XTEK LTD
ABN 90 103 629 107

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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

28th August 2009

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 2009.

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 – Preliminary Final Report for XTEK Ltd.

XTEK LIMITED
ACN: 103 629 107

Appendix 4E
Preliminary Final Report

Name of Entity

XTEK Limited

Australian Business Number	Financial year ended (current period)
90 103 629 107	**30 June 2009**

Results for announcement to the market $A'000

Total Revenue	up	64%	to	$13,355
Profit/(Loss) after tax	up	Note [1]	to a profit of	$807
Net Profit/(Loss) for the period attributable to members	up	Note [1]	to a profit of	$807

Note [1] XTEK Ltd recorded profit of $807,359 in the current period and a loss of $4,609,168 in the prior period. There was a movement of $5,416,527 from the prior period loss to the current period profit.

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	**2009 $**	2008 $
(a) Basic earnings per share		
Profit/(Loss) from continuing operations attributable to the ordinary equity holders	**0.009**	(0.03)
Profit/(Loss) from discontinued operations attributable to the ordinary equity holders	**0.001**	(0.03)
Profit/(Loss) attributable to the ordinary equity holders of the company	**0.01**	(0.06)
(b) Diluted earnings per share		
Profit/(Loss) from continuing operations attributable to the ordinary equity holders	**0.009**	(0.03)
Profit/(Loss) from discontinued operations attributable to the ordinary equity holders	**0.001**	(0.03)
Profit/(Loss) attributable to the ordinary equity holders of the company	**0.01**	(0.06)

Net Tangible Asset Backing	**2009 $**	2008 $
	0.04	0.03

Comments by Directors

XTEK Limited had an improved year with total revenue increasing by 64% from $8.16m in 2008 to $13.35m in 2009. This was due largely to increased sales of explosive ordnance disposal (EOD) equipment which grew by over $4.5m on the corresponding period in 2008. The increase in revenue and continued focus on cost control enabled the company to return to profitability for the first time in four years in what was a difficult trading year given the effects of the global financial crisis.

Revenue

Agency sales increased by over $5m or 64% on 2008 with sales of EOD equipment increasing by over $4.5m (236%) on the prior year. It was also a good year for other categories including weapons and ammunition sales (up 42%), logistics engineering services (up 30%) and robot sales (over 100%). The company also achieved the first sale to the Commonwealth of an unmanned aerial system (UAV) for trials and development and this was delivered in June 2009. Sales of forensic products and general security equipment were disappointing with forensics sales in particular affected by the economic slowdown and constraints on customer budgets. Please see table presented on page 4 for further details.

Gross Profit Margin

The gross profit margin was in line with that of 2008 despite some significant foreign currency fluctuations over the last twelve months.

Agency Business Result

Profit from the Agency business was $0.721m which was a turnaround of over $2.5m from the loss of $1.819m in 2008. Aside from the improvement in revenue, there was an 11% year on year saving in agency expenses as the company focussed on returning the business to profitability.

Total Result

XTEK achieved a profit of $0.807m compared with 2008 loss of $4.609m. In addition to a solid improvement in the Agency Business in 2008, there was also a positive result of $0.098m from the discontinued operation as a result of the reversal of unutilised restructure provisions that had been provided for at 30 June 2008. The annual expenses of $181,395 for the discontinued operation were offset by restructure savings of $279,138. This is further explained in the table on page 7.

2008 Restructure

XTEK set out to achieve an annualised savings target of $2.4m commencing on 1 July 2008 with a staged implementation across all company operations. The objective of this savings target was to ensure that the company could return to consistent profitable trading based on a conservative revenue projection. By 30 June 2009, the majority of this target had been achieved.

Looking forward into 2010, and as a result of growth in booked orders and improved customer sentiment, it has been decided to forgo further savings in order to retain capability and pursue a number of emerging opportunities.

Future Opportunities

The company is focused on attaining new agencies and technologies that will supplement the capability of our customers. XTEK has targeted opportunities to develop sales in adjacent markets such as Environmental, Safety and Fire & Rescue. It is looking to further develop and strengthen relationships with Tier One Defence Industry Companies as they take on increasing responsibility for complex projects. In conjunction with this the company is looking to enhance and expand it's support capability to continue to grow this recurring revenue stream.

A further focus in the coming months is to generate revenue from the commercialisation of the IP and initiate strategic relationships that create new export market opportunities for both agency and XTEK products. An early success in the export market has been an exclusive arrangement for the supply of the Bore Cleaning System into the Republic of Korea.

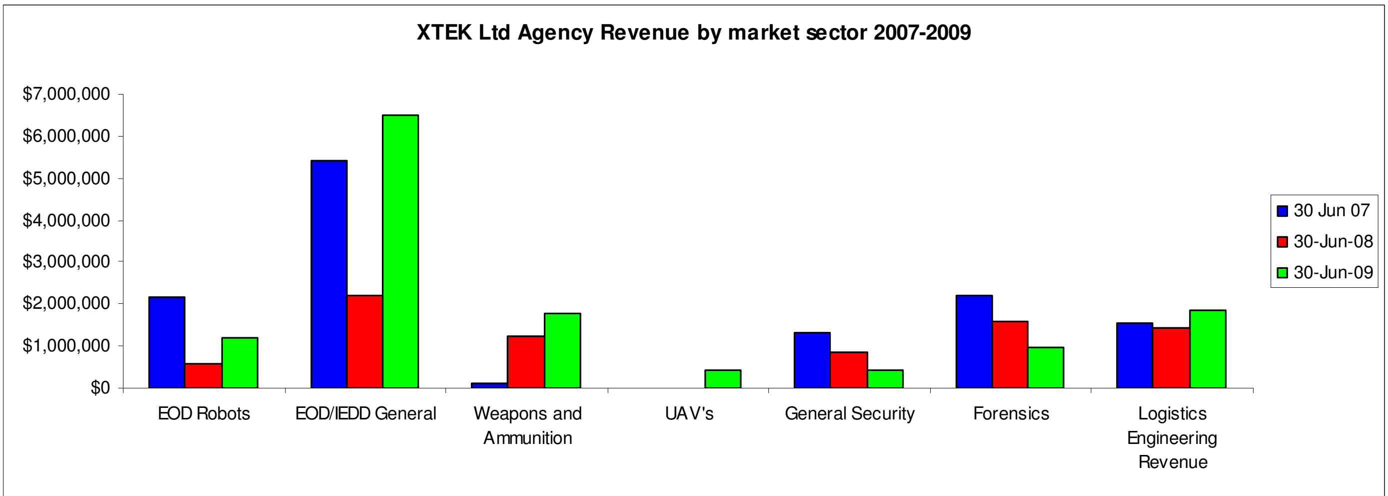
The company will also continue to explore acquisition opportunities to achieve inorganic growth of revenue, income and assets.

Explanation of Agency Revenue

- Agency revenues increased to $13.4m in 2009 from $8.2million in 2008.

XTEK Agency Revenue Summary FY07 to FY09

Market Sector	FY09 $'m	FY08 $'m	Var % 09 to 08		FY07 $'m
Explosive Ordnance Disposal Robots	$1.189	$0.569	109%		$2.154
EOD General	$6.500	$1.936	236%		$5.419
Forensics	$0.956	$1.604	(40%)		$2.203
UAV Sales	$0.407	-	-		-
General Security	$0.413	$0.838	(51%)		$1.327
Weapons & Ammunition	$1.762	$1.237	42%		$0.134
Logistics Engineering	$1.860	$1.433	30%		$1.561
Other (including commission)	$0.268	$0.548	(51%)		-
Total	**13.355**	**$8.165**	**64%**		$12.798



The improvement in agency revenues over 2008 is largely as a result of improved sales of general EOD/IEDD equipment, Weapons and Ammunition and Logistics Engineering sales and services as seen on the above market sector revenue table.

Explosive Ordnance Disposal Robots

There were two robot sales during 2009 with orders for both the tEODor and TeleMAX robots completed in December 2008. In addition two further orders for tEODor and TeleMAX medium sized robot have been received for delivery in 2009/2010.

EOD General Equipment

The company experienced a particularly strong year of sales of general EOD equipment after a very slow period in 2008. Orders that were received during the year included specialist EOD tool kits from Allen Vanguard, RTR X-Ray kits from SAIC and Golden Engineering, remote firing systems from Chemring and cable detectors from Guartel.

EOD General (continued)

XTEK has been successful in signing new agencies and expanding the product range with existing agencies. These arrangements are anticipated to lead to revenue growth in 2010. XTEK is committed to maintaining a customer service focus and developing integrated solutions that fulfil our customers' capability requirements thereby enhancing their ability to carry out operations more effectively and safely. To meet these aims, new agencies include electronic counter measures, communications systems, cooling vests and sensor platforms.

Forensics

Forensics sales were disappointing in 2009. This was predominantly due to the downturn in the economy and few new product releases. Sales of consumables products have been impacted by increased competition in this arena. The company is taking active measures to counter this activity. Sales of high end specialist equipment are expected to increase in the new financial year as agencies start to upgrade existing systems and new laboratories are constructed.

General Security

It was a disappointing year for sales of general security equipment which were down 51% on 2008. The General Security category includes sales of Personal Protection Equipment (PPE) to Law Enforcement Agencies including helmets and riot shields and other detection equipment. Whilst there were few significant sales in 2009, a number of standing offer agreements are now in place and the company expects growth in this category as State Police Forces assess their requirements for training and operations and finalise their purchasing needs for the renewal of equipment.

Weapons and Ammunition

The company experienced solid growth in the sales of weapons systems and ancillaries in 2009. There were further sales of the Blaser weapons systems and an increase in the sales of ancillary equipment for these systems. In addition, the company has seen a significant increase in orders of UTM (training munitions) following trials in both Australia and New Zealand. Extensive growth is anticipated in this important training area over the coming years.

Logistics Engineering Division (LED)

The LED division had an excellent year and achieved 30% growth on 2008 in services and maintenance revenue. This excludes revenue from the manufacture of the EOD Static Earthing Kits which is captured under the EOD General category. The improvement in performance this year was a direct result of the initiatives that were taken to re-skill and restructure the division to better meet current and future customer needs. The XTEK workshop processes are now at a mature stage and the revenue generated is a direct reflection of the customer demand for our maintenance services. Aside from the maintenance and through-life support capability, the division is also involved in sales support activities particularly in support of EOD robots and general EOD equipment in the form of pre-sale equipment inspection, installation, and commissioning.

As of January 2009, LED employed a full time training manager to develop and increase revenue from training. A number of initiatives have been taken and the company is anticipating a significant revenue contribution over the next 12 months as this section establishes itself in the security training market segment.

Explanation of Profit from Operations

XTEK's full year profit as reported is $807,359. On an earnings per share basis this is profit of approximately 1 cent per share compared to a loss of approximately 6 cents per share in 2008.

Agency Business

The improved revenue performance (64% over 2008), combined with gross margins of just under 39% and the continued emphasis on cost control, enabled the company and agency business to return to profitability in 2009. A strong second half revenue result and year on year cost savings of 11% enabled the agency business to achieve a H2 profit of $799k which pushed the full year agency result up from an H1 loss of $78k to a profit of $721k.

Margins remained in line with those of 2008 in spite of difficult trading conditions and benefited from the growth in service revenue in the sales mix. Operational expenses for the agency business ended $572k or 11% below those of the previous year and this was in spite of increased expenditure on travel and marketing that was required to support and drive the revenue performance.

The company has also benefited from the relocation of LED division to the Head Office site as part of the restructure. This move not only improved efficiency but also resulted in a saving in restructure costs associated with the old leased premises of $26k.

Discontinued Operation - R&D Facility

The company has maintained the necessary technical expertise and capability to assist management with the commercialisation of the IP and also to provide capability to the Logistic Engineering Division. This capability has been incorporated into the continuing operations of the company.

The research function was discontinued with the loss of two staff members and the sale of the majority of plant and equipment occurred in April 2009. These proceeds ($235k) allowed the company to clear the debt associated with this equipment. Selected tooling and equipment with a net book value of $47k was transferred from Adelaide to Canberra and as at 30 June 2009, there were only 3 items of equipment remaining for sale in Adelaide. Two of these items were sold in July 2009.

XTEK remains committed to commercialising the IP and there has been some progress with ballistic protection samples currently undergoing testing by a leading global manufacturer. The samples have been manufactured in Adelaide where small scale production capability exists.

The annual expenses of the discontinued operation were positively impacted by reversals of unutilised prior year restructure provisions of $279k. This has resulted in a profit for this discontinued operation at 30 June 2009 of $98k.

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Appendix 4E
Preliminary Final Report – 30 June 2009

XTEK Ltd Business Analysis

	1st Half Dec 08 $'000	1st Half Dec 07 $'000	%	2nd Half Jun 09 $'000	2nd Half Jun 08 $'000	%	Full Year Jun 09 $'000	Full Year Jun 08 $'000	%
Agency Sales									
EOD/IEDD General	1,680	701	140%	4,820	1,235	290%	6,500	1,936	236%
EOD Robots	1,189	51	2,231%	-	518	(100%)	1,189	569	109%
General Security	267	343	(22%)	146	495	(70%)	413	838	(51%)
Forensics	476	371	28%	480	1,233	(61%)	956	1,604	(40%)
UAV's	-	-	-	407	-	-	407	-	-
Weapons and Ammunition	1,183	517	129%	579	720	(20%)	1,762	1,237	42%
Logistics Engineering Revenue	840	769	9%	1,020	664	54%	1,860	1,433	30%
Other Product/Service sales	-	246	-	268	-	-	268	246	9%
Commission	-	297	-	-	5	-	-	302	-
Total Sales	**5,635**	**3,295**	**71%**	**7,720**	**4,870**	**59%**	**13,355**	**8,165**	**64%**
Cost of Goods Sold	(3,496)	(1,926)	(82%)	(4,674)	(3,027)	(54%)	(8,170)	(4,953)	(65%)
Gross Profit	**2,139**	**1,369**	**56%**	**3,046**	**1,843**	**65%**	**5,185**	**3,212**	**61%**
Gross Profit %	**38%**	**42%**		**39%**	**38%**		**38.8%**	**39.3%**	
Other Income									
Interest	9	51	(82%)	9	43	(79%)	18	94	(81%)
Hire and Rent of Equipment	12	16	(25%)	20	18	11%	32	34	(6%)
Grant Income	-	-	-	-	-	-	-	-	-
Currency Gains	-	-	-	-	55	-	-	55	-
Other	44	-	-	1	-	-	45	-	-
Other Income	65	67	(3%)	30	116	(74%)	95	183	(48%)
Agency Expenses	(2,279)	(2,612)	13%	(2,253)	(2,492)	10%	(4,532)	(5,104)	11%
Restructure Costs (accrual reversal)	26	-	-	-	-	-	26	-	-
Agency Share Based Payments	(29)	(64)	55%	(24)	(46)	48%	(53)	(110)	52%
Total Agency Expenses	**(2,282)**	**(2,676)**	15%	**(2,277)**	**(2,538)**	10%	**(4,559)**	**(5,214)**	13%
Agency profit/(loss) before tax	**(78)**	**(1,240)**	**94%**	**799**	**(579)**	**-**	**721**	**(1,819)**	**-**
Other Non Agency Related Expenses									
LED Division - restructure and redundancy costs	-	-	-	-	(180)	-	-	(180)	-
Impairment - property, plant and equipment	-	-	-	-	(213)	-	-	(213)	-
Total Other Non Agency Expenses	**-**	**-**	**-**	**-**	**(393)**	**-**	**-**	**(393)**	**-**
Finance Costs (incl Notional finance costs)	(6)	-	-	(6)	(6)	-	(12)	(6)	(100%)
Profit/(Loss) before Tax on continuing operations	**(84)**	**(1,240)**	93%	**793**	**(978)**	-	**709**	**(2,218)**	-
Income Tax	-	-	-	-	-	-	-	-	-
Profit/(Loss) after Tax on continuing operations	(84)	(1,240)	93%	793	(978)	-	709	(2,218)	-
Discontinued operations									
R&D Division	(121)	(381)	68%	(40)	(455)	91%	(161)	(836)	81%
Restructure Costs (accrual reversal)	237	-	-	42	(703)	-	279	(703)	-
Impairment - fitout	-	-	-	-	(544)	-	-	(544)	-
Impairment - other	-	(149)	-	(20)	(158)	87%	(20)	(307)	93%
Total R&D Facility Expenses	**116**	**(530)**	**-**	**(18)**	**(1,860)**	**99%**	**98**	**(2,390)**	**-**
Total Profit/(Loss)	**32**	**(1,770)**	**-**	**775**	**(2,838)**	**-**	**807**	**(4,608)**	**-**

Note - percentage movements have been excluded where amounts have moved from a negative to a positive number.

Balance Sheet Overview

The overall net asset position of the company at 30 June 2009 increased by 57% compared to 30 June 2008. The movement in net assets reflected in the balance sheet in the following categories;

Cash and Cash Equivalents (increased from $725,825 to $1,338,813)

- This reflects the improved operating result in 2009, improved working capital management and the issue of new share capital that occurred in October 2008.

Property, plant and equipment classified as held for sale (decreased from $300,196 to $13,818)

- This reflects the sale of property, plant and equipment assets from the discontinued operation in Adelaide.

Interest Bearing Liabilities (decreased from $151,736 to $18,760)

- This reflects the payout of the leases for the discontinued operation and other company liabilities that were paid out during the period.

Provisions (decreased from $211,375 to $89,098)

- This reflects the payout of provisions relating to the relocation of the LED Division to the Head Office site.

Deferred Income (increased from $174,738 to $399,233)

- The increase is due largely to a deposit payment received for a tEODor robot which was sold in July 2009. Customers are encouraged to finance any deposits that are required by XTEK's suppliers as part of our operational working capital management.

Liabilities directly associated with non-current assets classified as held for sale (decreased from $942,366 to $150,604)

- This decrease reflects the payments made for staff redundancies, lease termination and relocation costs and the payout of lease liabilities associated with the assets held for sale. The movement also includes the reversal of unutilised restructure provisions which amounted to $279,138. The reversal of the restructure provisions was as a result of a change in circumstances from the report date at 30 June 2008.

List of abbreviations and acronyms

AP	Armour Piercing
EOD	Explosive Ordnance Disposal
IEDD	Improvised Explosive Device Disposal
IP	Intellectual Property
PPE	Personal Protection Equipment
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

(a) In October 2008, XTEK completed a placement of 9,588,064 new securities at a price of $0.02. The funds raised amounted to $191,761 and were used to supplement the working capital of the company in order to assist with the financing of EOD orders that were received from the Department of Defence.

(b) On 20 November 2008, Mr Bruce Higgins retired as a director of XTEK Limited in accordance with the constitution and Mr David Jarvis was appointed as an executive director.

(c) On 28 April 2009, Major General Michael O'Brien (Ret.) resigned as a director of XTEK Limited.

(d) On 28 April 2009, Mr. Uwe Boettcher, was appointed to the Board of Directors. On 25 June 2009, Mr Boettcher was appointed as Chairman of the Board.

(e) On 25 June 2009, Brigadier Greg Thomas, AM (Ret.) was appointed to the Board of Directors with effect from 1 July 2009.

Matters subsequent to the end of the financial year

(a) On 2 August 2009, 500,000 options held by previous Directors and related parties, as described in the Prospectus, lapsed. There was no financial impact on the 2008-2009 financial year and there will be no impact on the 2009-2010 financial year.

(b) On 31 July 2009, XTEK received a commitment from a prospective tenant to sublease the premises in Adelaide. It is expected that an agreement will be completed by 31 August 2009 and the income is on commercial terms that are favourable to XTEK. The lease is currently provided for as an onerous lease which will result in a write-back to the income statement upon signature of the new contract.

Likely future developments

The company is focussed on growing the revenue base of the agency business and generating new revenue streams through commercialising the IP whilst maintaining constraints on operating costs. The planned revenue growth will be achieved by attaining new agencies, developing sales in adjacent markets and further developing relationships with Tier One Defence Industry Companies.The acquisition of a complementary business and/or a small scale manufacturing capacity to take advantage of the Australian content requirements in the Defence Capability Plan is actively being considered.

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Appendix 4E
Preliminary Final Report – 30 June 2009

Income Statement for the year ended 30 June 2009

	Notes	2009 $	2008 $
Revenue from continuing operations	2	**13,355,154**	8,164,996
Other income	3	**95,359**	181,997
Changes in inventories of finished goods and work in progress		**(8,170,113)**	(4,952,772)
Employee benefits expense	4	**(2,401,966)**	(2,604,256)
Depreciation and Impairment	4	**(248,951)**	(559,296)
Operational expenditure	4	**(1,933,739)**	(2,264,198)
Additional expenditure	4	**26,085**	(180,356)
Finance costs	4	**(12,213)**	(5,626)
Profit/(Loss) before income tax		**709,616**	(2,219,511)
Income tax expense		**-**	-
Profit/(Loss) from continuing operations		**709,616**	(2,219,511)
Profit/(Loss) from discontinued operations	6	**97,743**	(2,389,657)
Profit/(Loss) for the year		**807,359**	(4,609,168)
Profit/(Loss) attributable to members of XTEK Limited			
Earnings per share for profit/(loss) from continued operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	7	**0.009**	(0.03)
Diluted earnings per share	7	**0.009**	(0.03)
Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	7	**0.001**	(0.03)
Diluted earnings per share	7	**0.001**	(0.03)
Earnings per share for profit/(loss) for the year attributable to the ordinary equity holders of the company:			
Basic earnings per share	7	**0.01**	**(0.06)**
Diluted earnings per share	7	**0.01**	**(0.06)**

XTEK LIMITED
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Appendix 4E
Preliminary Final Report – 30 June 2009

Balance Sheet as at 30 June 2009

	Notes	2009 $	2008 $
ASSETS			
Current assets			
Cash and cash equivalents		**1,338,813**	725,825
Trade and other receivables		**1,756,581**	1,767,550
Inventories		**1,559,666**	1,226,229
Property, plant and equipment classified as held for sale	6	**13,818**	300,196
Other		**108,992**	141,788
Total current assets		**4,777,870**	4,161,588
Non-current assets			
Property, plant and equipment		**480,980**	680,713
Total non-current assets		**480,980**	680,713
Total assets		**5,258,850**	4,842,301
LIABILITIES			
Current liabilities			
Trade and other payables		**1,432,474**	1,207,085
Interest bearing liabilities	9	**18,760**	151,736
Liabilities directly associated with non-current assets classified as held for sale	6	**150,604**	942,366
Provisions		**56,030**	179,688
Deferred income		**399,233**	174,738
Other		**281,188**	317,856
Total current liabilities		**2,338,289**	2,973,469
Non-current liabilities			
Provisions		**33,068**	31,687
Total non-current liabilities		**33,068**	31,687
Total liabilities		**2,371,357**	3,005,156
Net assets		**2,887,493**	1,837,145
EQUITY			
Contributed equity	10	**17,030,626**	16,840,455
Reserves		**488,344**	435,526
Accumulated losses		**(14,631,477)**	(15,438,836)
		2,887,493	1,837,145
Total equity		**2,887,493**	1,837,145

Statement of Cash Flows for the year ended 30 June 2009

	Notes	2009 $	2008 $
Cash flows from/(used in) operating activities			
Receipts from customers		**14,549,632**	9,149,023
Payments to suppliers and employees		**(14,009,954)**	(10,601,753)
		539,678	(1,452,730)
Interest received		**17,790**	93,413
Borrowing costs		**(20,981)**	(20,277)
Net cash flows from/(used in) operating activities	5	**536,487**	(1,379,594)
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment		**(42,617)**	(156,926)
Payments for capitalised development expenditure		**-**	(89,705)
Proceeds from sale of property, plant and equipment classified as held for sale		**235,286**	-
Proceeds from sale of property, plant and equipment		**2,182**	-
Net cash inflow/(outflow) from investing activities		**194,851**	(246,631)
Cash flows (used in)/from financing activities			
Payments of finance lease		**(308,521)**	(78,360)
Proceeds from borrowings		**-**	125,052
Proceeds from issues of shares and other equity securities	10	**190,171**	-
Net cash inflow/(outflow) from financing activities		**(118,350)**	46,692
Net increase (decrease) in cash and cash equivalents		**612,988**	(1,579,533)
Cash and cash equivalents at the beginning of the financial year		**725,825**	2,305,358
Cash and cash equivalents at end of year		**1,338,813**	725,825

Statement of Changes in Equity

For the year ended 30 June 2009

	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	13,500	-	-	-	13,500
Cost of share based-payments	-	-	96,690	-	96,690
At 30 June 2008	16,767,388	73,067	435,526	(15,438,836)	1,837,145
At 1 July 2008	16,767,388	73,067	435,526	(15,438,836)	1,837,145
Profit for the year	-	-	-	807,359	807,359
Total income and expense for the period	-	-	-	807,359	807,359
Issues of ordinary shares during the year:					
Issue of share capital	191,761	-	-	-	191,761
Transaction costs associated with issue of share capital	(1,590)	-	-	-	(1,590)
Cost of share based-payments	-	-	52,818	-	52,818
At 30 June 2009	16,957,559	73,067	488,344	(14,631,477)	2,887,493

Appendix 4E
Preliminary Final Report – 30 June 2009
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 2009 was authorised for issue in accordance with a resolution of the directors on 27 August 2009.

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 profit for the year ended 30 June 2009 of $807,359 (year ended 30 June 2008: loss of $4,609,168). Accumulated losses to 30 June 2009 total $14,631,477 (accumulated losses of $15,438,836 as at 30 June 2008). The balance of cash and cash equivalents at 30 June 2009 was $1,338,813 (as at 30 June 2008: $725,825). 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 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 raise capital or 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 Company for the annual reporting period ending 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
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 Company's financial report.	1 July 2009

Appendix 4E
Preliminary Final Report – 30 June 2009
Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
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 Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	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 Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
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 Company has share-based payment arrangements that may be affected by these amendments. However, the Company has not yet determined the extent of the impact, if any.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and 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 Company may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Company has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
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. Refer above.	1 July 2009	Refer to AASB 3 (Revised).	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	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. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: the scope of AASB 2; and the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	The Company does not have any cash – settled share-based payment transactions, and as such these amendments are not expected to have any impact on the Company's financial report.	1 July 2010

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

(d) Significant accounting judgment, estimates and assumptions

(i) Significant accounting judgment

In the process of applying the Company 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 Company has entered into leases over some items of Plant and Office Equipment. The Company has determined that those effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company 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 Company 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 Company 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.

(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 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.

(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
- 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.

(g) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(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 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.

(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 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.

(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 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.

(n) Share-based payment transactions

Equity-settled transactions
The Company 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).

(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 and is based on actual interest rates.

(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.

(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 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.

(q) 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 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 balance sheet date are discounted to present value.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(w) 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.

(x) 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.

(y) 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.

(z) 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 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.

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.

2. Revenue

	2009	2008
	$	$
From continuing operations		
Sales revenue		
Sale of goods	**11,334,255**	6,418,208
Revenue from repairs	**1,519,129**	1,046,453
Revenue from services	**501,770**	700,335
	13,355,154	8,164,996

3. Other income

	2009	2008
	$	$
Rental Income	**33,271**	34,353
Settlement of written-off loan - QES	**32,440**	-
Interest	**17,790**	93,413
Profit on sale of property, plant and equipment	**874**	-
Other	**10,984**	101
Net gain on foreign currency	**-**	54,130
	95,359	181,997

4. Expenses

	2009	2008
	$	$
Profit/(Loss) before income tax includes the following specific expenses:		
Employee Benefits		
Salaries and Wages	**2,057,219**	2,155,056
Superannuation	**183,591**	203,232
Payroll Tax	**82,070**	110,134
Share Based Payments	**52,005**	107,269
Workers Compensation	**27,081**	28,565
Total Employee Benefits	**2,401,966**	2,604,256
Depreciation		
Plant and Equipment	**29,259**	21,443
Motor Vehicles	**7,769**	8,906
Office Furniture and Equipment	**49,810**	106,071
Demonstration Equipment	**91,219**	184,730
Leasehold Property Improvements	**5,821**	13,830
Rental Equipment	**65,073**	11,952
Impairment		
Demonstration Equipment	**-**	184,585
Leasehold Property Improvements	**-**	27,235
Office Furniture and Equipment	**-**	544
Total Depreciation and Impairment	**248,951**	559,296
Operational Expenditure		
Accounting Fees	**22,292**	27,880
Audit Fees	**78,880**	78,358
Advertising and Conferences	**241,756**	179,498
Bank Charges	**9,246**	9,224
Consultancy Fees	**63,612**	319,013
Director Fees	**121,686**	138,003
Insurance	**192,793**	186,712
Legal Fees	**29,829**	33,603
Office Administrative Costs	**600,438**	613,705
Operating Lease Charges	**142,786**	148,643
Share Registry Fees	**22,862**	38,120
Travel and Entertainment	**281,541**	309,944
Staff Training	**7,228**	28,958
Net foreign currency losses	**33,490**	-
Other Expenses	**85,300**	152,537
Total Operational Expenditure	**1,933,739**	2,264,198
Additional Expenses		
Redundancy Payments	**-**	29,232
Restructure costs (written back)/expensed	**(26,085)**	151,124
Total Additional Expenses	**(26,085)**	180,356
Finance costs		
Interest and finance charges	**12,213**	5,626
Total Finance Costs	**12,213**	5,626

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

	2009 **$**	2008 $
Profit/(Loss) for the year	**807,359**	(4,609,168)
Adjustments for:		
Depreciation and impairment	**269,025**	1,605,622
Net (profit)/loss on disposal of assets classified as held for sale	**(16,157)**	-
Net (profit)/loss on disposal of property, plant and equipment	**(874)**	-
Share based payment expense	**52,818**	110,190
Changes in assets and liabilities		
Decrease/(increase) in Trade debtors	**10,969**	41,140
Decrease/(increase) in Inventory	**(294,171)**	310,259
Decrease/(increase) in Prepayments and Other Assets	**32,796**	162,447
(Decrease)/increase in Trade and other payables	**225,389**	32,054
(Decrease)/increase in Deferred Income	**224,495**	69,699
(Decrease)/increase in liabilities directly associated with non-current assets classified as held for sale	**(616,217)**	766,821
(Decrease)/increase in Provisions	**(122,277)**	150,252
(Decrease)/increase in Accrued liabilities	**(36,668)**	(18,910)
Net cash flow from (used in) from operating activities	**536,487**	(1,379,594)

Non Cash investing activities
During the 2007-2008 financial year, XTEK transferred demonstration equipment to the value of $105,371 from inventory to property, plant and equipment.

During the 2008-2009 financial year, XTEK transferred demonstration equipment to the value of $39,266 from property, plant and equipment to inventory and this equipment was then sold.

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 majority of the assets at the facility were sold in April 2009 and the proceeds ($235,286) were utilised to pay out the associated debt. Assets with a written down value of $47,174 were transferred to continuing operations and three items of equipment with a written down value of $13,818 remained as held for sale at 30 June 2009 (2008: $300,196).

There was no further research undertaken at the facility during the financial year and the remaining capability has now been incorporated into the continuing operations of XTEK. The annual expenses of the discontinued operation were positively impacted by a reversal of a prior year provision for restructure costs of $279,138. This has resulted in a profit for this discontinued operation at 30 June 2009 of $97,743.

The results of the discontinued operations for the year ended 30 June 2009 are presented on page 28.

Appendix 4E
Preliminary Final Report – 30 June 2009
Notes to the Financial Statements

Discontinued Operation (continued)

XTEK R&D Division	Year ended 30 June 2009 $	Year ended 30 June 2008 $
Revenue	16,157	21,455
Expenses	(168,710)	(842,816)
Loss	(152,553)	(821,361)
Finance costs	(8,768)	(14,651)
Other expenses		
Restructure and redundancy costs written back/(expensed)	279,138	(702,706)
Impairment - fitout, property, plant and equipment	(20,074)	(543,671)
Impairment - intangibles	-	(307,268)
Profit/(Loss) before tax from discontinued operations	97,743	(2,389,657)
Income tax expense	-	-
Profit/(Loss) after tax from discontinued operations	97,743	(2,389,657)

The major classes of assets and liabilities of the XTEK Research and Development Division at 30 June 2009 are as follows:

XTEK R&D Division	Year ended 30 June 2009 $	Year ended 30 June 2008 $
Assets		
Property, plant and equipment – assets classified as held for sale	13,818	300,196
Total assets	**13,818**	**300,196**
Liabilities		
Trade and other payables	-	(27,134)
Accruals	-	(4,051)
Interest bearing liabilities	-	(175,545)
Provisions	(150,604)	(735,636)
Total liabilities	**(150,604)**	**(942,366)**
Net assets (liabilities) attributable to discontinued operations	**(136,786)**	**(642,170)**

Cash flow information – held for sale operation	Year ended 30 June 2009 $	Year ended 30 June 2008 $
Net cash outflow from operating activities	(405,573)	(634,990)
Net cash inflow/(outflow) from investing activities	235,286	(409)
Net cash outflow from financing activities	(175,545)	(69,198)
Net cash outflow	**(345,832)**	**(704,597)**

7. Earnings per share

	2009 **$**	2008 $
(a) Basic earnings per share		
Profit/(Loss) from operations attributable to the ordinary equity holders of the company	**0.009**	(0.03)
Profit/(Loss) from discontinued operations attributable to the ordinary equity holders of the company	**0.001**	(0.03)
Profit/(Loss) attributable to the ordinary equity holders of the company	**0.01**	(0.06)
(b) Diluted earnings per share		
Profit/(Loss) from operations attributable to the ordinary equity holders of the company	**0.009**	(0.03)
Profit/(Loss) from discontinued operations attributable to the ordinary equity holders of the company	**0.001**	(0.03)
Profit/(Loss) attributable to the ordinary equity holders of the company	**0.01**	(0.06)

	2009 **Number**	2008 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	**78,335,935**	71,522,542
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	**78,335,935**	71,522,542

(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) Expired Options and Share Performance Rights

In the period to 30 June 2009, 1,470,000 options expired and 490,000 share performance rights lapsed and were therefore cancelled.

There were no options or share performance rights exercisable at the end of the year or any prior year. As at 30 June 2009 the balance of unissued shares consisted of 1,000,000 options and 1,150,000 share performance rights.

(b) Weighted average share price

The weighted average market price at 30 June 2009 was 1 cent.

9. Interest Bearing Liabilities

As at 30 June 2009, the interest bearing liabilities consisted of a finance lease on a motor vehicle and a chattel mortgage on security imaging equipment. The combined balance of these liabilities was $18,760 (2008: $151,736). After balance sheet date, the chattel mortgage was fully paid out and the balance reduced to $5,257.

10. Contributed Equity

(a) Share Capital

Movement in ordinary shares on issue	No of shares	$
At 1 July 2008	71,540,000	16,767,388
Issued on 15 October 2008	9,588,064	191,761
Transaction costs on share issue	-	(1,590)
At 30 June 2009	81,128,064	16,957,559

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 2008 and at 30 June 2009	73,067
Total Contributed Equity	**17,030,626**

11. Contingent Liabilities

There are no contingent liabilities at 30 June 2009.

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

12. Events occurring after the balance sheet date

On 2 August 2009, 500,000 options held by previous Directors and related parties, as described in the Prospectus, lapsed. There was no financial impact on the 2008-2009 financial year and there will be no impact on the 2009-2010 financial year.

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.

Uwe Boettcher (Chairman)　　Date: 28th August 2009