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

29 August 2013

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF 2013 PRELIMINARY FINAL REPORT (APPENDIX 4E)

In accordance with the Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30 June 2013.

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

Yours sincerely,

Lawrence A. Gardiner
Company Secretary

Attachment: Appendix 4E – 2013 Preliminary Final Report for XTEK Limited.

Appendix 4E
Preliminary Final Report

Name of Entity
XTEK Limited

Australian Business Number	Financial year ended (current period)
90 103 629 107	**30 June 2013**

Results for announcement to the market

				$A'000
Total Revenue	up	7%	to	$4,833
(Loss) after tax	down	29%	to	($773)
(Loss) for the period attributable to members	down	29%	to	($773)

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

Loss per share attributable to the ordinary equity holders of the company	2013 $	2012 $
(a) Basic loss per share	(0.005)	(0.008)
(b) Diluted loss per share	(0.005)	(0.008)

Net Tangible Asset Backing Per Share	2013 $	2012 $
	0.01	0.01

Appendix 4E
Preliminary Final Report – 30 June 2013

Comments by Directors

Revenue is up by 7% despite continued budget constraints on Government expenditure in the Defence and Homeland Security sectors during 2013. What is particularly pleasing is that in these difficult trading conditions XTEK was still able to make some significant sales to both the Australian and New Zealand Defence Forces in the latter part of the financial year. The loss for the year is down significantly on last year.

XTEK has continued to expand and diversify its product range in order to mitigate the current sales climate and to meet contemporary customer expectations. This has enhanced the Company's client base and resulted in extremely positive feedback in Customer Satisfaction Surveys.

In addition to taking on new agency lines, the Company has also successfully developed and brought to market a range of tactical weapon accessories for use by Defence and Police Agencies. In recognition of meeting the stringent procurement requirements of Defence in a timely and cost-effective manner, XTEK has been awarded Preferred Supplier status by the Australian and New Zealand Defence Forces.

The Company has also invested in its Unmanned Aerial Vehicle (UAV) capability and now has two qualified UAV pilots. This is the critical first step in XTEK developing an indigenous UAV lease capability which will allow us to provide an operational unmanned aerial capability to a range of government and private sector organisations.

XTEK has been awarded a significant international contract to the total value of $1,502,166 by the United States (US) Department of Defense Foreign Comparative Testing (FCT) Office. XTEK was notified of its success on 3 October 2012 and after successfully completing all stages of the FCT Process, was formally awarded the FCT contract to undertake development and testing works using XTclave™ technology on 1 July 2013. The contract requires XTEK to undertake development and testing work for the US Army over the next two years to develop advanced lightweight hard armour plate solutions using XTEK's novel XTclave™ isostatic Composite Consolidation Technology (CCT). This is a significant achievement and positions the Company for a future that will include XTclave™ CCT as an important business revenue stream.

Looking forward, the focus of the Company will be to build upon the initial success of recently introduced agency and XTEK-developed product ranges and to successfully complete the FCT armour development and testing work for the US Army in order to firmly establish XTclave™ as the world leading armour technology of choice. Further XTclave™ research and development opportunities will also be investigated along with alternative market sector applications in the lucrative Global Composites Market.

No revenue was earned from the XTclave™ in the last financial year. Despite this, the company's financial performance improved. This year XTEK expects to generate significant revenues from the XTclave™ technology which should lead to increased revenue and an overall improved financial performance.

XTEK Business Analysis

Agency sales are in line with last financial year, however gross margins have improved slightly from the previous year. Operational expenditure remained within budgeted limits. Details of the agency sales of equipment and services are included in the business analysis table below:

	1st Half Dec 12 $'000	1st Half Dec 11 $'000	%	2nd Half Jun 13 $'000	2nd Half Jun 12 $'000	%	Full Year Jun 13 $'000	Full Year Jun 12 $'000	%
Agency Sales									
EOD/IEDD General	210	207	1%	77	190	(59%)	287	397	(28%)
High Risk Response	31	289	(89%)	310	241	29%	341	530	(36%)
Forensics	68	887	(92%)	152	307	(51%)	220	1,194	(82%)
Weapons and Ammunition	532	454	17%	1,590	734	117%	2,122	1,188	79%
Logistics Engineering Revenue	767	390	97%	589	486	21%	1,356	875	55%
Environmental products		182	(100%)					182	(100%)
Total Sales	**1,608**	**2,409**	**(33%)**	**2,718**	**1,957**	**39%**	**4,326**	**4,366**	**(1%)**
Gross Profit	**783**	**865**	**(10%)**	**1,073**	**832**	**29%**	**1,856**	**1,697**	**9%**
Gross Profit %	**49%**	**36%**		**39%**	**43%**		**43%**	**39%**	
Other Income	252	66	282%	255	85	200%	507	151	236%
Agency Expenses	(1,548)	(1,524)	2%	(1,587)	(1,411)	12%	(3,135)	(2,935)	7%
Agency (loss)/profit before tax	**(513)**	**(593)**		**(260)**	**(494)**		**(773)**	**(1,087)**	
Income Tax	-	-		-	-		-	-	
Total (Loss)/Profit after Tax	**(513)**	**(593)**		**(260)**	**(494)**		**(773)**	**(1,087)**	

Agency Loss before Tax

The agency loss before tax was $773k compared with a loss of $1.087m in 2012.

Significant changes in the state of affairs

(a) On 1 March 2013, Mr. Brian Malcolm resigned as an Executive Director of the Company.

(b) On 1 March 2013, Mr. Robert Quodling was appointed as a Non Executive Director of the Company.

(c) On 28 May 2013, Mr. Lawrence Broadbent was appointed as a Non Executive Director of the Company.

Matters subsequent to the end of the financial year

(a) On 5 July 2013, the Company announced that it had been awarded a significant international contract up to the value of $1,502,166 over a two year period by the US Department of Defense FCT Program. The contract calls for XTEK to undertake development and testing work for the US Army over a two year period to develop advanced lightweight armour plate solutions using XTEK's novel isostatic XTclave™ technology. No revenue was recorded at 30 June 2013 for this contract.

(b) On 27 August 2013, the XTEK Board approved the Company to undertake a capital raising of up to $629,000 in H1 of FY 2013/2014. The Company intends to raise the capital through either a Non – Renounceable Rights Issue or Placement Offers to shareholders/investors and will advise the market accordingly.

Likely future developments

XTEK believes that its novel XTclave™ CCT has significant potential well beyond the manufacture of ballistic armour systems and will actively investigate opportunities to diversify into further technical fields within the Global Composites Market. XTEK anticipates accessing these sectors through international alliances, joint ventures and licence agreements. XTclave™ CCT has the potential to provide significant financial return to the Company in the medium to long term through production and licence agreements.

XTEK will continue to develop and produce a range of precision weapon ancillaries for the Blaser Tactical 2 Sniper Rifle and other weapon systems currently in service with the Australian Defence Force and government agencies.

On the back of its recent success developing a high quality range of weapon ancillaries, the Company will continue to investigate opportunities to develop further XTEK products to meet specific client requirements.

XTEK will continue to invest in its UAV capability throughout the coming year with a view to securing market share in the growing government and private sector UAV lease markets.

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Preliminary Final Report – 30 June 2013

Statement of Comprehensive Income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue from operations	2	**4,325,840**	4,365,750
Other income	3	**507,151**	151,009
Changes in inventories of finished goods and work in progress		**(2,469,510)**	(2,669,398)
Employee benefits expense	4	**(1,704,237)**	(1,500,998)
Depreciation	4	**(128,127)**	(108,561)
Operational expenditure	4	**(1,296,324)**	(1,294,263)
Finance costs	4	**(7,726)**	(30,909)
(Loss) from operations before income tax		**(772,993)**	(1,087,370)
Income tax expense		**-**	-
(Loss) from operations after tax		**(772,993)**	(1,087,370)
(Loss) after tax attributable to members		**(772,993)**	(1,087,370)
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		**(772,993)**	(1,087,370)
Earnings per share for (loss) for the year attributable to the ordinary equity holders of the company:			
Basic loss per share	6	**(0.005)**	(0.008)
Diluted loss per share	6	**(0.005)**	(0.008)

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Statement of Financial Position as at 30 June 2013

	Notes	2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents		**450,911**	206,704
Trade and other receivables		**978,243**	160,631
Inventories		**579,692**	794,768
Other		**79,967**	165,729
Total current assets		**2,088,813**	1,327,832
Non-current assets			
Property, plant and equipment	7	**689,859**	838,179
Total non-current assets		**689,859**	838,179
Total assets		**2,778,672**	2,166,011
LIABILITIES			
Current liabilities			
Trade and other payables		**1,225,369**	378,708
Interest bearing liabilities	10	**-**	50,000
Provisions		**87,209**	54,897
Deferred income		**90,247**	326,558
Other	11	**200,000**	200,000
Total current liabilities		**1,602,825**	1,010,163
Non-current liabilities			
Provisions		**29,382**	37,583
Deferred income		**72,153**	-
Total non-current liabilities		**101,535**	37,583
Total liabilities		**1,704,360**	1,047,746
Net assets		**1,074,312**	1,118,265
EQUITY			
Contributed equity	12	**19,325,728**	18,596,748
Reserves		**514,228**	514,228
Accumulated losses		**(18,765,644)**	(17,992,711)
Total equity		**1,074,312**	1,118,265

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Preliminary Final Report – 30 June 2013

Statement of Cash Flows for the year ended 30 June 2013

	Notes	**2013 $**	2012 $
Cash flows used in operating activities			
Receipts from customers		**3,914,681**	5,594,278
Payments to suppliers and employees		**(4,725,841)**	(6,157,249)
		(811,160)	(562,971)
Receipt of grants		**291,549**	29,804
Interest received		**5,584**	6,028
Borrowing costs		**(7,726)**	(30,909)
Net cash flows used in operating activities	5	**(521,753)**	(558,048)
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment		**(117,565)**	(286,058)
Proceeds from sale of property, plant and equipment		**204,545**	8,658
Net cash flows from/(used in) investing activities		**86,980**	(277,400)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**756,959**	593,417
Payment of transaction costs associated with the issue of capital		**(55,739)**	(16,545)
Proceeds from short term loans		**125,000**	100,000
Proceeds from sale and leaseback		**-**	200,000
Repayments of short term loans		**(147,240)**	(130,032)
Net cash flows from financing activities		**678,980**	746,840
Net increase/(decrease) in cash and cash equivalents		**244,207**	(88,608)
Cash and cash equivalents at the beginning of the financial year		**206,704**	295,312
Cash and cash equivalents at end of year		**450,911**	206,704

Statement of Changes in Equity

For the year ended 30 June 2013

	Issued Capital (Note 12) $	Other Equity Securities (Note 12) $	Equity-based payments reserve $	Accumulated losses $	Total equity $
At 1 July 2011	17,826,840	73,067	514,228	(16,905,341)	1,508,794
Loss for the year	-	-	-	(1,087,370)	(1,087,370)
Total income and expense for the period	-	-	-	(1,087,370)	(1,087,370)
Issues of ordinary shares during the year:					
Issue of share capital	713,386	-	-	-	713,386
Transaction costs associated with issue of share capital	(16,545)	-	-	-	(16,545)
At 30 June 2012	18,523,681	73,067	514,228	(17,992,711)	1,118,265
At 1 July 2012	18,523,681	73,067	514,228	(17,992,711)	1,118,265
Loss for the year	-	-	-	(772,933)	(772,933)
Total income and expense for the period	-	-	-	(772,933)	(772,933)
Issues of ordinary shares during the year:					
Issue of share capital	784,719	-	-	-	784,719
Transaction costs associated with issue of share capital	(55,739)	-	-	-	(55,739)
Transfer between categories of equity	73,067	(73,067)	-	-	-
At 30 June 2013	19,325,728	-	514,228	(18,765,644)	1,074,312

Appendix 4E
Preliminary Final Report – 30 June 2013
Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the preliminary final report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The preliminary final report includes the financial statements for XTEK Limited as an individual entity.

(a) Corporate Information

The preliminary final report of XTEK Limited for the year ending 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 29 August 2013.

XTEK Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

(b) Going Concern Basis of Accounting

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

The company has incurred a loss of $772,933 for the year ended 30 June 2013 (full year ended 30 June 2012: loss of $1,087,370 and half-year ended 31 December 2012: loss of $513,453). Accumulated losses to 30 June 2013 total $18,765,644 (accumulated losses to 31 December 2012 total $18,506,164). The balance of cash and cash equivalents was $450,911 as at 30 June 2013 (as at 30 June 2012: $206,704 and as at 31 December 2012: $298,808).

The ability of the company to continue as a going concern is dependent on:

(i) the ability to meet projected revenue levels;
(ii) timing of cash receipts;
(iii) retention of overheads at budgeted levels; and
(iv) additional capital being raised.

The Directors acknowledge that limited finance facilities are presently in place through related parties as disclosed in Note 10 and are therefore monitoring cash flows on a weekly basis and tightly managing discretionary expenditure.

The Directors have reviewed the Company's financial position and cash flow forecasts for the next twelve months, which shows that the Company will be able to meet its debts as and when they fall due and payable and are, therefore, of the opinion that the use of the going concern basis of accounting is appropriate. This is based on the belief that the Company will meet projected revenue from its agency and XTclave™ R&D businesses, raise additional capital and that the Company will be able to retain overheads at budgeted levels.

Should the company not achieve the matters set out above, there is uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments to assets and liabilities that may be necessary if the Company is unable to continue as a going concern.

(c) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year.

(ii) Adoption of new Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations issued or amended that are applicable to the current reporting period did not have a financial impact in the financial statements or performance of the Company, and are not expected to have a future financial impact on the Company.

(iii) Future Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2013. It is anticipated that the new requirements will have no material financial impact on future reporting periods.

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Notes to the Financial Statements

(d) Significant accounting judgment, estimates and assumptions

No accounting judgements, estimates or assumptions have been made that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next annual reporting period.

(e) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Australian dollars, which is XTEK Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(f) Property, plant and equipment

(i) Cost and Valuation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

(ii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Major depreciation periods are:

- plant and equipment 3 -15 years

(iii) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. XTEK Limited does not currently hold any qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(h) Intangible Assets

(i) Research and development

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable. Where recognition criteria are not met development costs are recognised in the statement of comprehensive income as incurred.

Gains or losses from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

(i) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell and value in use for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Trade receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable amounts. Receivables are non-interest bearing and are generally on 30 day terms, unless otherwise agreed with the customer. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the company will not be able to collect the debt.

Receivables from related parties are recognised and carried at amortised cost, with interest recognised using the effective interest rate method.

(l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and equivalents as defined above, net of outstanding bank overdrafts.

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Preliminary Final Report – 30 June 2013
Notes to the Financial Statements

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time, is recognised as a finance cost.

(n) Share-based payment transactions

(i) Equity-settled transactions

The Company has an ability to provide benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide such benefits:

- the XTEK Long Term Incentive Performance Rights Plan (LTIPRP); and
- the Employee Share Ownership Plan (ESOP), which provides benefits to all employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to either the Black Scholes valuation or by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of XTEK Limited ('market conditions') if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award, (ii) the current best estimate of the awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is also a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as an additional share dilution in the computation of diluted earnings per share.

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Notes to the Financial Statements

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of Services

Revenue is recognised by reference to the stage of completion of a contract.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Deferred Income

Deferred income consists of customer deposits received and government grants. Deferred income relating to customer deposits is not recognised as revenue until such time when the ownership of the goods is transferred to the customer. In the case of Government grants, grants are recognised in accordance with the accounting policy outlined in Note 1(z).

(p) Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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(q) Taxes Continued

Deferred income tax assets and liabilities are measured at all tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(r) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements,

are charged against surpluses on a net basis in their respective categories.

The contributions made to superannuation funds are charged to the statement of comprehensive income.

(i) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(s) Earnings per share

(i) Basic earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(ii) Diluted earnings per share

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary charges in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

(s) Earnings per share continued

- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

(u) Trade and other payables

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

(v) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(w) Dividends

No dividends were declared on or before or subsequent to the end of the financial year.

(x) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of Loans

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or though use of an allowance account. The amount of the loss is recognised in profit or loss.

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(z) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive statement over the expected useful life of the relevant asset by equal annual instalments.

(aa) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Company as a lessor

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Income from leases relates only to property which is sub-let by the Company.

2. Revenue

	2013	2012
From operations	**$**	$
Sales revenue		
Sale of goods	**2,969,474**	3,485,748
Revenue from repairs	**1,332,326**	789,447
Revenue from services	**24,040**	90,555
	4,325,840	4,365,750

3. Other income

	2013	2012
	$	$
Rental Income	**70,777**	95,269
Interest	**5,584**	6,028
R&D tax incentive (refer Note 8)	**408,551**	-
Grant Income	**14,437**	29,804
Other	**7,802**	18,421
Profit on sale of property, plant and equipment	**-**	1,487
	507,151	151,009

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4. Expenses

	2013 **$**	2012 $
Loss before income tax includes the following specific expenses:		
Employee Benefits		
Salaries and Wages	**1,504,695**	1,287,410
Superannuation	**145,270**	146,569
Redundancy payments	**4,088**	-
Payroll Tax	**27,638**	41,398
Workers Compensation	**22,546**	25,621
Total Employee Benefits	**1,704,237**	1,500,998
Depreciation		
Plant and Equipment	**16,149**	31,701
Motor Vehicles	**1,614**	5,122
Office Furniture and Equipment	**18,991**	21,334
Computer Software	**16,778**	16,448
Demonstration Equipment	**26,131**	23,838
Leasehold Property Improvements	**9,479**	10,118
XTclave	**38,985**	**-**
Total Depreciation	**128,127**	108,561
Operational Expenditure		
Accounting Fees	**13,807**	13,678
Audit Fees	**70,907**	73,848
Advertising and Conferences	**140,969**	105,393
Bank Charges	**8,682**	6,530
Consultancy Fees	**80,280**	89,497
Director Fees	**71,423**	109,992
Insurance	**108,722**	124,851
FBT	**20,575**	38,014
Legal Fees	**9,930**	6,471
Office Administrative Costs	**432,948**	436,253
Operating Lease Charges	**79,529**	74,215
Share Registry Fees	**29,163**	29,380
Travel and Entertainment	**81,412**	91,102
Staff Training	**18,813**	4,424
Net foreign currency losses	**29,438**	5,634
Other expenses	**99,726**	84,981
Total Operational Expenditure	**1,296,324**	1,294,263
Finance costs		
Interest and finance charges	**7,726**	30,909
Total Finance Costs	**7,726**	30,909

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5. Reconciliation of (losses) after income tax to net cash flows (used in) operating activities

	2013 **$**	2012 $
(Loss) for the year	**(772,933)**	(1,087,370)
Adjustments for:		
Depreciation	**128,127**	108,561
Net (profit) on disposal of property, plant and equipment		(1,487)
Changes in assets and liabilities		
(Increase)/decrease in trade debtors	**(817,611)**	609,943
Decrease in inventory	**148,288**	474,446
Decrease in prepayments and other assets	**85,762**	40,653
Increase/(decrease) in trade and other payables	**846,661**	(835,162)
Increase/(decrease) in deferred income	**(164,158)**	164,021
Increase/(decrease) in provisions	**24,111**	(31,653)
Net cash flow used from operating activities	**(521,753)**	(558,048)

6. Earnings per share

	2013 **$**	2012 $
(a) Basic loss per share		
(Loss) attributable to the ordinary equity holders of the company	**(0.005)**	(0.008)
(b) Diluted loss per share		
(Loss) attributable to the ordinary equity holders of the company	**(0.005)**	(0.008)

	2012 **Number**	2011 Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**162,022,007**	134,903,022
Adjustments for calculation of diluted earnings per share: Options and share performance rights	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**162,022,007**	134,903,022

(i) Options and share performance rights

Options and share performance rights granted to employees and directors that are considered to be potential ordinary shares have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at reporting date, the options and share performance rights have not been included in the determination of basic earnings per share.

7. Property, Plant and Equipment

During the full year ended 30 June 2013, the company acquired assets with a cost of $117,565 (2012: $286,066), which include $57,763 of work in progress associated with the construction of an XTclave™ (2012: $281,380).

8. Government Grants

During the financial year, $277,112 of funds were received for government grants from AusIndustry's R&D Tax Incentive Regime which related to financial year 2012. There were no unfulfilled conditions or contingencies attached to this grant at the reporting date. Of the $277,112 received, $196,127 has been recognised as revenue and $80,985 has been recognised as deferred income consistent with the accounting policies of the Company. Income of $212,424 has also been recognised for AusIndustry's R&D Tax Incentive Regime in relation to R&D expenses incurred in financial year 2013.

9. Share Based Payments

(a) Expired Options and Share Performance Rights

There were no options or share performance rights exercisable at the end of the year or any prior year. As at 30 June 2013 there were no unissued shares.

(b) Weighted average share price

The weighted average market price at 30 June 2013 was 2.7 cents.

10. Interest Bearing Liabilities

(a) During the half year, $27,760 from the capital raised was offset against the loan repayment otherwise due to a related party, Vasey Pty Ltd, resulting in cash repaid to Vasey Pty Ltd of $22,240 which extinguished the loan outstanding.

(b) In November 2012 an unsecured loan of $125,000 was provided to the Company by a related party (UDB Pty Ltd) with an interest rate of 14.5% to fund a short term cash flow deficit. There were no covenants associated with this loan and full repayment was made in December 2012.

(c) On 11 April 2013, a secured loan facility of $300,000 was made available to the Company by a related party (UDB Pty Ltd) for a twelve month period with an interest rate of 12.5%. This loan facility is to fund any short term cash flow deficit and has been structured to allow for partial or full draw down by the Company during the term of the loan.

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11. Other Current Liabilities

During the financial year 2012, the Company entered into a contractual arrangement that is in the legal form of a sale and operating leaseback arrangement with a related party (UDB Pty Ltd) associated with a Remote Positioning Vehicle. However, the substance of the arrangement and the relationship between the parties meant that revenue from the transaction was not recognised, but rather deferred within other current liabilities, to the amount of $200,000. The recognition of revenue from this transaction will be re-assessed upon expiration of the lease term.

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12. Contributed Equity

(a) Share Capital

Movement in ordinary shares on issue	**No of shares**	**$**
At 1 July 2012	145,919,196	18,523,681
Shares issued	30,193,341	784,719
Transaction costs on share issue	-	(55,739)
Transfer between categories of equity		73,067
At 30 June 2013	176,112,537	19,325,728

(b) Ordinary Shares

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

13. Contingent Liabilities

There are no contingent liabilities at 30 June 2013.

No changes have been reported in contingent liabilities since the last annual reporting date.

14. Events occurring after the balance sheet date

(a) XTEK has been awarded a significant international contract to the total value of $1,502,166 over a two year period by the United States (US) Department of Defense Foreign Comparative Testing (FCT) Office. XTEK was notified of its success on 3 October 2012 and after successfully completing all stages of the FCT Process, was formally awarded the FCT contract to undertake development and testing works using XTclave™ technology on 1 July 2013. No revenue was recorded at 30 June 2013 for this contract.

(b) On 27 August 2013, the XTEK Board approved the Company to undertake a capital raising of up to $629,000 in H1 of FY 2013/2014. The Company intends to raise the capital through either a Non – Renounceable Rights Issue or Placement Offers to shareholders/investors and will advise the market accordingly.

Compliance

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

2. The entity has a formally constituted finance, audit and risk management committee.

Signed

Printed Name: Uwe Boettcher (Chairman)
Date: 29 August 2013