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ISO 9001:2000 Accreditation No. MEL4000269 NSW Security Master Licence: 408232489 ACT Security Master Licence: 17501563

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

27th August 2008

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF PRELIMINARY FINAL REPORT

In accordance with the Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30th June 2008.

Should you require any further information in respect to this matter please contact the Company Secretary, Mr. Lawrence Gardiner at Laurie@xtek.net or (02) 6280 6321 in the first instance.

Yours sincerely,

Lawrence A. Gardiner
Company Secretary

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

Appendix 4E

Preliminary Final Report

Name of Entity

XTEK Limited

Australian Business Number	Financial year ended (current period)
90 103 629 107	30 June 2008

Results for announcement to the market

				$A'000
Revenue	down	36%	to	$8,165
Loss after tax	up	118%	to	($4,608)
Net Loss for the period attributable to members	up	118%	to	($4,608)

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		

Earnings per share

	2008 $	2007 $
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders	**(0.03)**	(0.02)
Loss from discontinued operations attributable to the ordinary equity holders	**(0.03)**	(0.01)
Loss attributable to the ordinary equity holders of the company	**(0.06)**	(0.03)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders	**(0.03)**	(0.02)
Loss from discontinued operations attributable to the ordinary equity holders	**(0.03)**	(0.01)
Loss attributable to the ordinary equity holders of the company	**(0.06)**	(0.03)

Net Tangible Asset Backing	2008 $	2007 $
	0.03	0.09

Explanation of dividends

The entity declared no dividends in 2008.

Comments by Directors

XTEK Limited experienced a difficult year with lower than expected sales, a significant reduction in purchases of equipment by government departments and slow progress in commercialising the intellectual property (IP) at the R&D facility in Adelaide. The disappointing revenue performance necessitated a company restructure with the Adelaide R&D facility scheduled to be closed by 31 December 2008 and its operations including engineering design and drawing functions to be integrated into the Canberra Head Office site. Arrangements are being made to realise the value of the IP generated by this facility. In addition, the Logistics Engineering Division was relocated to the Head Office site in June 2008, a move which is expected to not only reduce costs but also provide synergistic benefits to the company.

Overall operating costs were in line with budget but the revenue finished well short of the FY08 target and has resulted in the restructure which is expected to realise annualised savings of over $2m.

Revenue

Agency sales fell 36% from $12.789m in 2007 to $8.165m in 2008 which was largely due to reduced orders from government customers and to a lesser extent delays in deliveries from suppliers. Please see table presented on page 6 for further details.

Gross Profit Margin

Gross profit margin increased from 35% in June 2007 to 39% in June 2008. This was as a result of a more varied sales mix of services and equipment sales as well as a one off commission sale in September 2007.

Agency Business Loss before restructure costs and impairment

The loss from the agency business increased from $1.066m in 2007 to $1.819m in 2008.

The overall decline in agency revenues has also been offset by an improvement in gross margins and a reduction in overhead expenditure relating to agency business of approximately $773k or 13%.

Total Loss

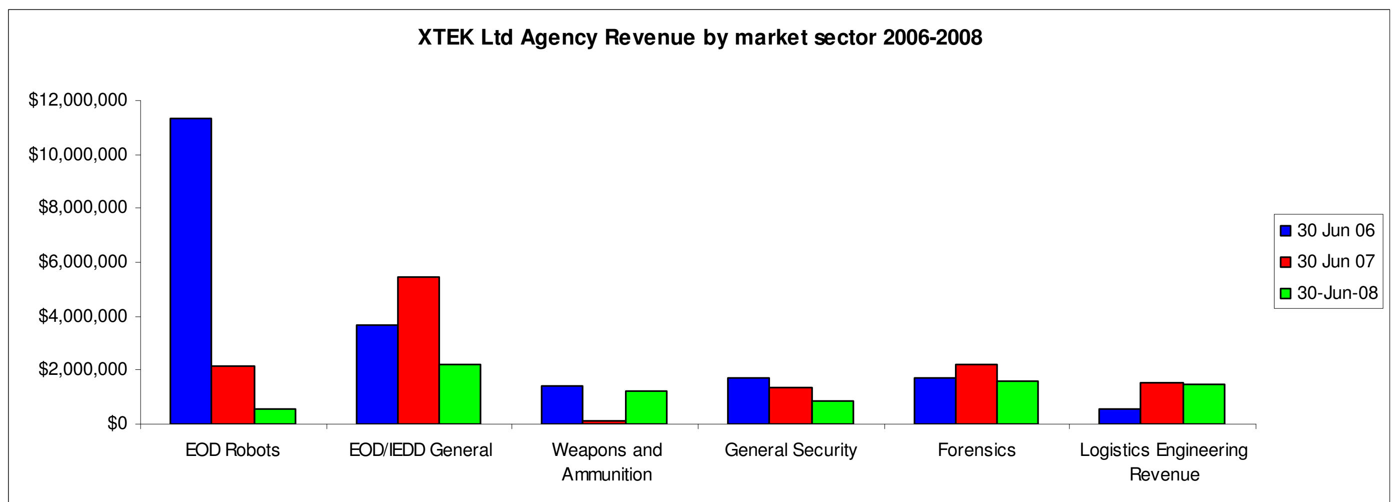
The year on year loss increased from $2.118m in 2007 to $4.608m in 2008. This was due to an increased operating loss as a result of lower sales, and to the costs of the restructure as announced in May 2008. The cost of restructure including redundancies, impairment and other expenses amounts to approximately $1.614m.

Explanation of Agency Revenue

- Total revenues decreased from $12.8 million in 2007 to $8.2 million in 2008.

XTEK Agency Revenue Summary FY06 to FY08

Market Sector	**FY08 $'m**	FY07 $'m	**Var % 08 to 07**		FY06 $'m
Explosive Ordnance Disposal robots	$0.6	$2.2	(73%)		$11.4
EOD general	$2.2	$5.4	(59%)		$3.6
Forensics	$1.6	$2.2	(27%)		$1.7
General Security	$0.9	$1.3	(31%)		$1.7
Weapons & Ammunition	$1.2	$0.1	1,100%		$1.4
Logistics Engineering	$1.4	$1.6	(13%)		$0.6
Other (including commission)	$0.3	-	-		-
Total	**$8.2**	$12.8	**(36%)**		$20.4



The decline in agency revenues over the past two years is largely as a result of lower than expected sales of EOD robots and general EOD/IEDD equipment. This is evident in the market sector variance (73%) and (59%) in the table above.

It should be noted that there have been ongoing delays in the progressing of key Defence projects that have impacted the 2008 agency revenues particularly EOD robots, UAVs and weapons systems.

Explosive Ordnance Disposal Robots

There were no further purchases in FY08 of the tEODor systems, however there has been increased interest in the Telemax system with one being sold in June 2008. Orders for both tEODor and Telemax to the value of $1.308m have been received in the new financial year.

EOD General

This was a particularly disappointing performance falling well below both the 2007 and 2006 levels. After strong sales over the last three years, most EOD teams now have the equipment they need to increase their capability in the traditional role of Render Safe. Consequently, the acquisition focus has moved to counter the emerging threats and XTEK is focussed on finding new agencies to fill this gap and anticipates sales arising in 2009 from new products such as improved trace detection, low cost remote vehicles and large image x-ray systems.

Forensics

Forensics sales ended 27% behind those of 2007 with budget limitations of government customers the main factor. In addition, manufacturing delays for new products also affected orders as XTEK could not supply and install this equipment in-country by the June financial year deadline. Steady sales of high end instruments such as the Video Spectral Comparator (VSC) and Fuming Cabinets were processed as expected and the next financial year will also attract new sales with some state laboratories completing the construction of new facilities and requiring new equipment as part of the fit-out.

General Security

Sales of general security equipment were down 31% year on year. This category includes sales of Personal Protection Equipment (PPE) to Law Enforcement including helmets and riot shields and other detection equipment. XTEK now has in place a number of Standing Offers to provide PPE to a number of agencies and we expect an improvement in revenue in the coming year after these agencies finalise their purchasing needs for the equipment. In June 2008, the company also commenced participation in Commonwealth funded security screening trials with the new ThruVision Terahertz screening technology which provides real time imaging of concealed objects on persons in a variety of scenarios. These trials are likely to be completed before the end of December 2008 and if successful, ThruVision will have applications for use by Customs, Police, Defence and other security agencies in high risk screening operations.

Weapons and Ammunition

The company experienced significant year on year growth in the sales of weapons systems in 2008 largely as a result of a poor prior year in 2007. Delays in supplier order processing resulted in one large sale which was planned for June 2008 slipping into August 2008. There were no significant ammunition sales, however it is expected that the recent purchases of weapons systems for use in various Law Enforcement and Defence agencies will also lead to further procurement of specialist ammunition for these systems. There have been continuing trials of the UTM and Bioval training systems throughout the year and the company is confident of future sales in this training area.

Logistics Engineering Division (LED)

Overall LED experienced a 13% downturn in revenue compared to last financial year. A number of factors contributed to this outcome and strategies have been put in place to increase performance for FY09. Overall revenue raised from workshop labour was up 88% on FY07 and this trend is set to continue as maintenance processes within LED mature and customer confidence increases. Sales of parts were down year on year as a result of the 2007 Defence purchases of tEODor spares that were not repeated on the same scale.

During the year a number of initiatives were taken to reskill and restructure the Division to meet current and future customer needs and this was achieved in conjunction with streamlining and reducing operational expenses. LED also relocated to the Head Office site in Canberra as part of the restructure and this caused a small interruption in the workshop which also contributed to a lower than expected full year result.

XTEK has recently been chosen as a supplier of specialised security training services for the Department of Parliamentary Services and is targeting specialist security training as an area for business expansion.

Explanation of Loss

XTEK's full year loss as reported is $4,608,049. On an earnings per share basis this is a loss of 6 cents per share compared to a loss of 3 cents per share in 2007. The directors and management implemented a restructure of the company in May in order to reduce the cost base and return the business to profitability. As a result of the restructure, the loss as stated includes approximately $1.614m of costs associated with staff redundancies, impairment and other expenses. The restructure is expected to realise annualised savings of over $2m when completed and is expected to see the company return to profitability over the next 12 months. The discussion below when read with the accompanying table on page 6 provides details on the loss and operating expenses.

Agency Business

Whilst total sales year on year are down 36%, the gross margin on sales has increased from 35% in 2007 to 39% in 2008. This is as a result of a more varied sales mix of products and services and a one off commission sale in September 2007. In addition the agency operating expenses are down 13% on 2007 (over $773k) as a result of improved cost control measures and a lower staff headcount (down from 37 in June 2007 to 34 at the end of June 2008).

Whilst there was an improvement in gross margins and in agency operating expenses, the 36% fall in revenues has seen the agency loss increase from $1.066m in 2007 to $1.819m in 2008 (71%).

Non Agency Related Expenses

These expenses relate to the relocation and restructure of the Logistics Engineering Division into the Canberra Head Office site and the related redundancy costs. The remaining restructure costs relate to the closure of the R&D facility and are discussed further below.

Discontinued Operation - R&D Facility

Progress with the commercialisation of the XTEK products and the new ballistic protection manufacturing process has been slower than expected. This together with the losses incurred by the agency business has forced the company to review its R&D capability.

As per the announcement of 28th May 2008, the Research and Development facility in Adelaide is scheduled to close by December 2008 and their operations including engineering design and drawing functions integrated into the Canberra Head Office site. As a consequence of this, the total loss at the R&D facility increased from $0.829m in 2007 to $2.390m in 2008. Whilst the year on year R&D division operating expense only increased marginally from $0.829m to $0.836m, the costs of the restructure and impairment of the fixed and intangible assets resulted in a increase in costs of $1.554m giving rise to the total cost of $2.390m

The company is currently seeking opportunities for the sale of the R&D facility equipment and the facility.

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Appendix 4E
Preliminary Final Report – 30 June 2008

XTEK Ltd Business Analysis

	1st Half Dec 07 $'000	1st Half Dec 06 $'000	%	2nd Half Jun 08 $'000	2nd Half Jun 07 $'000	%	Full Year Jun 08 $'000	Full Year Jun 07 $'000	%
Agency Sales									
EOD/IEDD General	701	2,291	(69%)	1,235	3,119	(60%)	1,936	5,410	(64%)
EOD Robots	51	1,222	(96%)	518	932	(44%)	569	2,154	(74%)
General Security	343	630	(46%)	495	697	(29%)	838	1,327	(37%)
Forensics	371	465	(20%)	1,233	1,738	(29%)	1,604	2,203	(27%)
Weapons and Ammunition	517	40	1193%	720	94	666%	1,237	134	823%
Logistics Engineering Revenue	769	1,007	(24%)	664	554	20%	1,433	1,561	(8%)
Other Product/Service sales	246	-	-	-	-	-	246	-	-
Commission	297	-	-	5	-	-	302	-	-
Total Sales	**3,295**	**5,655**	**(42%)**	**4,870**	**7,134**	**(32%)**	**8,165**	**12,789**	**(36%)**
Cost of Goods Sold	(1,926)	(3,724)	(48%)	(3,027)	(4,569)	(34%)	(4,953)	(8,293)	(40%)
Gross Profit	**1,369**	**1,931**	**(29%)**	**1,843**	**2,565**	**(28%)**	**3,212**	**4,496**	**(29%)**
Gross Profit %	**42%**	**34%**		**38%**	**36%**		**39%**	**35%**	
Other Income									
Interest	51	76	(33%)	43	62	(31%)	94	138	(32%)
Hire and Rent of Equipment	16	49	(67%)	18	88	(80%)	34	137	(75%)
Grant Income	-	69	-	-	32	-	-	101	-
Currency Gains	-	-	-	55	-	-	55	-	-
Other	-	5	-	-	1	-	-	6	-
Other Income	67	199	(66%)	116	183	(37%)	183	382	(52%)
Agency Expenses	(2,612)	(3,044)	14%	(2,492)	(2,833)	12%	(5,104)	(5,877)	13%
Agency Share Based Payments	(64)	(20)	(220%)	(46)	(47)	(2%)	(110)	(67)	(64%)
Total Agency Expenses	**(2,676)**	**(3,064)**	13%	**(2,538)**	**(2,880)**	12%	**(5,214)**	**(5,944)**	12%
Agency EBIT	**(1,240)**	**(934)**	**(33%)**	**(579)**	**(132)**	**(339%)**	**(1,819)**	**(1,066)**	**(71%)**
Other Non Agency Related Expenses									
LED Division - restructure and redundancy costs	-	-	-	(180)	-	-	(180)	-	-
Impairment - property, plant and equipment	-	-	-	(213)	-	-	(213)	-	-
Convertible Notes FV Adjustment	-	(73)	-	-	-	-	-	(73)	-
Total Other Non Agency Expenses	**-**	**(73)**	-	**(393)**	**-**	-	**(393)**	**(73)**	**(438%)**
Finance Costs (incl Notional finance costs)	-	(125)	-	(6)	(25)	76%	(6)	(150)	96%
Loss before Tax on continuing operations	**(1,240)**	**(1,132)**	**(10%)**	**(978)**	**(157)**	**(523%)**	**(2,218)**	**(1,289)**	**(72%)**
Income Tax	-	-	-	-	-	-	-	-	-
Loss after Tax on continuing operations	(1,240)	(1,132)	(10%)	(978)	(157)	(523%)	(2,218)	(1,289)	(72%)
Discontinued operations									
R&D Division (Operating loss)	(381)	(381)	-	(455)	(448)	2%	(836)	(829)	1%
Restructure and redundancy costs	-	-	-	(703)	-	-	(703)	-	-
Impairment - fitout	-	-	-	(544)	-	-	(544)	-	-
Impairment - intangibles	(149)	-	-	(158)	-	-	(307)	-	-
Total R&D Facility Expenses	**(530)**	**(381)**	**(39%)**	**(1,860)**	**(448)**	**(315%)**	**(2,390)**	**(829)**	**(188%)**
Total Loss	**(1,770)**	**(1,513)**	**(17%)**	**(2,838)**	**(605)**	**(369%)**	**(4,608)**	**(2,118)**	**(118%)**

Balance Sheet Commentary

The overall net asset position of the company fell by over $4.5m or 71% in the last financial year largely due to the operating loss and the effect of the restructure that was announced in May. The movement in net assets reflected in the balance sheet in the following categories;

Cash and Cash Equivalents (down from $2,305,358 to $725,825)

- This reflects the operating loss of the last year and the resultant cash outflows.

Inventories (down from $1,641,859 to $1,226,229)

- Inventory balances are down on the previous year by approximately $416k as the company has improved its stock control and optimised order quantities. In addition, equipment and parts to the value of $73k were written off at 30 June 2008 as obsolete and there were transfers to non current assets (demonstration equipment) to the value of $105k.

Property, plant and equipment classified as held for sale (up from $0 to $300,196)

- R&D facility property, plant and equipment assets were valued at fair value less costs to sell. These assets were included in non current assets in 2007.

Other assets (down from $304,235 to 141,788)

- This is largely as a result of prepayments made for weapons systems in June 2007 which did not occur again in June 2008. The equipment was sold in July 2007.

Property, Plant and Equipment (down from $2,016,966 to $680,713)

- This is largely due to the impairment charges as a result of the restructure and fewer capital purchases in the 2008 financial year. Note, $300,196 of the R&D facility property, plant and equipment is included in current assets as being held for sale.

Intangible assets (down from $217,563 to $0)

- As part of the restructure, XTEK has expensed the capitalised development expenses for the ballistic plate inserts (BPI) and armour piercing (AP) ammunition held at 31 December 2007.

Current and Non Current Provisions (increased from $61,123 to $947,011)

- This increase is again as a result of the restructure and includes provisions for staff redundancies, surplus lease space and closure and relocation costs.

List of abbreviations and acronyms

AP	Armour Piercing
EOD	Explosive Ordnance Disposal
IEDD	Improvised Explosive Device Disposal
PPE	Personal Protection Equipment
VSC	Video Spectral Comparator
R&D	Research and Development
LED	Logistics Engineering Division
tEODor®	telerob Explosive Ordnance Disposal and observation robot®
UAV	Unmanned Aerial Vehicle
UTM®	Ultimate Training Munitions®

Significant changes in the state of affairs

Significant changes in the state of affairs of the entity during the financial year were as follows:

(a) In order to consolidate the business and to reduce its overhead costs appropriate to the level of sales, the Board has decided to divest the business of its R&D facility and realise the intellectual property it has developed. Furthermore, the Board has implemented a policy of consolidating its business locations and centralising operations with similar cost-reduction motives. These changes have been largely implemented with a one-off cost but considerable future annual savings.

(b) Staffing levels of the business have been reduced to contain costs.

Matters subsequent to the end of the financial year

Matters subsequent to the end of the financial year for the entity are as follows:

(a) On 2 August 2008, 610,000 options held by previous Directors and related parties, as described in the Prospectus, lapsed.

(b) On 12 August 2008, XTEK received a purchase order for the supply of Explosive Ordnance Disposal (EOD) equipment to the Australian Defence Force (ADF) to the value of $1.079m.

(c) On 15 August 2008, XTEK received a purchase order for the supply of one tEODor large robot and one Telemax medium sized robot to the Victoria Police to the value of $1.308m.

(d) On 20 August 2008 XTEK received a further purchase order for the supply of Explosive Ordnance Disposal (EOD) equipment to the Australian Defence Force (ADF) to the value of $1.08m.

Likely future developments

The company remains focussed on returning to profitable trading in the agency business and to continue constraints on operating costs. The impending closure of the R&D Facility and the relocation of the LED facility to the Canberra Head Office site will result in both costs savings and synergies which will improve the company's overall performance.

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Appendix 4E
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Income Statement for the year ended 30 June 2008

		Consolidated		Parent	
		2008	2007	2008	2007
	Notes	$	$	$	$
Revenue from continuing operations	2	**8,164,996**	12,789,330	**8,164,996**	12,789,330
Other income	3	**183,116**	381,927	**181,997**	592,574
Changes in inventories of finished goods and work in progress		**(4,952,772)**	(8,293,430)	**(4,952,772)**	(8,293,430)
Employee benefits expense	4	**(2,604,256)**	(2,957,931)	**(2,604,256)**	(2,954,013)
Depreciation and Impairment	4	**(559,296)**	(397,376)	**(559,296)**	(397,376)
Operational expenditure	4	**(2,264,198)**	(2,588,217)	**(2,264,198)**	(2,530,965)
Additional expenditure	4	**(180,356)**	(73,067)	**(180,356)**	(73,067)
Finance costs	4	**(5,626)**	(150,195)	**(5,626)**	(149,229)
Loss before income tax		**(2,218,392)**	(1,288,959)	**(2,219,511)**	(1,016,176)
Income tax expense		**-**	-	**-**	-
Loss from continuing operations		**(2,218,392)**	(1,288,959)	**(2,219,511)**	(1,016,176)
Loss from discontinued operations	6	**(2,389,657)**	(828,638)	**(2,389,657)**	(828,638)
Loss for the year		**(4,608,049)**	(2,117,597)	**(4,609,168)**	(1,844,814)
Loss attributable to members of XTEK Limited					
Earnings per share for loss for the year attributable to the ordinary equity holders of the company:		**$**	$		
Basic earnings per share	7	**(0.06)**	(0.03)		
Diluted earnings per share	7	**(0.06)**	(0.03)		
Earnings per share for loss from continued operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	7	**(0.03)**	(0.02)		
Diluted earnings per share	7	**(0.03)**	(0.02)		
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	7	**(0.03)**	(0.01)		
Diluted earnings per share	7	**(0.03)**	(0.01)		

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Appendix 4E
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Balance Sheet as at 30 June 2008

		Consolidated		Parent	
		2008	2007	**2008**	2007
	Notes	**$**	$	**$**	$
ASSETS					
Current assets					
Cash and cash equivalents		**725,825**	2,305,358	**725,825**	2,305,358
Trade and other receivables		**1,767,550**	1,808,690	**1,767,550**	1,808,690
Inventories		**1,226,229**	1,641,859	**1,226,229**	1,641,859
Property, plant and equipment classified as held for sale	6	**300,196**	-	**300,196**	-
Other		**141,788**	304,235	**141,788**	304,235
Total current assets		**4,161,588**	6,060,142	**4,161,588**	6,060,142
Non-current assets					
Property, plant and equipment		**680,713**	2,016,966	**680,713**	2,016,966
Intangible assets		**-**	217,563	**-**	217,563
Total non-current assets		**680,713**	2,234,529	**680,713**	2,234,529
Total assets		**4,842,301**	8,294,671	**4,842,301**	8,294,671
LIABILITIES					
Current liabilities					
Trade and other payables		**1,234,219**	1,176,150	**1,234,219**	1,175,031
Interest bearing liabilities	9	**327,281**	78,360	**327,281**	78,360
Provisions		**915,324**	55,771	**915,324**	55,771
Deferred income		**174,738**	105,039	**174,738**	105,039
Other		**321,907**	336,766	**321,907**	336,766
Total current liabilities		**2,973,469**	1,752,086	**2,973,469**	1,750,967
Non-current liabilities					
Interest bearing liabilities	9	**-**	202,229	**-**	202,229
Provisions		**31,687**	5,352	**31,687**	5,352
Total non-current liabilities		**31,687**	207,581	**31,687**	207,581
Total liabilities		**3,005,156**	1,959,667	**3,005,156**	1,958,548
Net assets		**1,837,145**	6,335,004	**1,837,145**	6,336,123
EQUITY					
Contributed equity	10	**16,840,455**	16,826,955	**16,840,455**	16,826,955
Reserves		**435,526**	338,836	**435,526**	338,836
Retained losses		**(15,438,836)**	(10,830,787)	**(15,438,836)**	(10,829,668)
		1,837,145	6,335,004	**1,837,145**	6,336,123
Total equity		**1,837,145**	6,335,004	**1,837,145**	6,336,123

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Appendix 4E
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Statement of Cash Flows for the year ended 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Cash flows used in operating activities					
Receipts from customers		**9,149,023**	16,023,355	**9,149,023**	13,723,001
Payments to suppliers and employees		**(10,601,753)**	(18,727,047)	**(10,601,753)**	(16,113,010)
		(1,452,730)	(2,703,692)	**(1,452,730)**	(2,390,009)
Receipt of grants		**-**	101,789	**-**	101,789
Interest received		**93,413**	138,963	**93,413**	138,136
Borrowing costs		**(20,277)**	(59,893)	**(20,277)**	(58,927)
Net cash outflow used in operating activities	5	**(1,379,594)**	(2,522,833)	**(1,379,594)**	(2,209,011)
Cash flows used in investing activities					
Payments for property, plant and equipment		**(156,926)**	(339,310)	**(156,926)**	(339,310)
Payments for capitalised development expenditure		**(89,705)**	(217,563)	**(89,705)**	(217,563)
Proceeds from sale of property, plant and equipment		**-**	52,521	**-**	10,164
Net cash outflow used in investing activities		**(246,631)**	(504,352)	**(246,631)**	(546,709)
Cash flows from financing activities					
Payments of finance lease		**(78,360)**	(183,000)	**(78,360)**	(95,793)
Proceeds from borrowings	9	**125,052**	-	**125,052**	-
Proceeds from issues of shares and other equity securities		**-**	1,180,000	**-**	1,180,000
Proceeds from borrowings converted into ordinary shares during the year		**-**	3,000,000	**-**	3,000,000
Net cash inflow from financing activities		**46,692**	3,997,000	**46,692**	4,084,207
Net increase (decrease) in cash and cash equivalents		**(1,579,533)**	969,815	**(1,579,533)**	1,328,487
Cash and cash equivalents at the beginning of the financial year		**2,305,358**	1,335,543	**2,305,358**	976,871
Cash and cash equivalents at end of year		**725,825**	2,305,358	**725,825**	2,305,358

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Statement of Changes in Equity

For the year ended 30 June 2008

CONSOLIDATED	Issued Capital (Note 10) $	Other Equity Securities (Note 10) $	Equity-based payments reserve $	Retained earnings $	Total equity $
At 1 July 2007	16,753,888	73,067	338,836	(10,830,787)	6,335,004
Loss for the year	-	-	-	(4,608,049)	(4,608,049)
Total income and expense for the period				(4,608,049)	(4,608,049)
Issues of ordinary shares during the year:					
Issue of share capital to employees for no consideration (note 8)	13,500	-	-	-	13,500
Cost of share based-payments (note 8)	-	-	96,690	-	96,690
At 30 June 2008	16,767,388	73,067	435,526	(15,438,836)	1,837,145

Statement of Changes in Equity

For the year ended 30 June 2008

PARENT	Issued Capital (Note 10) $	Other Equity Securities (Note 10) $	Equity-based payments reserve $	Retained earnings $	Total equity $
At 1 July 2007	16,753,888	73,067	338,836	(10,829,668)	6,336,123
Loss for the year				(4,609,168)	(4,609,168)
Total income and expense for the period	-	-	-	(4,609,168)	(4,609,168)
Issues of ordinary shares during the year:					
Issue of share capital to employees for no consideration (note 8)	13,500	-	-	-	13,500
Cost of share based-payments (note 8)	-	-	96,690	-	96,690
At 30 June 2008	16,767,388	73,067	435,526	(15,438,836)	1,837,145

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Statement of Changes in Equity

For the year ended 30 June 2007	Attributable to equity holders of the parent					
CONSOLIDATED	Issued Capital	Other Equity Securities	Equity-based payments reserve	Foreign currency translation reserve	Retained earnings	Total equity
	$	$	$	$	$	$
At 1 July 2006	10,574,138	73,918	271,289	(67,744)	(8,713,190)	2,138,411
Currency translation differences	-	-	-	57,884	-	57,884
Transfer to income statement	-	-	-	9,860	-	9,860
Total income and expense for the period recognised directly in equity	-	-	-	67,744	-	67,744
Loss for the year	-	-	-	-	(2,117,597)	(2,117,597)
Total income and expense for the period	-	-	-	67,744	(2,117,597)	(2,049,853)
Issues of ordinary shares during the year:						
Issue of share capital	1,180,000	-	-	-	-	1,180,000
Transaction costs associated with issue of share capital	(17,776)	-	-	-	-	(17,776)
Conversion of Convertible Notes	5,111,755	-	-	-	-	5,111,755
Consideration for cancellation of Convertible Notes equity component	-	(851)	-	-	-	(851)
Cost of share based-payments	-	-	67,547	-	-	67,547
GST adjustment on transaction costs associated with IPO	(94,229)	-	-	-	-	(94,229)
At 30 June 2007	16,753,888	73,067	338,836	-	(10,830,787)	6,335,004

Statement of Changes in Equity

For the year ended 30 June 2007

PARENT	Issued Capital $	Other Equity Securities $	Equity-based payments reserve $	Retained earnings $	Total equity $
At 1 July 2006	10,574,138	73,918	271,289	(8,984,854)	1,934,491
Loss for the year	-	-	-	(1,844,814)	(1,844,814)
Total income and expense for the period	-	-	-	(1,844,814)	(1,844,814)
Issues of ordinary shares during the year:					
Issue of share capital	1,180,000	-	-	-	1,180,000
Transaction costs associated with issue of share capital	(17,776)	-	-	-	(17,776)
Conversion of Convertible Notes	5,111,755	-	-	-	5,111,755
Consideration for cancellation of Convertible Notes equity component	-	(851)	-	-	(851)
Cost of share based-payments	-	-	67,547	-	67,547
GST adjustment on transaction costs associated with IPO	(94,229)	-	-	-	(94,229)
At 30 June 2007	16,753,888	73,067	338,836	(10,829,668)	6,336,123

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 separate financial statements for XTEK Limited as an individual entity and the consolidated entity consisting of XTEK Limited and its subsidiaries.

(a) Corporate Information

The preliminary final report of XTEK Limited for the year ending 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 27 August 2008.

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

The preliminary final report has been prepared on the going concern basis. The company has made a loss for the year ended 30 June 2008 of $4,608,049 (year ended 30 June 2007: loss of $2,117,597). Accumulated losses to 30 June 2008 total $15,438,836 (year ended 30 June 2007: accumulated losses of $10,830,787). The balance of cash and cash equivalents at 30 June 2008 was $725,825 (year ended 30 June 2007: $2,305,358). The ability of the company to continue as a going concern is dependant on the company's ability to meet its debts as and when they fall due and payable. The company has prepared cash flow forecasts for the next twelve months which reveal that the company will be able to meet its debts as and when they fall due and payable. These cash flow forecasts are based on a number of assumptions in particular about the company's ability to meet projected agency sales levels.

The directors are confident that the company will meet these projected agency sales and on this basis the directors believe the adoption of the going concern basis of accounting is justified. However, should this position change the company may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the company not continue as a going concern.

(c) Basis of Preparation

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008

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Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	XTEK operates in one geographical area only and as such these amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

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Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB2008-5	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
AASB2008-6	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

*designates the beginning of the applicable annual reporting period unless otherwise stated

(d) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XTEK Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. XTEK Limited and its subsidiaries together are referred to in this preliminary final report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

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

(e) Significant accounting judgment, estimates and assumptions

(i) Significant accounting judgment

In the process of applying the Group accounting policies, management has made the following judgments, apart from those involving estimates, which have made the most significant effect on the amounts recognised in the financial statements.

Finance Lease Commitments

The Group has entered into leases over some items of Plant and Office Equipment. The Group has determined that those effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group and has thus classified them as finance leases.

(ii) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives

The Group estimates whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This required the estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with useful lives are allocated.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to either the Black Scholes, Binomial or Monte Carlo valuation model.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

As at the reporting date the assets and liabilities of the overseas subsidiary are translated into the presentation currency of XTEK Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

The functional currency of the overseas subsidiary (XTEK UK Limited) is English Pounds Sterling. This entity is in the process of being wound up.

(g) 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
- plant and equipment, under lease 3 - 20 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 income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(h) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(i) 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 income statement as incurred.

Gains or losses from derecognition 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 income statement when the asset is derecognised.

(j) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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.

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.

(k) 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.

(l) Investments in Subsidiaries

Investments in controlled entities are accounted for at cost less accumulated impairment losses in the separate financial statements of the parent. In prior years investments in controlled entities were fair valued to nil.

(m) 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 group 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.

(n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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.

(o) Provisions

Provisions are recognised when the Group 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 Group 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 income statement 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.

(p) Share-based payment transactions

Equity-settled transactions
The Group provides 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 these benefits:
(i) the XTEK Long Term Incentive Performance Rights Plan (LTIPRP), this replaced the Senior Executive Share Ownership Plan (SESOP); and
(ii) 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 income statement 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 income statement 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 (see note 7).

(q) 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

Control of the right to receive consideration for the provision of, or investment in, assets has been attained.

(iv) Deferred Income

Deferred income consists of customer deposits received. Deferred income is not recognised as revenue until such time when the ownership of the goods is transferred to the customer.

(r) 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 balance sheet 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 balance 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.

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 balance sheet date.

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

(s) 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 income statement.

(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 Group 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 balance sheet date are discounted to present value.

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

(u) 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 income statement when the liabilities are derecognised and as well as through the amortisation process.

(v) Trade and other payables

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

(w) 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.

(x) Dividends

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

(y) 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 balance sheet.

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.

(z) 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.

(aa) 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 income statement over the expected useful life of the relevant asset by equal annual instalments.

(ab) 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.

Group as a lessee

Finance leases, which transfer to the Group 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 Group will obtain ownership by the end of the lease term.

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

Group as a lessor

Leases in which the Group 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.

Appendix 4E
Preliminary Final Report – 30 June 2008
Notes to the Financial Statements

2. Revenue

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
From continuing operations				
Sales revenue				
Sale of goods	**6,418,208**	11,226,992	**6,418,208**	11,226,992
Revenue from repairs	**1,046,453**	1,094,282	**1,046,453**	1,094,282
Revenue from services	**700,335**	468,056	**700,335**	468,056
	8,164,996	12,789,330	**8,164,996**	12,789,330

3. Other income

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Net gain on foreign currency	**55,249**	-	**54,130**	**-**
Rental Income	**34,353**	137,195	**34,353**	137,195
Interest	**93,413**	138,136	**93,413**	138,136
Grant Income	**-**	101,789	**-**	101,789
Other	**101**	4,807	**101**	3,980
Loans written back	**-**	-	**-**	211,474
	183,116	381,927	**181,997**	592,574

4. Expenses

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Loss before income tax includes the following specific expenses:				
Employee Benefits				
Salaries and Wages	**2,155,056**	2,452,077	**2,155,056**	2,448,159
Superannuation	**203,232**	226,450	**203,232**	226,450
Payroll Tax	**110,134**	156,591	**110,134**	156,591
Share Based Payments	**107,269**	67,547	**107,269**	67,547
Workers Compensation	**28,565**	55,266	**28,565**	55,266
Total Employee Benefits	**2,604,256**	2,957,931	**2,604,256**	2,954,013
Depreciation				
Plant and Equipment	**21,443**	22,234	**21,443**	22,234
Motor Vehicles	**8,906**	12,261	**8,906**	12,261
Office Furniture and Equipment	**106,071**	162,000	**106,071**	162,000
Demonstration Equipment	**184,730**	155,352	**184,730**	155,352
Leasehold Property Improvements	**13,830**	16,699	**13,830**	16,699
Rental Equipment	**11,952**	11,167	**11,952**	11,167
Impairment				
Demonstration Equipment	**184,585**	9,507	**184,585**	9,507
Leasehold Property Improvements	**27,235**	-	**27,235**	-
Office Furniture and Equipment	**544**	6,137	**544**	6,137
Plant and Equipment	**-**	2,019	**-**	2,019
Total Depreciation and Impairment	**559,296**	397,376	**559,296**	397,376
Operational Expenditure				
Accounting Fees	**27,880**	57,771	**27,880**	49,468
Audit Fees	**78,358**	70,052	**78,358**	66,821
Advertising and Conferences	**179,498**	244,374	**179,498**	242,701
Bank Charges	**9,224**	7,142	**9,224**	6,863
Consultancy Fees	**319,013**	407,808	**319,013**	362,626
Net Loss on disposal of Property Plant and Equipment	**-**	7,764	**-**	7,764
Director Fees	**138,003**	144,079	**138,003**	144,079
Insurance	**186,712**	196,678	**186,712**	199,531
Legal Fees	**33,603**	33,669	**33,603**	33,669
Office Administrative Costs	**613,705**	574,673	**613,705**	574,028
Operating Lease Charges	**148,643**	187,783	**148,643**	187,783
Share Registry Fees	**38,120**	44,120	**38,120**	44,120
Travel and Entertainment	**309,944**	359,491	**309,944**	346,471
Staff Training	**28,958**	72,867	**28,958**	72,867
Net foreign currency losses	**-**	1,895	**-**	1,895
Other Expenses	**152,537**	178,051	**152,537**	190,279
Total Operational Expenditure	**2,264,198**	2,588,217	**2,264,198**	2,530,965
Additional Expenses				
Redundancy Payments	**29,232**	-	**29,232**	-
Restructure Costs	**151,124**	-	**151,124**	-
Convertible Note Adjustment	**-**	73,067	**-**	73,067
Total Additional Expenses	**180,356**	73,067	**180,356**	73,067
Finance costs				
Interest and finance charges paid/payable	**5,626**	38,441	**5,626**	37,475
Notional interest on convertible notes	**-**	111,754	**-**	111,754
Total Finance Costs	**5,626**	150,195	**5,626**	149,229

XTEK LIMITED
ACN: 103 629 107

Appendix 4E
Preliminary Final Report – 30 June 2008
Notes to the Financial Statements

5. Reconciliation of losses after income tax to net cash outflow from operating activities

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Loss for the year	**(4,608,049)**	(2,117,597)	**(4,609,168)**	(1,844,814)
Adjustments for:				
Depreciation and impairment	**1,605,622**	588,969	**1,605,622**	588,969
Share based payment expense	**110,190**	67,547	**110,190**	67,547
Convertible Note Adjustment	**-**	73,067	**-**	73,067
Foreign Exchange	**-**	69,639	**-**	1,895
Changes in assets and liabilities				
Decrease/(increase) in Trade debtors	**41,140**	1,618,082	**41,140**	1,589,105
Decrease/(increase) in Inventory/WIP	**310,259**	918,754	**310,259**	918,754
Decrease/(increase) in Prepayments and Other Assets	**162,447**	94,690	**162,447**	94,690
(Decrease)/increase in Trade and other payables	**58,069**	(3,029,629)	**59,188**	(2,892,459)
(Decrease)/increase in Unearned Income	**69,699**	(375,388)	**69,699**	(375,388)
(Decrease)/increase in Provisions	**885,888**	(565,354)	**885,888**	(564,764)
(Decrease)/increase in Accrued liabilities	**(14,859)**	134,387	**(14,859)**	134,387
Net cash outflow from operating activities	**(1,379,594)**	(2,522,833)	**(1,379,594)**	(2,209,011)

Non Cash investing activities
During the financial year XTEK transferred demonstration equipment to the value of $105,371 from inventory to property, plant and equipment.

6. Discontinued Operation

In May 2008, the directors of XTEK Limited resolved to close the operations of the XTEK Research and Development Division and incorporate their operations including engineering design and drawing functions into the Canberra Head Office site.

The company is currently seeking opportunities for the sale of the R&D facility equipment and the facility.

The results of the discontinued operations for the year ended 30 June 2008 are presented below:

XTEK R&D Division	**Year ended 30 June 2008 $**	**Year ended 30 June 2007 $**
Revenue	21,455	8,846
Expenses	(842,816)	(816,032)
Loss	(821,361)	(807,186)
Finance costs	(14,651)	(21,452)
Other expenses		
Restructure and redundancy costs	(702,706)	-
Impairment - fitout, property, plant and equipment	(543,671)	-
Impairment - intangibles	(307,268)	
Loss before tax from discontinued operations	(2,389,657)	(828,638)
Income tax expense	-	-
Loss after tax from discontinued operations	(2,389,657)	(828,638)

The major classes of assets and liabilities of the XTEK Research and Development Division at 30 June 2008 are as follows:

XTEK R&D Division	**Year ended 30 June 2008 $**
Assets	
Property, plant and equipment – assets classified as held for sale	300,196
Total assets	**300,196**
Liabilities	
Trade and other payables	(27,134)
Accruals	(4,051)
Interest bearing liabilities	(175,545)
Provisions	(735,636)
Total liabilities	**(942,366)**
Net liabilities attributable to discontinued operations	**(642,170)**

Cash flow information – held for sale operation	**Year ended 30 June 2008 $**	**Year ended 30 June 2007 $**
Net cash (outflow) from operating activities	(634,990)	(654,170)
Net cash (outflow) from investing activities	(409)	(16,083)
Net cash (outflow) from financing activities	(69,198)	(91,785)
Net cash outflow	**(704,597)**	**(762,038)**

7. Earnings per share

	Consolidated	
	2008	2007
	$	$
(a) Basic earnings per share		
Loss from operations attributable to the ordinary equity holders of the company	**(0.03)**	(0.02)
Loss from discontinued operations attributable to the ordinary equity holders	**(0.03)**	(0.01)
Loss attributable to the ordinary equity holders of the company	**(0.06)**	(0.03)
(b) Diluted earnings per share		
Loss from operations attributable to the ordinary equity holders of the company	**(0.03)**	(0.02)
Loss from discontinued operations attributable to the ordinary equity holders	**(0.03)**	(0.01)
Loss attributable to the ordinary equity holders of the company	**(0.06)**	(0.03)

	Consolidated	
	2008	2007
	Number	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	**71,522,542**	62,510,014
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	**71,522,542**	62,510,014

(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.

8. Share Based Payments

(a) Employee share issue

On 28 August 2007 it was resolved to issue 108,000 shares to eligible employees under the Employee Share Ownership Plan (ESOP). In implementing the ESOP, the company offered 27 eligible employees with 12 months service an initial grant of $500 in XTEK shares (XTE) for no consideration. The shares are restricted from sale for three years during the term of employment of the employee. The shares were issued on 29 August 2007. Fair value of the shares issued to staff and senior executives was $13,500 and has been expensed in the income statement.

(b) Performance Rights issued to XTEK Executives

On 10 August 2007, 2,190,000 performance rights were issued to qualifying employees under the XTEK Long Term Incentive Rights Plan (LTIRP) for executives and managers of the company.

The performance rights were issued in three tranches and are subject to the achievement of performance hurdles. 400,000 will vest at 30 June 2008, 400,000 at 30 June 2009 and 1,390,000 at 30 June 2010. All performance rights issued under this arrangement will be eligible for exercise by the participants upon vesting and for a period up to 5 years from grant date. Issue and vesting details are listed below.

The fair value of the performance rights granted is estimated as at the grant date using a Monte Carlo model taking into account the terms and conditions upon which the options were granted.

The following assumptions underlie the calculations for these rights:

Grant Date	10 August 2007
Share Price	$0.135
Risk free rate	6.14%
Dividend Yield	0%
Volatility	70% p.a. to 30 June 2008 65% p.a. to 30 June 2009 55% p.a. to 30 June 2010 50% p.a. thereafter

The estimated fair value of the performance rights at grant date is as follows:

Vesting Date 30 June 2008	3.5c, exercisable at 17.61c
Vesting Date 30 June 2009	4.8c, exercisable at 17.61c
Vesting Date 30 June 2010	5.5c, exercisable at 17.61c

(c) Expired Options

1,110,000 options expired on 1 August 2007 and are therefore cancelled.

(d) Weighted average share price

The weighted average market price at 30 June 2008 was 3 cents.

9. Interest Bearing Liabilities

In June 2008, XTEK entered into a short term finance arrangement with Westpac Equipment Finance to fund the acquisition of some new security imaging equipment to the value of $125,052. The equipment is currently in use in trials that are funded by the Commonwealth.

The loan, in the form of a chattel mortgage, is to be repaid over 12 months. The interest rate applicable is 12.8%

All interest bearing liabilities at 30 June 2008 are current.

10. Contributed Equity

(a) Share Capital

Movement in ordinary shares on issue	**No of shares**	**$**
At 1 July 2007	71,432,000	16,753,888
Issued on August 2007 to staff for no consideration	13,500	13,500
At 30 June 2008	71,445,500	16,767,388

Ordinary Shares

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

(b) Other Equity Securities

Movement in other equity securities

	$
At 1 July 2007 and at 30 June 2008	73,067
Total Contributed Equity	**16,840,455**

11. Contingent Liabilities

There are no contingent liabilities at 30 June 2008.
No changes have been reported in contingent liabilities since the last annual reporting date.

12. Events occurring after the balance sheet date

(a) On 2 August 2008, 610,000 options held by previous Directors and related parties, as described in the Prospectus, lapsed.

(b) On 12 August 2008, XTEK received a purchase order for the supply of Explosive Ordnance Disposal (EOD) equipment to the Australian Defence Force (ADF) to the value of $1.079m.

(c) On 15 August 2008, XTEK received a purchase order for the supply of one tEODor large robot and one Telemax medium sized robot to the Victoria Police to the value of $1.308m.

(d) On 20 August 2008 XTEK received a further purchase order for the supply of Explosive Ordnance Disposal (EOD) equipment to the Australian Defence Force (ADF) to the value of $1.08m.

Compliance

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

2. The entity has a formally constituted audit committee.

Printed Name: Bruce Higgins (Director)
Date: 27 August 2008