) | (124,470) |
| Commission expense | | (884,831) | (1,009,910) |
| Consultancy fees | | (348,852) | (373,229) |
| Depreciation expense | | (858,350) | (1,162,649) |
| Personnel expenses | 9 | (2,003,020) | (2,752,485) |
| Occupancy expenses | | (51,686) | (70,564) |
| Professional fees | | (436,254) | (319,932) |
| Share based payments | 27 | (212,774) | - |
| Travelling expenses | | (266,323) | (277,198) |
| Other expenses | | (820,359) | (745,877) |
| Loss from continuing operations before income tax | | (2,622,065) | (2,895,520) |
| Income tax benefit | 10 | 37,340 | 37,340 |
| Loss from continuing operations after income tax | | (2,584,725) | (2,858,180) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation | | (3,920) | - |
| Total comprehensive loss for the year | | (2,588,645) | (2,858,180) |
| Loss for the year is attributable to: | | | |
| Owners of the company | | (2,188,171) | (2,515,909) |
| Non-controlling interests | | (396,554) | (342,271) |
| | | (2,584,725) | (2,858,180) |
| Total comprehensive loss for the year attributable to: | | | |
| Owners of the company | | (2,192,091) | (2,515,909) |
| Non-controlling interests | | (396,554) | (342,271) |
| | | (2,588,645) | (2,858,180) |

| | | <u>Cents</u> | <u>Cents</u> |
|---|----|--------------|--------------|
| Loss per share from continuing operations attributable to the ordinary equity holders of the Company: | | | |
| Basic and diluted loss per share | 26 | (1.7) | (1.9) |

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

XTD LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

| | | 30-Jun-17 | 30-Jun-16 |
|--|--------------|------------------|------------------|
| | Notes | \$ | \$ |
| Current Assets | | | |
| Cash & cash equivalents | 11 | 1,830,292 | 2,208,980 |
| Trade & other receivables | 12 | 150,927 | 247,117 |
| Total Current Assets | | 1,981,219 | 2,456,097 |
| Non-Current Assets | | | |
| Plant & equipment | 13 | 2,296,282 | 2,850,447 |
| Intangibles | 14 | 497,875 | 622,345 |
| Total Non-Current Assets | | 2,794,157 | 3,472,792 |
| TOTAL ASSETS | | 4,775,376 | 5,928,889 |
| Current Liabilities | | | |
| Trade & other payables | 15 | 515,146 | 571,856 |
| Provisions | 16 | 45,645 | 54,745 |
| Total Current Liabilities | | 560,791 | 626,601 |
| Non-Current Liabilities | | | |
| Deferred tax liability | 10 | 149,365 | 186,705 |
| Total Non-Current Liabilities | | 149,365 | 186,705 |
| TOTAL LIABILITIES | | 710,156 | 813,306 |
| NET ASSETS | | 4,065,220 | 5,115,583 |
| EQUITY | | | |
| Contributed equity | 17 | 15,891,009 | 15,891,009 |
| Reserves | 18 | 2,487,241 | 1,412,879 |
| Accumulated losses | 19 | (13,417,571) | (11,734,652) |
| Capital and reserves attributable to owners of the company | | 4,960,679 | 5,569,236 |
| Non-Controlling interests | 20 | (895,459) | (453,653) |
| TOTAL EQUITY | | 4,065,220 | 5,115,583 |

The above consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

XTD LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

| | Issued Capital \$ | Share- based Payment Reserve \$ | Options Premium Reserve \$ | Foreign Currency Translation Reserve \$ | Accumulated Losses \$ | Total \$ | Non- controlling interests \$ | Total Equity \$ |
|--|-------------------------|---|-------------------------------------|---|-----------------------------|--------------------|--|-----------------------|
| At 1 July 2016 | 15,891,009 | 1,412,879 | - | - | (11,734,652) | 5,569,236 | (453,653) | 5,115,583 |
| Loss for the year | - | - | - | - | (2,188,171) | (2,188,171) | (396,554) | (2,584,725) |
| Exchange differences on translation of foreign operations | - | - | - | (3,920) | - | (3,920) | - | (3,920) |
| Total comprehensive loss for the year | - | - | - | (3,920) | (2,188,171) | (2,192,091) | (396,554) | (2,588,645) |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Share-based payment - performance shares | - | 865,508 | - | - | - | 865,508 | - | 865,508 |
| Share-based payment | | | 212,774 | - | - | 212,774 | - | 212,774 |
| Disposal of shares in subsidiary | - | - | - | - | 505,252 | 505,252 | (45,252) | 460,000 |
| At 30 June 2017 | 15,891,009 | 2,278,387 | 212,774 | (3,920) | (13,417,571) | 4,960,679 | (895,459) | 4,065,220 |
| | Issued Capital \$ | Share- based Payment Reserve \$ | Options Premium Reserve \$ | Foreign Currency Translation Reserve \$ | Accumulated Losses \$ | Total \$ | Non- controlling interests \$ | Total Equity \$ |
| At 1 July 2015 | 14,091,003 | 1,617,539 | - | - | (10,830,125) | 4,878,417 | - | 4,878,417 |
| Loss for the year | - | - | - | - | (2,515,909) | (2,515,909) | (342,271) | (2,858,180) |
| Total comprehensive loss for the year | - | - | - | - | (2,515,909) | (2,515,909) | (342,271) | (2,858,180) |
| Transactions with owners in their capacity as owners: | | | | | | | | |
| Share-based payment - performance shares | - | 1,595,346 | - | - | - | 1,595,346 | - | 1,595,346 |
| Disposal of shares in subsidiary | - | - | - | - | 1,611,382 | 1,611,382 | (111,382) | 1,500,000 |
| Vesting of performance shares – Tranche A | 900,003 | (900,003) | - | - | - | - | - | - |
| Vesting of performance shares – Tranche B | 900,003 | (900,003) | - | - | - | - | - | - |
| At 30 June 2016 | 15,891,009 | \$1,412,879 | - | - | (11,734,652) | 5,569,236 | (453,653) | 5,115,583 |

The above consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on page 21 to 49.

XTD LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 30-Jun-17 \$ | 30-Jun-16 \$ |
|--|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 3,071,727 | 3,342,707 |
| Payment to suppliers and employees | | (3,975,055) | (3,652,059) |
| Interest received | | 7,889 | 13,826 |
| Research and development grant | | 354,469 | 399,488 |
| Export market development grant | | 91,143 | 49,489 |
| Net cash inflow/(outflow) from operating activities | 25 | (449,827) | 153,451 |
| Cash flows from investing activities | | | |
| Payment for property, plant and equipment | | (373,650) | (390,400) |
| Proceeds from disposal equity investments | | 470,000 | 1,490,000 |
| Net cash inflow from investing activities | | 96,350 | 1,099,600 |
| Cash flows from financing activities | | | |
| Issue of shares and options | | - | - |
| Net cash inflow from financing activities | | - | - |
| Net increase in cash and cash equivalents | | (353,477) | 1,253,051 |
| Cash and cash equivalents at beginning of year | | 2,208,980 | 955,929 |
| Effects of exchange rate changes | | (25,211) | - |
| Cash and cash equivalents at end of year | 11 | 1,830,292 | 2,208,980 |

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 21 to 49.

1. REPORTING ENTITY

XTD Limited (the “Company” or “XTD”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (“ASX”). The addresses of its registered office and principal place of business are disclosed in the Corporate Directory at the beginning of the Annual Report.

The consolidated financial statements of the Company and its subsidiaries are for the year ended 30 June 2017.

The financial statements were authorised for issue by the Board of Directors on 27 September 2017.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The consolidated financial statements were approved by the Board of Directors on the date the directors’ report and declaration was signed. XTD Limited is a for-profit entity for the purpose of preparing the financial statements.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, modified where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency and the presentation currency of the Group.

(d) Use of estimates and judgments

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- (i) Note 27 – Share-based payment arrangements – In relation to performance shares, the Group measures the cost of equity settled share based payments at fair value at the grant date. The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income takes into account management's assessment of the associated performance milestones being achieved.
- (ii) Provision for doubtful debts - The provision for doubtful debts requires a degree of estimation and judgement. The level of provision is assessed by taking into account the aging of receivables, historical collection rates and specific knowledge of the individual debtors financial position.
- (iii) Estimated impairment of non-current assets - The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The directors have considered impairment of plant and equipment and intangible assets at reporting date and prepared a value-in-use calculation. This calculation forecasts the present value of future cash flows up to June 2021 from the current cash generating unit being the Melbourne and Queensland contracts, and using a growth factor of 1.9% consistent with the Consumer Price Index (CPI). The model adopts a discount factor of 10.5% based on the industry average and concludes that the present value of future cash flows is in excess of the carrying value of both plant and equipment and the intangible asset and accordingly no impairment is necessary at reporting date.
- (iv) Intangible assets (contract rights) - Contract rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. The Melbourne contract has a contractual life of 7 years.
- (v) Deferred tax assets – The Group expects to have carried forward tax losses, which have not been recognised as deferred tax assets. The utilisation of tax losses is subject to the Group passing the required Continuity of Ownership and Same Business Test rules at the time the losses are expected to be utilised. Deferred tax assets are only recognised to the extent that its probable that future maintainable profits will utilise the carry forward losses.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Lunalite International Pty Ltd (the “Company” or “Parent Entity”) as at 30 June 2017 and the results of its subsidiaries for the year. Lunalite International Pty Ltd 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 de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

(ii) Transactions eliminated on consolidation

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.

(b) 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.

(c) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments

(i) Non-derivative financial assets

Financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Non-derivative financial assets comprise deposits, loans and receivables and cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. They are included in current assets except those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables. They are recognised initially at fair value and subsequently at amortised cost.

(iii) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount of the asset.

Depreciation on assets is calculated using the diminishing value method to allocate their cost, net of their residual values, as follows:

| | |
|------------------|--------|
| Office equipment | 15-40% |
| Screens | 15-30% |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds from disposal with the net carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

(f) Trade and other receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(g) Other financial assets

The Group classifies its investments in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

Investments in subsidiaries are carried at cost, net of any impairment losses.

(h) Intangible assets (contract rights)

Contact rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Contract rights are tested for impairment when a trigger of impairment is evident.

(i) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Contributed equity

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

(k) Employee Benefits

(i) Share-based payment transactions

In relation to performance shares, the Group measures the cost of equity settled share based payments at fair value at the grant date. The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income takes into account management's assessment of the associated performance milestones being achieved.

The fair value of the shares granted is recognised as an employee or director expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the expected vesting period.

(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(l) Revenue recognition

Revenue from the sale of goods is recognised when the goods are delivered to customers and substantially all risks and rewards of ownership have passed to the customer. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of Goods & Services Tax (GST).

Lease income from operating leases is recognised as income over the lease term and on a variable basis, being the fair value of consideration received or receivable from APN Outdoor. Lease income of XTD is not fixed.

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income as it accrues, using the effective interest method.

(m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for the 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also 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 end of the reporting period 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 amount and tax bases of investments in foreign operations where the company 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 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 and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Government Grants (Research and Development and Export Market)

Research and Development and Export Market grants of \$445,612 are included in the "Other Income" line item in the Statement of Profit or Loss and Other Comprehensive Income. These grants are recognised when a right to receive payment has been established following the successful lodgement of a claim.

(q) Current and Non-Current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New standards and interpretation not yet adopted

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

| AASB No. | Title | Issue Date | Application Date (Annual reporting periods beginning on or after) |
|-----------------|---|-------------------|--|
| 9 | Financial Instruments | Dec 2014 | 1 Jan 2018 |
| 2010-7 | Amendments arising from Accounting Standards arising from AASB 9 (December 2010) | Sep 2012 | 1 Jan 2018 |
| 2014 – 1 | Amendments to Australian Accounting Standards Part E - Financial Instruments Part E - Financial Instruments | Jun 2014 | Part E - 1 Jan 2018 |
| 2014-5 | Amendments to Australian Accounting Standard Arising From AASB 15 | Dec 2014 | 1 Jan 2018 |
| 2014-7 | Amendments to Australian Accounting Standard Arising From AASB 9 (December 2014) | Dec 2014 | 1 Jan 2018 |
| 2014-10 | Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture | Dec 2014 | 1 Jan 2018 |
| 2015-8 | Amendments to Australian Accounting Standards – Effective Date of AASB 15 | Oct 2015 | 1 Jan 2018 |
| 2015-10 | Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128. | Dec 2015 | 1 Jan 2018 |
| 2016-1 | Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] | Feb 2016 | 1 Jan 2017 |
| 2016-2 | Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 | Mar 2016 | 1 Jan 2017 |
| 2016-3 | Amendments to Australian Accounting Standards – Clarifications to AASB 15 | May 2016 | 1 Jan 2018 |
| 2016-5 | Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2] | Jul 2016 | 1 Jan 2018 |
| 2017-2 | Amendments to Australian Accounting Standards –Further Annual Improvements2014-2016 Cycle | Feb 2017 | 1 Jan 2017 |
| 15 | Revenues from Contracts with Customers | Oct 2015 | 1 Jan 2018 |
| 16 | Leases | Feb 2016 | 1 Jan 2019 |
| 17 | Insurance Contracts | Jul 2017 | 1 Jan 2021 |

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. The Board of Directors co-ordinate domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial instruments:

| | 30-Jun-17 | 30-Jun-16 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 1,830,292 | 2,208,980 |
| Trade and other receivables | 150,927 | 247,117 |
| | <u>1,981,219</u> | <u>2,456,097</u> |
| Financial liabilities | | |
| Trade and other payables | 515,146 | 571,856 |
| | <u>515,146</u> | <u>571,856</u> |

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

(i) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Group manages foreign exchange risk by monitoring forecast cash flows in currencies other than the Australian dollar.

The Group has minimal exposure to foreign currency risk at the end of the year.

(ii) Price risk

The Group does not hold investments and therefore is not exposed to equity securities price risk.

(iii) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

| | 30-Jun-17 | | 30-Jun-16 | |
|-------------------------|--------------------------------|-----------|--------------------------------|-----------|
| | Weighted average interest rate | \$ | Weighted average interest rate | \$ |
| Financial assets | | | | |
| Cash & cash equivalents | 0.39% | 1,830,292 | 0.78% | 2,208,980 |

The Group does not have significant interest-bearing assets and percentage changes in interest rates would not have a material impact on the results. Group sensitivity to movement in interest rates is shown in the summarised sensitivity analysis table below.

| | Carrying amount \$ | Interest rate risk | | | |
|--------------------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | | - 100 bps | | + 100 bps | |
| | | Profit AUD \$ | Equity AUD \$ | Profit AUD \$ | Equity AUD \$ |
| 30 June 2017 Financial Assets | | | | | |
| Cash & cash equivalents | 1,830,292 | (7,138) | (7,138) | 18,302 | 18,302 |
| 30 June 2016 Financial Assets | | | | | |
| Cash & cash equivalents | 2,208,980 | (17,230) | (17,230) | 22,089 | 22,089 |

Trade and other payables and trade and other receivables are not subject to interest rate risk.

5. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Group has no significant concentration of credit risk. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings. The Group does not hold any collateral.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has no long term or short term debt and its risk with regard to liquidity relates to its ability to maintain its current operations.

| Cash at bank | 30-Jun-17 | 30-Jun-16 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| National Australia Bank –AA3 | 1,433,899 | 794,300 |
| Westpac –AA3 | 389,123 | 1,414,680 |
| HSBC – INDA1+ | 7,270 | - |

The Group's ability to raise equity funding in the market is paramount in this regard.

The Group manages liquidity by monitoring forecast and actual cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

| 2017 | <6 months | 6-12 | >12 months | Total | Carrying |
|------------------------------|---------------------|-------------|----------------------|--------------------|-----------------|
| | \$ | months | \$ | Contractual | Amount |
| | | \$ | | Cash Flows | \$ |
| | | | | \$ | |
| Financial liabilities | | | | | |
| Trade and other payables | 515,146 | - | - | 515,146 | 515,146 |
| 2016 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 571,856 | - | - | 571,856 | 571,856 |

6. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Due to the short term nature of financial assets and liabilities, varying values approximate fair values.

7. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The segments are consistent with the internal management reporting information that is regularly reviewed by the chief operating decision maker.

The Group is organised into two operating segments: cross-track digital system installation and maintenance (XTD Ltd), and mobile app development for integration with out-of-home transit digital advertising systems (Contact Light).

The Group engages in one business in Australia, activity from which it earns revenues, and its results are analyzed as a whole by the chief operating decision maker. Consequently revenue, profit and net assets for the operating segment and geographical segment are reflected in this annual report.

Intersegment transactions

There were no intersegment transactions during the year.

Major customer

During the year ended 30 June 2017, \$2,931,352 of the Group's revenue was derived from sales to a major Australian Out-Of-Home advertising firm from lease of the Group's digital advertising assets in Melbourne and Brisbane.

| 30 June 2017 | XTD Ltd | Contact Light | Total |
|-----------------------------|--------------------|----------------------|--------------------|
| | \$ | \$ | \$ |
| Income | 3,009,712 | 365,142 | 3,374,854 |
| Expenses | (3,839,541) | (1,174,558) | (5,014,099) |
| Income tax expense | 37,340 | - | 37,340 |
| Operating loss | (792,489) | (809,416) | (1,601,905) |
| Other significant items: | | | |
| Depreciation | (846,345) | (12,005) | (858,350) |
| Amortisation of intangibles | (124,470) | - | (124,470) |
| Net loss before tax | (1,763,304) | (821,421) | (2,584,725) |
| Assets | | | |
| Cash and cash equivalents | 1,585,331 | 244,961 | 1,830,292 |
| Trade and other receivables | 124,854 | 26,073 | 150,927 |
| Plant & equipment | 2,288,893 | 7,389 | 2,296,282 |
| Intangibles | 497,875 | - | 497,875 |
| | 4,496,953 | 278,424 | 4,775,376 |
| Liabilities | | | |
| Trade and other payables | 197,260 | 317,886 | 515,146 |
| Provisions | 19,846 | 25,799 | 45,645 |
| Deferred tax liability | 149,365 | - | 149,365 |
| | 366,471 | 343,686 | 710,156 |

7. SEGMENT INFORMATION (continued)

| 30 June 2016 | XTD Ltd | Contact Light | Total |
|-----------------------------|--------------------|--------------------|--------------------|
| | \$ | \$ | \$ |
| Income | 3,870,924 | 69,870 | 3,940,794 |
| Expenses | (4,421,756) | (1,127,439) | (5,549,195) |
| Income tax expense | 37,340 | - | 37,340 |
| Operating loss | (513,492) | (1,057,570) | (1,571,062) |
| Other significant items: | | | |
| Depreciation | (1,153,195) | (9,454) | (1,162,649) |
| Amortisation of intangibles | (124,470) | - | (124,470) |
| Net loss before tax | (1,791,157) | (1,067,023) | (2,858,180) |
| Assets | | | |
| Cash and cash equivalents | 1,786,074 | 422,906 | 2,208,980 |
| Trade and other receivables | 236,417 | 10,700 | 247,117 |
| Plant & equipment | 2,834,206 | 16,241 | 2,850,447 |
| Intangibles | 622,345 | - | 622,345 |
| | 5,479,042 | 449,847 | 5,928,889 |
| Liabilities | | | |
| Trade and other payables | 452,144 | 119,712 | 571,856 |
| Provisions | 20,769 | 33,976 | 54,745 |
| Deferred tax liability | 186,705 | - | 186,705 |
| | 659,618 | 153,688 | 813,306 |

8. REVENUE

The Group derives the following types of revenue:

| | 30-Jun-17 | 30-Jun-16 |
|--|------------------|------------------|
| | \$ | \$ |
| Sales Revenue | | |
| Lease income | 2,931,352 | 3,452,991 |
| Other Revenue and Other Income | | |
| Interest income | 7,890 | 13,826 |
| Other | - | 25,000 |
| Research and development grant | 354,469 | 399,488 |
| Export market development grant | 91,143 | 49,489 |
| | 453,502 | 487,803 |
| Total revenue and other income from continuing operations | 3,384,854 | 3,940,794 |

Revenues of \$2,931,352 (2016: \$3,452,991) are derived from a single external customer. These revenues relate to leasing income.

9. EXPENSES

Loss for the year includes the following specific expenses:

| | 30-Jun-17 | 30-Jun-16 |
|--|------------------|------------------|
| | \$ | \$ |
| Personnel expenses | | |
| Wages and salaries (including provisions) | 860,861 | 878,930 |
| Employee motor vehicle expenses | 11,331 | 32,710 |
| Superannuation | 80,273 | 78,299 |
| Employee benefits share based payment (Note 26) | 442,370 | 830,796 |
| Directors fees | 185,047 | 167,200 |
| Directors benefits share based payment (Note 26) | 423,137 | 764,550 |
| | 2,003,020 | 2,752,485 |

10. INCOME TAX EXPENSES

| | 30-Jun-17 | 30-Jun-16 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| (a) Income tax expense: | | |
| Current income tax | - | - |
| Deferred income tax | (37,340) | (37,340) |
| Current income tax benefit | - | - |
| | <u>(37,340)</u> | <u>(37,340)</u> |
| (b) Reconciliation of Income tax expense to prima facie tax payable: | | |
| Loss before income tax | (2,622,065) | (2,895,520) |
| Prima facie income tax at 27.5% (2016: 30%) | (721,068) | (868,656) |
| Non-deductible expenditure | 275,471 | 146,167 |
| Timing differences not recognized | 408,257 | 685,149 |
| | <u>-</u> | <u>-</u> |
| Income tax benefit not recognized | - | - |
| Income tax expense/(benefit) | <u>(37,340)</u> | <u>(37,340)</u> |
| (c) Unrecognised deferred tax assets arising on timing differences and losses | | |
| Carry forward revenue losses-Australia | 1,323,034 | 1,461,820 |
| Carry forward revenue losses-Foreign | 7,195 | - |
| Deductible temporary differences | 74,950 | 124,859 |
| Unrecognised deferred tax assets | <u>1,405,179</u> | <u>1,586,679</u> |
| (d) Deferred tax liabilities | | |
| Business combination – intangible | 136,917 | 186,705 |
| Property, plant and equipment | 171,102 | 148,598 |
| | <u>308,019</u> | <u>335,303</u> |

The tax benefits of the above deferred tax assets will only be obtained if:

- The Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- The Group continues to comply with the conditions for deductibility imposed by law; and
- No changes in income tax legislation adversely affect the consolidated entity from utilising the benefits.

11. CASH AND CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the year

| | 30-Jun-17 | 30-Jun-16 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank and in hand | 1,830,292 | 2,208,980 |
| | 1,830,292 | 2,208,980 |

The Group does not have any restrictions on any cash held at bank or on hand.

The above figures agree to the cash and cash equivalents at the end of the financial year as shown in the statement of cash flows.

(b) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 5(a)(iii).

12. TRADE & OTHER RECEIVABLES

| | 30-Jun-17 | 30-Jun-16 |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| Trade and other receivables | 115,557 | 240,484 |
| Prepayments | 35,370 | 6,633 |
| | 150,927 | 247,117 |

(a) Trade receivables past due but not impaired

There were no trade receivables past due but not impaired.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 5 for more information on the risk management policy of the group and the credit quality of the Group's trade receivables.

13. PLANT AND EQUIPMENT

| | 30-Jun-17 | 30-Jun-16 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Plant and equipment | 2,296,282 | 2,850,447 |
| | <u>2,296,282</u> | <u>2,850,447</u> |
| Reconciliation: | | |
| Balance at the beginning of the year | 2,850,447 | 3,772,244 |
| Additions | 304,185 | 240,852 |
| Depreciation expense | (858,350) | (1,162,649) |
| Balance at the end of the year | <u>2,296,282</u> | <u>2,850,447</u> |

See note 2(d)(iii) for impairment considerations

14. INTANGIBLES

| | 30-Jun-17 | 30-Jun-16 |
|----------------------------|----------------|----------------|
| | \$ | \$ |
| Contract rights (a) | | |
| At cost | 871,285 | 871,285 |
| Accumulated amortisation | (373,410) | (248,940) |
| | <u>497,875</u> | <u>622,345</u> |

See note 2(d)(iii) for impairment considerations

(a) Business combination – Outdoor Digital Solutions Pty Ltd

On 2 January 2013, the Company acquired 100% of the issued capital of Outdoor Digital Solutions Pty Ltd. The consideration for the acquisition was made up of a \$90,000 cash deposit and a \$520,000 cash payment on settlement. Outdoor Digital Solutions owns the rights to each of the Melbourne and Queensland rail advertising contracts. The commencement date of the contract was 1 July 2014. A deferred tax liability of \$261,385 was recognised in respect of this acquisition. The contract is being amortised on a straight line basis over the contract term (7 years).

15. TRADE & OTHER PAYABLES

| | 30-Jun-17 | 30-Jun-16 |
|------------------|----------------|----------------|
| | \$ | \$ |
| Trade creditors | 129,736 | 142,273 |
| Accrued expenses | 111,725 | 327,241 |
| Other payables | 273,685 | 102,342 |
| | <u>515,146</u> | <u>571,856</u> |

Trade and other payables are non-interest bearing liabilities stated at cost and are predominantly settled within 30 days.

The carrying amounts of trade and other payable are assumed to be the same as their fair values, due to their short term nature.

16. PROVISIONS

| | 30-Jun-17 | 30-Jun-16 |
|----------------------------|---------------|---------------|
| | \$ | \$ |
| Provision for annual leave | 45,645 | 54,745 |
| | 45,645 | 54,745 |

17. ISSUED CAPITAL

(a) Share Capital

| | 30-Jun-17 | |
|----------------------------|-------------|-------------|
| | \$ | No. |
| Issued Capital | 17,114,647 | |
| Cost of share issued | (1,223,638) | |
| Fully paid ordinary shares | 15,891,009 | 132,986,077 |

| | 30-Jun-16 | |
|----------------------------|-------------|-------------|
| | \$ | No. |
| Issued Capital | 17,114,647 | |
| Cost of share issued | (1,223,638) | |
| Fully paid ordinary shares | 15,891,009 | 132,986,077 |

(b) Movements in ordinary share capital

| | 30-Jun-17 | | Issue price per ordinary share |
|--------------------------------|-------------------|--------------------|---|
| | \$ | No. | |
| Opening balance | 15,891,009 | 132,986,077 | - |
| Balance at 30 June 2017 | 15,891,009 | 132,986,077 | |

17. ISSUED CAPITAL (continued)

(b) Movements in ordinary share capital (continued)

| | 30-Jun-16 | | |
|--|-------------------|--------------------|---------------------------------------|
| | \$ | No. | Issue price per ordinary share |
| Opening balance | 14,091,003 | 123,986,051 | - |
| Conversion of performance shares – Tranche A ⁽ⁱ⁾ | 900,003 | 4,500,013 | \$0.200 |
| Conversion of performance shares – Tranche B ⁽ⁱⁱ⁾ | 900,003 | 4,500,013 | \$0.200 |
| Balance at 30 June 2016 | 15,891,009 | 132,986,077 | |

(i) Conversion of tranche A performance shares on 25/08/15. Refer note 27 for further details.

(ii) Conversion of tranche B performance shares on 25/02/16. Refer note 27 for further details.

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At shareholders' meetings, each ordinary share is entitled to one vote per share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital risk management

The Group's capital includes share capital, reserves and accumulated losses. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to achieve this, the Group may issue new shares in order to meet its financial obligations.

(c) Options

The Group issued 5,000,000 listed options during the year (2016: \$nil). The options have an exercise price of \$0.22 and expire on 28 June 2020. Refer to note 27 for further details on the options issued.

18. RESERVES

| | 30-Jun-17 | 30-Jun-16 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| Share-based payments reserve | 2,278,387 | 1,412,879 |
| Options premium reserve | 212,774 | - |
| Foreign currency translation reserve | (3,920) | - |
| Balance at the end of the year | 2,487,241 | 1,412,879 |

| | 30-Jun-17 | 30-Jun-16 |
|---|------------------|------------------|
| | \$ | \$ |
| Share-based payments reserve | | |
| Balance at the beginning of the year | 1,412,879 | 1,617,539 |
| Expense related to performance shares issued 19 December 2014 | 865,508 | 1,595,346 |
| Conversion of Tranche A and B performance shares to ordinary shares | - | (1,800,006) |
| Balance at the end of the year | 2,278,387 | 1,412,879 |

Refer to note 27 for further details on the performance shares issued.

| | 30-Jun-17 | 30-Jun-16 |
|--|----------------|-----------|
| | \$ | \$ |
| Options premium reserve | | |
| Balance at the beginning of the year | - | - |
| Valuation of options issued 28 June 2017 | 212,774 | - |
| Balance at the end of the year | 212,774 | - |

Refer to note 27 for further details on the options issued.

| | 30-Jun-17 | 30-Jun-16 |
|--|----------------|-----------|
| | \$ | \$ |
| Foreign currency translation reserve | | |
| Balance at the beginning of the year | - | - |
| Exchange difference arising on translation of foreign operations | (3,920) | - |
| Balance at the end of the year | (3,920) | - |

18. RESERVES (continued)

(a) Nature and Purposes of Reserves

(i) Share-based Payment and Options Premium Reserves

This reserve is used to record the value of equity benefits to employees, management personnel, chairman, non-executive directors and consultants as part of their remuneration. When the performance shares vest the amount recorded in the Share-based Payment Reserve relevant to those performance shares is transferred to share capital.

(ii) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities. The exchange differences arising are recognised in other comprehensive income as and accumulated within a separate reserve within equity. The cumulative amount is reclassified to the statement of profit or loss and other comprehensive income when the net investment is disposed of.

19. ACCUMULATED LOSSES

| | 30-Jun-17 | 30-Jun-16 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Accumulated losses at the beginning of the financial year | (11,734,652) | (10,830,125) |
| Net loss attributable to members of the Group | (2,188,171) | (2,515,909) |
| Disposal of shares in subsidiary | 505,252 | 1,611,382 |
| Accumulated losses at the end of the financial year | <u>(13,417,571)</u> | <u>(11,734,652)</u> |

20. NON-CONTROLLING INTERESTS

| | 30-Jun-17 | 30-Jun-16 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Balance at the beginning of the year | (453,653) | - |
| Interest in: | | |
| Fair value of net liabilities acquired by the minority | (45,252) | (111,382) |
| Share of the loss for the current period | (396,554) | (342,271) |
| Balance at the end of the year | <u>(895,459)</u> | <u>(453,653)</u> |

A subsidiary of the group, Contact Light Pty Ltd (Contact Light), raised funds via a private placement to unrelated parties during the period. Contact Light raised a total of \$460,000 on 8 June 2017. As a result, XTD's ownership of Contact Light has been diluted to 47.35% at reporting date. The non-controlling interest's share of the net operating loss of Contact Light Pty Ltd between 1 July 2016 and 30 June 2017 is \$396,554. The fair value of net liabilities acquired by the minority in 2017 totals \$45,252 and the excess paid by the minority for the issued shares totalling \$505,252 has been transferred to accumulated losses attributable to the owners of XTD Ltd.

The net assets of Contact light at 30 June 2017 amounted to \$95,262 (2016: \$266,159). The total profit or loss and other comprehensive income for the year amended to \$(821,421) (2016: \$(1,067,023)).

21. RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is Lunalite International Pty Ltd.

(b) Subsidiaries

The Group Structure, from an accounting perspective, reflects Lunalite International Pty Ltd as the parent entity and XTD Ltd as a subsidiary following a reverse acquisition.

Group structure

| | Country of incorporation | Class of shares | Ownership interest 2017 | Ownership interest 2016 |
|-----------------------------------|-------------------------------------|----------------------------|--|--|
| Parent Entity | | | | |
| Lunalite International Pty Ltd | Australia | Ordinary | | |
| Subsidiaries | | | | |
| Red Hawk Resources Ltd | Australia | Ordinary | 100% | 100% |
| XTD Ltd | Australia | Ordinary | 100% | 100% |
| Contact Light Pty Ltd | Australia | Ordinary | 47% | 52% |
| Outdoor Digital Solutions Pty Ltd | Australia | Ordinary | 100% | 100% |
| XTD India Private Limited | India | Ordinary | 100% | - |

Red Hawk Resources Ltd was incorporated on 16 May 2011.

Lunalite International Pty Ltd was incorporated on 16 August 2005.

Contact Light Pty Ltd was incorporated on 7 August 2014.

Outdoor Digital Solutions Pty Ltd was incorporated on 3 July 2009.

XTD India was incorporated on 15 February 2017.

XTD maintains control over Contact Light by a combination of a 47% shareholding and board control. Three of the four current directors of Contact Light Pty Ltd are also directors of XTD Ltd.

(c) Key management personnel compensation

The key management personnel compensation is as follows:

| | 30-Jun-17 | 30-Jun-16 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term benefits | 466,095 | 395,469 |
| Post-employment benefits | 20,297 | 20,699 |
| Share-based payments | 670,161 | 1,435,812 |
| | 1,156,553 | 1,851,980 |

21. RELATED PARTY TRANSACTIONS (continued)

(d) Other transactions with key management personnel

During the year, the Group was charged \$18,000 (2016: \$39,000) by Azure Capital. Azure Capital provided consultancy and management services to the Group on normal commercial terms. John Toll is a director of Azure Capital. The balance owing at year end is \$nil.

During the year, the Group was charged \$36,000 (2016: \$21,000) by Boston First Capital. Boston First Capital provided consultancy and management services to the Group on normal commercial terms. Stuart Richardson is a director of Boston First Capital. The balance owing at year end is \$nil.

During the year, the Group loaned \$25,000 (2016: \$nil) to Mr Steve Wildisen. Steve Wildisen is the Chief Executive Officer of XTD Ltd. This employee loan was repaid in full during the year. The balance owing at year end is \$nil.

22. REMUNERATION OF AUDITORS

| | 30-Jun-17 \$ | 30-Jun-16 \$ |
|---|-----------------|-----------------|
| Amounts received or due and receivable by PKF Mack for: | | |
| (i) An audit or review of the financial report of the entity | 43,235 | 43,000 |
| Amounts received or due and receivable by PKF Mack for: | | |
| (ii) Other services in relation to the entity and any other entity in the consolidated group – Income tax | 6,330 | 4,650 |
| (iii) Other services in relation to the entity and any other entity in the consolidated group – Export Market Development Grant claim | 5,675 | 3,950 |
| | 12,005 | 8,600 |
| Total of non-audit services provided to the Group | 12,005 | 8,600 |

23. GUARANTEES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Under the services contract in place with XTD, Metro Trains Melbourne's annual minimum revenue guarantee is \$nil for the first year. The minimum guarantee is to be set at 30% of the net advertising revenue for the first year of the contract. The revised amount is not currently quantifiable as the first full year of generating advertising revenue has not been completed. The minimum guarantee is in place for the term of the contract (7 years).

Under the services contract in place with XTD, Queensland Rail's annual minimum revenue guarantee is \$137,496 plus an 18% revenue share. The minimum guarantee is fixed for the term of the contract (7 years).

Under the new sales agency agreement with APN outdoor, the minimum guarantee of lease income to the group is \$1,750,000 per annum.

No other guarantee or contingent liabilities/assets were noted for the Group for the year ended 30 June 2017.

24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the Period on 17 July 2017, XTD advised it had signed a new reseller agreement with Australia's largest outdoor media companies, APN Outdoor. The new agreement will see APN Outdoor continue to act as the content sales agency for XTD's digital screen networks in the Melbourne and Brisbane metro rail networks. The new agreement with APN Outdoor increases the scope of the partnership with XTD, with the new term set to run for the next 18 months, with considerations for an additional extension term of 18 months.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (i) the Group's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Group's state of affairs in future financial years.

25. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| Reconciliation of net loss after income tax to net cash flows from operating activities. | 30-Jun-17 \$ | 30-Jun-16 \$ |
|--|--------------------|--------------------|
| Net loss after income tax | (2,584,725) | (2,858,180) |
| Adjustments for: | | |
| Amortisation of intangibles | 124,470 | 124,470 |
| Depreciation | 858,350 | 1,162,649 |
| Doubtful Debts | - | 10,431 |
| Directors benefits expense | 423,137 | 764,550 |
| Employee benefits expense | 442,370 | 830,796 |
| Provision for employee leave expense | (9,100) | 34,731 |
| Share-based payment | 212,774 | - |
| Change in assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | 96,190 | (78,847) |
| Increase/(decrease) in trade and other payables | (13,263) | 162,851 |
| Net cash inflow/(outflow) from operating activities | (449,827) | 153,451 |

26. EARNINGS PER SHARE

Basic loss per share

The calculation of basic loss per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of \$2,187,099 and a weighted average number of ordinary shares outstanding during the year ended 30 June 2017 of 129,555,739 calculated as follows:

| | 30-Jun-17 \$ | 30-Jun-16 \$ |
|---|-----------------|-----------------|
| Loss attributable to ordinary shareholders | (2,187,099) | (2,515,909) |
| Weighted average number of ordinary shares | 129,555,739 | 129,555,739 |
| Basic loss per share (cents per share) | (1.7) | (1.9) |

Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.

27. SHARE-BASED PAYMENTS

(a) Performance shares

As part of the Lunalite acquisition on 19 December 2014, XTD Ltd issued 28,500,076 performance shares to management personnel, the Chairman and a non-executive director. These performance shares were issued in four classes, each with different performance milestones. Each performance share will convert into 1 ordinary share of XTD Ltd upon achievement of the performance milestone.

The company has assessed each class as being probable of being achieved and have therefore recognised an expense over the expected vesting period. Class A and Class B Performance milestones was however achieved during the year. Accordingly, the full expense was recognised for 30 June 2016.

The details of each class are tabled below:

| Class | Number | Grant Date | Exercise Price | Expiry Date of Milestone Achievements | Underlying Share Price | Total Fair Value |
|--------------|---------------|-------------------|-----------------------|--|-------------------------------|-------------------------|
| A | 4,500,013 | 19/12/14 | Nil | 19/12/16 | \$0.20 | \$900,003 |
| B | 4,500,013 | 19/12/14 | Nil | 19/12/16 | \$0.20 | \$900,003 |
| C | 4,500,013 | 19/12/14 | Nil | 19/12/17 | \$0.20 | \$900,003 |
| D | 15,000,037 | 19/12/14 | Nil | 19/12/19 | \$0.20 | \$3,000,007 |

Performance Milestones:

1. First revenue to Lunalite from Queensland Contract. This milestone expires two years from completion of the acquisition (19 December 2014). This condition was met during the 2015 financial year.
2. Security mobile application being developed and either being adopted by one rail operator, or achieving a minimum of 200,000 subscribers. This milestone expires two years from completion of the acquisition (19 December 2014). This condition was met during the 2016 financial year.
3. Lunalite generating total revenue of at least \$5 million in any 12 month period. This milestone expires three years from completion of the acquisition (19 December 2014).
4. Lunalite being awarded an offshore XTD contract of at least 40 screens and that contract being successfully installed and generating revenue to Lunalite. This milestone expires within five years from completion of the acquisition (19 December 2014).

The total expense arising from share based payment transactions recognised during the period in relation to the performance shares issued was \$865,508 (2016: \$1,595,346). This amount has been included in Director and Employee benefits expense in Note 9.

Class C and D have yet to vest and are therefore not exercisable.

27. SHARE-BASED PAYMENTS (continued)

(b) Options

There have been no options issued to current directors and executives as part of their remuneration.

5,000,000 listed options were issued during the year to Asenna Capital. The options have an exercise price of 22 cents each and expire on 28 June 2020. The option value was calculated using the Black-Scholes Model. The value of the options has been determined using the Black-Scholes Model as they were issued in accordance with an agreement rather than on receipt of a vendor invoice. The option reserve records items recognised on valuation of director, employee and contractor share options as well as share options issued during the course of a business combination.

There are no other options on issue at 30 June 2017.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

| | |
|----------------------------------|--------|
| Dividend Yield | - |
| Expected volatility (%) | 94 |
| Risk-free interest rate (%) | 1.5 |
| Expected life of options (years) | 3.0 |
| Option exercise price | 0.22 |
| Share price at grant date | 0.010 |
| Value of option (\$) | 0.0425 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

28. PARENT ENTITY FINANCIAL INFORMATION

| | 30-Jun-17 | 30-Jun-16 |
|---|------------------|------------------|
| | \$ | \$ |
| Current Assets | 1,113,178 | 1,229,867 |
| Non-Current Assets | 2,705,850 | 3,456,551 |
| Total Assets | 3,819,028 | 4,686,418 |
| Current Liabilities | 1,836,184 | 2,347,386 |
| Non-Current Liabilities | 149,365 | 186,705 |
| Total liabilities | 1,985,549 | 2,534,091 |
| Contributed equity | 5,108,554 | 5,108,554 |
| Accumulated losses | (3,275,075) | (2,956,227) |
| Total equity | 1,833,479 | 2,152,327 |
| Profit/(Loss) for the year | (318,848) | 122,039 |
| Other comprehensive loss for the year | - | - |
| Total comprehensive profit/(loss) for the year | (318,848) | 122,039 |

a. Guarantees and Contingent Liabilities

Refer to note 23 for details of guarantees and contingent liabilities.

b. Contractual Commitments


There are no significant commitments.

In the opinion of the Directors of XTD Limited (the "Company"):

1. The attached consolidated financial statements, notes thereto and the additional disclosures included in the Directors' Report designated as audited are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (c) the financial statements also complies with International Financial Reporting Standards as disclosed in note 2(a) to the financial statements.
2. There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Directors



**Mr Stuart Richardson
Non-Executive Director
Perth, Western Australia
27 September 2017**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XTD LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of XTD Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

- a) The financial report of XTD Limited is in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the consolidated entity in accordance with 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.

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.

Impairment of non-current assets

Why significant

Non-current assets total \$2,794,157 at 30 June 2017 which amounts to 59% of total assets. Non-current assets comprise, Plant & Equipment and Intangibles which total \$2,296,282 (Note 13) and \$497,875 (Note 14) respectively.

Under Australian Accounting Standards, an entity shall assess whether at the end of the reporting period there is any indication that its non-current assets are impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. At year end, the consolidated entity has concluded that the recoverable amount of the related cash generating unit is in excess of the carrying value of non-current assets. As a result no impairment was recognised during the year. The assumptions of indicators of impairment are highly judgemental and include modelling key assumptions and estimates based on past and current performance that may be impacted by future performance and economic conditions.

Key assumptions, judgements and estimates used in the consolidated entity's assessment of impairment of non-current assets are set out in the financial report in Note 2 (d) (iii).

How our audit addressed the key audit matter

Our work included, but was not limited to:

- Evaluating the assumptions, methodologies and conclusions used by the consolidated entity in particular, those relating to the forecast inflows and inputs used to formulate them in the consolidated entity's model.

- Assessing the reasonableness of the significant assumptions including the discount rate and growth rate adopted in the consolidated entity's model.

- Assessing the reasonableness of the cash generating unit ("CGU") designation and the anticipated future inflows from each CGU.

We also considered the adequacy of the financial report disclosure concerning the judgemental nature of the consolidated entity's assessment of impairment of these non-current assets. These key assumptions, judgements and estimates are set out in the financial report in Note 2 (d) (iii).

Valuation of share based payments

Why significant

During the year the consolidated entity issued 5,000,000 options to third parties as disclosed in Note 27. The consolidated entity has determined that these options have a fair value at grant date of \$212,774 which is material in the context of the current year's performance.

The valuation of share based payments utilises judgement in ascertaining the assumptions and inputs used in the valuation model. These assumptions and inputs are further described in Note 2 (d) (i) and Note 27 to the financial report.

How our audit addressed the key audit matter

Our work included, but was not limited to:

- Reviewing the key inputs including strike price, grant date fair value of the underlying security, expiry period of the option and the risk free rate adopted by the consolidated entity;
- Performing recalculations on the consolidated entity's volatility input; and
- Performing recalculation of the valuation based on the consolidated entity's inputs.

We also assessed the appropriateness of the Note disclosures in Note 2 (d) (i) and Note 27.

Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report were the Director's report and Shareholder's Information. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities 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 Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 consolidated entity'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 consolidated entity to cease to continue as a going concern.

We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

Opinion

In our opinion, the Remuneration Report of XTD Limited for the year ended 30 June 2017, 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.

PKF Mack

PKF MACK

Simon Fermanis

SIMON FERMANIS
PARTNER

27 SEPTEMBER 2017
WEST PERTH
WESTERN AUSTRALIA

The following additional information was applicable as at 18 September 2017.

There are a total of 132,986,077 ordinary fully paid shares on issue and 5,000,000 quoted options exercisable at \$0.22 on or before 28 June 2020.

DISTRIBUTION OF SHARE HOLDERS

| Distribution of Holders | Number of Fully Paid Ordinary Shareholders |
|--------------------------------|---|
| 1 – 1,000 | 177 |
| 1,001 – 5,000 | 219 |
| 5,001 – 10,000 | 143 |
| 10,001 – 100,000 | 457 |
| 100,001 and above | 155 |
| TOTAL | 1,151 |

DISTRIBUTION OF LISTED OPTIONHOLDERS

| Distribution of Holders | Number of Listed Option Holders |
|--------------------------------|--|
| 1 – 1,000 | - |
| 1,001 – 5,000 | - |
| 5,001 – 10,000 | - |
| 10,001 – 100,000 | 46 |
| 100,001 and above | 8 |
| TOTAL | 54 |

VOTING RIGHTS OF ORDINARY SHARES

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- (a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

TERMS AND CONDITIONS OF QUOTED OPTIONS

The material terms of the quoted options are as follows:

- (a) Each option (**Option**) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) at an exercise price of 22.0 cents (**Exercise Price**).
- (b) The Options are exercisable at any time on or before 5.00pm Western Standard Time on 28 June 2020 (**Expiry Date**). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.
- (c) Options may not be exercised if the effect of such exercise and subsequent allotment of the Shares would be to create a holding of less than a marketable parcel of Shares unless the allottee is already a shareholder of the Company at the time of exercise.
- (d) Exercise of the Option is effected by completing a notice of exercise of option and delivering it to the registered office of the Company together with payment of 22 cents per Option exercised.

- (e) A notice of exercise is only effective when the Company has received the full amount of the Exercise Price in cash or cleared funds.
- (f) The Options are freely transferable, subject to any offer for sale of the Options complying with section 707 of the Corporations Act (if applicable).
- (g) All Shares issued upon exercise of the Options and payment of the Exercise Price will rank equally in all respects with the Company's then existing Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of the Options within three days of the issue of the Shares.
- (h) There are no participating rights or entitlements inherent in the Options and the holder will not be entitled to participate in new entitlement issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, Option holders are given such period required by the Listing Rules of ASX to give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (i) If from time to time before the expiry of the Options the Company makes an issue of shares to the holders of ordinary shares by way of capitalisation of profits or reserves (a "bonus issue") other than in lieu of a dividend payment, then upon exercise of an Option the Optionholder will be entitled to have issued to it (in addition to the shares which it is otherwise entitled to have issued to it upon such exercise) additional shares in the Company. The number of additional shares is the number of shares which would have been issued to it under that bonus issue (bonus shares) if on the date on which entitlements were calculated it had been registered as the holder of the number of shares which it would have been registered as holder if immediately before that date it had exercised its Options. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (j) The period during which the Options may be exercised cannot be extended.
- (k) In the event of any reconstruction, including a consolidation, subdivision, reduction or return of the issued capital of the Company prior to the Expiry Date, the number of Options which each holder is entitled or the Exercise Price of the Options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules and will not result in any benefits being conferred on Optionholders which are not conferred on shareholders, subject to such provision with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the Options will remain unchanged. The rights of an Optionholder may be changed to comply with the Listing rules applying to a reorganisation of capital at the time of the reconstruction.

RESTRICTED SECURITIES

The Company currently has no securities subject to ASX escrow.

SHARE BUY-BACKS

There is no current on-market buy-back scheme.

SUBSTANTIAL HOLDERS

The names of the substantial shareholders and the number of shares to which they are entitled are:

| | |
|------------------------------|--------------------|
| F.H.C. Wilson Pty Ltd | 10,925,402 (8.22%) |
| Mr Steven Wildisen | 7,332,641 (5.51%) |
| Keneric Nominees Pty Ltd | 7,189,390 (5.41%) |
| SG Hiscock & Company Limited | 6,932,827 (5.25%) |

The names of holders of quoted options with greater than 5% of the class of securities on issue are as follows:

| | |
|--------------------------------|--------------------|
| A & J TANNOUS NOMINEES PTY LTD | 1,100,000 (22.00%) |
| MR ANDREW SCOTT WILLIS | 500,000 (10.00%) |
| MRS JEAN TANNOUS | 500,000 (10.00%) |
| BL CAPITAL PTY LTD | 500,000 (10.00%) |
| MR DEAN POTTER | 500,000 (10.00%) |
| SACCO DEVELOPMENTS AUSTRALIA | 400,000 (8.00%) |
| ASENNA WEALTH SOLUTIONS PTY | 265,000 (5.30%) |

TWENTY LARGEST SHAREHOLDERS (As at 23 August 2017)

| No. | Name | Number Held | Percentage |
|-----|--------------------------------|--------------------|----------------|
| 1 | F.H.C. WILSON PTY LTD | 10,925,402 | 8.22% |
| 2 | HSBC CUSTODY NOMINEES | 8,435,831 | 6.34% |
| 3 | MR STEVEN ANTHONY WILDISEN | 7,332,641 | 5.51% |
| 4 | KENERIC NOMINEES PTY LTD | 7,189,390 | 5.41% |
| 5 | MR FRANK HURLEY | 6,136,835 | 4.61% |
| 6 | J P MORGAN NOMINEES AUSTRALIA | 6,000,000 | 4.51% |
| 7 | MARK NIUTTA PTY LTD | 4,126,689 | 3.10% |
| 8 | BRAHAM INVESTMENTS PTY LTD | 2,707,846 | 2.04% |
| 9 | WISEUP INVESTMENTS PTY LTD | 2,068,418 | 1.56% |
| 10 | MARK NIUTTA PTY LTD | 1,842,172 | 1.39% |
| 11 | DR FRANCIS HAROLD CHRISTIAN | 1,792,735 | 1.35% |
| 12 | CCK (WA) PTY LTD | 1,581,004 | 1.19% |
| 13 | MR JOHN TOLL | 1,458,169 | 1.10% |
| 14 | MR BRADLEY CLIVE MORGAN | 1,441,985 | 1.08% |
| 15 | MR GREGORY JOSEPH WILDISEN | 1,335,843 | 1% |
| 16 | GARVEST PTY LTD | 1,300,000 | 0.98% |
| 17 | CHASE BUSINESS CONSULTING | 1,275,004 | 0.96% |
| 18 | MR JASON CHRISTOPHER BYRNE | 1,175,000 | 0.88% |
| 19 | FANDEXA NOMINEES PTY LTD | 1,100,000 | 0.83% |
| 20 | S LOADER PTY LTD | 1,008,980 | 0.76% |
| | Sub-Total | 70,233,944 | 52.81% |
| | Total Remaining Balance | 62,752,133 | 47.19% |
| | Grand Total | 132,986,077 | 100.00% |

TWENTY LARGEST OPTIONHOLDERS (As at 23 August 2017)

| No. | Name | Number Held | Percentage |
|--------------------------------|--------------------------------|------------------------|-------------------|
| 1 | A & J TANNOUS NOMINEES PTY LTD | 1,100,000 | 22% |
| 2 | MR ANDREW SCOTT WILLIS | 500,000 | 10% |
| 3 | MRS JEAN TANNOUS | 500,000 | 10% |
| 4 | BL CAPITAL PTY LTD | 500,000 | 10% |
| 5 | MR DEAN POTTER | 500,000 | 10% |
| 6 | SACCO DEVELOPMENTS AUSTRALIA | 400,000 | 8% |
| 7 | ASENNA WEALTH SOLUTIONS PTY | 265,000 | 5.30% |
| 8 | MR KIM ROBERT CHIRKOFF MCVICAR | 200,000 | 4% |
| 9 | MR GEORGE TANNOUS | 100,000 | 2% |
| 10 | MRS NATALIE ALBITAR | 100,000 | 2% |
| 11 | ANGLO MENDA PTY LTD | 100,000 | 2% |
| 12 | MR STEPHEN SILVER | 50,000 | 1% |
| 13 | WHAIRO CAPITAL PTY LTD | 30,000 | 0.60% |
| 14 | MR MICHAEL RICHARD PORTER & | 30,000 | 0.60% |
| 15 | MR BRUCE WILLIAM SMYTHE & | 30,000 | 0.60% |
| 16 | TONY RISTEVSKI PTY LTD | 20,000 | 0.40% |
| 17 | MR JOSEPH SAAD | 20,000 | 0.40% |
| 18 | MS JANINE SILVER | 15,000 | 0.30% |
| 19 | MS BIANCA SILVER | 15,000 | 0.30% |
| 20 | MS MELANIE SILVER | 15,000 | 0.30% |
| Sub-Total | | 4,490,000 | 89.80% |
| Total Remaining Balance | | 510,000 | 10.20% |
| Grand Total | | 5,000,000 | 100.00% |

OTHER INFORMATION

XTD Limited, incorporated and domiciled in Australia, is a public listed Company limited by Shares.