

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

31 August 2023

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF 2023 PRELIMINARY FINAL REPORT (APPENDIX 4E)

In accordance with the Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30 June 2023.

Should you require any further information in respect to this matter please contact the Group Chief Executive Officer, Mr Scott Basham at Scott.Basham@xtek.net or 02 61635588 in the first instance.

Yours sincerely,



Lawrence A. Gardiner
Company Secretary

Attachment: Appendix 4E – 2023 Preliminary Final Report for XTEK Limited.



XTEK Limited

and Controlled Entities

ABN 90 103 629 107

APPENDIX 4E

Unaudited Preliminary Final Report
for the Year Ended 30 June 2023

Given To The ASX Under Listing Rule 4.3a

Current period: 1 July 2022 to 30 June 2023

Prior corresponding period: 1 July 2021 to 30 June 2022

Results For Announcement To The Market

Key Information	2023 \$'000	2022 \$'000	Change %
Revenue from ordinary activities	89,428	58,176	↑ 54%
Profit after tax from ordinary activities	6,133	5,738	↑ 7%
Net Profit attributable to members	6,133	5,738	↑ 7%

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

Profit per share attributable to the ordinary equity holders of the company	Notes	2023 \$	2022 \$
Basic profit per share	5	0.060	0.063
Diluted profit per share	5	0.060	0.063

Net tangible asset backing per share	2023 \$	2022 \$
Net tangible asset backing per share	0.384	0.362

Directors' Report

Financial Year Ended 30 June 2023

Your Directors submit the financial report for the financial year ended 30 June 2023.

Directors

The names of Directors who held office during the financial year ended 30 June 2023, are:

- Mr. Mark Stevens (Chair)
- Mr. Mark Smethurst
- Mr. Christopher Fullerton
- Hon. Christopher Pyne
- Mr. Benjamin Harrison
- Ms. Adelaide McDonald (appointed on 24 August 2022)

Key Financial Highlights

The simplified Income Statements for the three financial years ended 30 June are outlined below.

Summary Income Statement		FY21	FY22	FY23
Revenue	A\$m	28.3	58.2	89.4
COS	A\$m	(20.2)	(30.7)	(55.7)
Gross profit	A\$m	8.1	27.4	33.7
<i>Gross margin</i>		29%	47%	38%
EBITDA	A\$m	(3.0)	9.0	10.9
Net profit	A\$m	(4.0)	5.7	6.1

Other key metrics		FY21	FY22	FY23
Cash balance	A\$m	5.9	36.2	6.9
Market Capitalisation (30 June)	A\$m	29.5	39.7	43.8

■ FY23 Balance Sheet

- Cash at bank on 30 June 23 was \$6.9m compared with \$36.2m at 30 June 22. The FY22 cash balance included customer advances of \$33.4m for goods delivered during FY23.
- Trade receivables on 30 June 23 was \$24.7m, with 97% received by 31 August 2023.
- No borrowings as at 30 June 23 with undrawn facilities of \$4.9m

■ Principal Activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

Ballistics Division (HighCom) – focused on designing, manufacturing, and supplying global military, law enforcement and first responder customers with world-class, advanced personal protection ballistic products and solutions for:

- Body Armour
- Ballistic Helmets
- Composite Armour Structures

Technology Division – focused on manufacturing and supplying global Defence and Security Agencies with world-leading globally sourced and Australian-made:

- Systems – UAVs & UGVs solutions and Sensors Payloads
- Software – 3D Mapping & Modelling SW & Tactical Situational Awareness SW
- Support – Systems integrations, training & service support

■ Review of Operations

Ballistics Division (HighCom)

During the reporting period, the Ballistics Division successfully finalised the manufacturing and delivery of tens of thousands of HighCom's advanced, high performance, specialist ballistic protection body armour and helmet products, to domestic US and international law enforcement and military customers.

Following the appointment of Sally Nordeen in November 2022, as HighCom Armor CEO, the business has adopted a new, direct sales "Go To Market" model in the US, resulting in significantly greater direct engagement with our valued channel partners and end user law enforcement and government agency customers.

To support and drive this engagement, the business has increased its domestic US and international sales teams. Further, in December 2022, HighCom opened a new Sales and Distribution office in Bydgoszcz, Poland, which provides excellent proximity to its target military and law enforcement customers in Central European and Scandinavian countries.

These key critical changes have greatly increased the HighCom brand recognition in the global ballistic products community target markets and will continue to enhance strong revenue growth in a very competitive global market place.

Technology Division

In December 2022, XTEK was awarded an Acquisition Contract from the Commonwealth of Australia's Department of Defence, totalling \$26.9m, for new Small Unmanned Aerial Systems (SUAS). The delivery of this order is now effectively completed, with ~96% of project revenues recognised by end H2 FY23.

In parallel with this SUAS Acquisition Contract, the Technology Division is in discussions with the Department of Defence to scope a follow on SUAS Support Contract for the equipment and capabilities supplied under the original Acquisition Contract.

Given the depth of SUAS expertise which the Division is developing and providing to the Department

of Defence and given the growing emphasis and impact that drone technology is having on modern warfare worldwide, the Division continues to enhance and sharpen its skills and capabilities in the military SUAS sector.

■ Financial Overview

The strong financial performance in FY23 was achieved by delivering multiple large orders to key defence and law enforcement agency customers in Europe, Australasia, and the United States.

The appointment of our new Group CFO, Jacqui Myers, and our new HighCom Armor CFO in the US, Tom Kiefer, has enhanced and revitalised the finance team, with major internal reviews undertaken, and new finance and accounting systems and reporting capabilities added across the Group.

Group Revenue increased by 54% to a record \$89.4m up from a previous record of \$58.2m (FY22), exceeding the June 23 updated guidance.

The Group's combined blended gross profit margins have decreased in FY23 to 38% from 47% (FY22), as a result of a greater overall contribution being made by the Technology Division which realised a 15% gross margin compared to 51% for the Ballistics Division.

EBITDA increased to a record \$10.9m from \$9.0m (FY22) and exceeded the earlier guidance released to the market on 29 June 2023.

Net Profit after income tax for the consolidated Group was a record \$6.1m up from \$5.7 (FY22).

The cash balance on 30 June 23 was \$6.9m, compared with \$36.2m at 30 June 2022. The FY22 cash balance included a \$33.4m customer advance received from a large European customer, for goods delivered during FY23. Diligent and attentive management of cash throughout the reporting period by the Group's new finance team, which was primarily used to deliver on the major orders on hand, saw the cash position remain steady at \$6.9m from 31 December 22 (end of H1 FY23) to 30 June 2023.

Group inventory holdings during the reporting period increased from \$16.4m at 30 June 22 to \$25.7m at 30 June 2023, including 50% raw materials and 50% finished products. High inventory holdings have mitigated raw material supply chain risks and allow for rapid order delivery against multiple large potential customer supply orders being pursued globally. As access to raw materials continues to improve and supply chain constraints ease, overall inventory holdings are expected to return to normal levels.

■ FY24 Outlook

The outlook for XTEK continues to remain positive due to the ongoing global tailwinds still being generated by the instability of the war in Europe, and from the ongoing tensions within the Asia Pacific region.

The Group continues to execute on its strategic plan to reinforce the ongoing successes it has delivered in both its Ballistics Division and its Technology Division.

Following on from the assessment of a number of inorganic growth opportunities during FY23, the Group is currently progressing potential M&A expansion opportunities.

The Group remains committed to seeing its Ballistics Division optimise the full potential of its unique, patented XTclave™ technology which produces ultra-lightweight and high performance next-generation ballistic protection products. Development continues at pace on a range of advanced inclusive body armour with highly complex curvatures and geometries, as well as its range of "featherweight" NIJ Level 3A and "rifle rated" NIJ Level 3 advanced ballistic combat helmets. The Group plans to establish an XTclave manufacturing capability at its Columbus, Ohio facility as soon as practicable.

■ FY24 Forecast

At the end of June 23, the Group had an opportunity pipeline of leads at various stages of qualification worth more than \$375m:

- Ballistics Division has a growing global pipeline of potential deals that exceeds \$300m lightweight body armour, ballistic helmets and ballistic shields, with the UK MoD, US DoD, and the US DoJ, and is pursuing more than a dozen large ballistic protection contracts in LATAM, EMEA and APAC ranging between \$3m and \$20m through FY24 and beyond.
- Technology Division is progressing multiple ANZ SUAS related Acquisition & Support Contract opportunities valued in excess of \$75m, and expects to provide a market update on a major new multi-year SUAS Support Contract shortly.

Based on current sales and business development activity being progressed around the world, the Group is positive about maintaining continued revenue growth and profitability in FY24.

■ Audit

The report is based on accounts which are in the process of being audited by RSM Australia Partners.

■ **Statement Of Profit Or Loss And Other Comprehensive Income
For The Year Ended 30 June 2023**

	Notes	2023 \$	2022 \$
Revenue	2	89,428,127	58,176,725
Cost of sales		(55,708,966)	(30,738,899)
Gross profit		33,719,161	27,437,826
Other income	2	96,165	455,137
Corporate and administrative expenses	3	(19,547,421)	(18,170,712)
Selling and marketing expenses	4	(5,319,395)	(2,557,185)
Profit from operations before income tax		8,948,510	7,165,066
Income tax expenses (US operations)		(2,815,030)	(1,426,336)
Total comprehensive income for the period		6,133,480	5,738,730

Profit per share attributable to the ordinary equity holders of the company

	Notes	2023 \$	2022 \$
Basic profit per share	6	0.060	0.063
Diluted profit per share	6	0.060	0.063

Statement Of Financial Position As At 30 June 2023

	Notes	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,894,578	36,199,524
Trade and other receivables		24,668,035	10,597,027
Contract assets		3,007,469	-
Inventories		25,736,038	16,419,312
Other		1,444,930	1,340,923
Total current assets		61,751,050	64,556,786
Non-current assets			
Intangibles		3,165,540	1,890,390 ⁽¹⁾
Right of use assets		1,438,254	1,619,177
Property, plant and equipment	7	9,763,021	10,408,499 ⁽¹⁾
Total non-current assets		14,366,815	13,918,066
TOTAL ASSETS		76,117,865	78,474,852
LIABILITIES			
Current liabilities			
Trade and other payables		31,444,066	7,000,893 ⁽²⁾
Borrowings		-	613,580
Lease liabilities		325,513	540,804
Provisions		589,775	469,099
Contract liabilities		280,226	32,677,054 ⁽²⁾
Total current liabilities		32,639,580	41,301,430
Non-current liabilities			
Borrowings		-	801,160
Lease liabilities		1,228,581	1,507,302
Provisions		130,506	33,320
Contract liabilities		15,052	18,815
Total non-current liabilities		1,374,139	2,360,597
TOTAL LIABILITIES		34,013,719	43,662,027
NET ASSETS		42,104,146	34,812,825
EQUITY			
Contributed equity	11(a)	52,502,403	52,061,051
Reserves		1,027,119	310,630
Accumulated losses		(11,425,376)	(17,558,856)
TOTAL EQUITY		42,104,146	34,812,825

(1) \$0.21m software was reclassified from property, plant and equipment to intangibles.

(2) \$32.4m of customer deposits received in advance were reclassified from other payables to contract liabilities.

Statement Of Cash Flows For The Year Ended 30 June 2023

	Notes	2023 \$	2022 \$
Cash flows (used in)/from operating activities			
Receipts from customers		40,431,248	51,250,112
Payments to suppliers and employees		(63,845,072)	(23,704,773)
		(23,413,824)	27,545,339
Interest received		66,693	3,309
Finance costs		(111,160)	(162,406)
Income tax expense		(2,815,029)	(1,426,336)
Net cash flows (used in)/from operating activities	5	(26,273,320)	25,959,906
Cash flows (used in)/from investing activities			
Proceeds from sale of assets		16,500	1,134
Payments for property, plant and equipment		(1,653,824)	(1,844,230)
Payments for intangible assets		(14,492)	(79,939)
Net cash flows (used in) investing activities		(1,651,816)	(1,923,035)
Cash flows (used in)/from financing activities			
Proceeds from issue of ordinary shares		-	7,691,758
Payment of transaction costs associated with issued share capital		(3,817)	(669,825)
Repayment of lease liabilities		(587,226)	(642,858)
Repayment of borrowings		(1,414,740)	(537,604)
Net cash flows (used in)/from financing activities		(2,005,783)	5,841,471
Net (decrease) increase in cash and cash equivalents		(29,930,919)	29,878,342
Exchange rate impact on cash		625,973	419,959
Cash and cash equivalents at beginning financial year		36,199,524	5,901,223
Cash and cash equivalents at end of year		6,894,578	36,199,524

Statement Of Changes In Equity For The Year Ended 30 June 2023

	Issued capital (note 10)	Equity-based payments reserve	Accumulated losses	Foreign Exchange valuation reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2021	45,039,118	36,502	(23,297,586)	(369,292)	21,408,742
Profit for the year	-	-	5,738,730	-	5,738,730
Total income and expense for the period	-	-	5,738,730	-	5,738,730
Issues of ordinary shares during the year:					
Issue of share capital	7,691,758	-	-	-	7,691,758
Foreign exchange reserve	-	-	-	638,080	638,080
Transaction costs associated with share capital	(669,825)	-	-	-	(669,825)
Share based payment reserve	-	5,340	-	-	5,340
Balance at 30 June 2022	52,061,051	41,842	(17,558,856)	268,788	34,812,825
Balance at 1 July 2022	52,061,051	41,842	(17,558,856)	268,788	34,812,825
Profit for the year	-	-	6,133,480	-	6,133,480
Total income and expense for the year	-	-	6,133,480	-	6,133,480
Issue of share capital	445,169	-	-	-	445,169
Foreign exchange reserve	-	-	-	758,331	758,331
Transaction costs associated with share capital	(3,817)	-	-	-	(3,817)
Share based payment reserve	-	(41,842)	-	-	(41,842)
Balance at 30 June 2023	52,502,403	-	(11,425,376)	1,027,119	42,104,146

■ Notes To The Preliminary 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 the XTEK Group and, separately, the Parent Company.

a. Corporate information

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

The preliminary financial report of the XTEK Group for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 30 August 2023.

b. New or amended Accounting Standards and Interpretations adopted

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

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

c. Significant accounting judgment, estimates and assumptions

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances. These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates. The significant estimates and judgements made have been described below.

Key estimates - impairment of tangible and intangible assets

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets, including property, plant and equipment, inventory, and intangible assets, are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An allowance for expected credit losses is based on the best information at the reporting date.

d. Foreign currency translation

Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional and presentation currency of the XTEK Group.

Transactions and balances

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

e. Property, plant and equipment

Cost and valuation

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

Depreciation

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

Most depreciation periods are:

- plant and equipment 3 - 15 years
- office furniture and equipment 3 - 20 years
- motor vehicles 3 - 7 years
- demonstration equipment 5 - 15 years

Impairment

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

f. Borrowing costs

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

g. Intangible assets

Research and development

Development expenditure incurred on an individual project is expensed. Expenditure is only capitalised when it is probable that future economic benefits associated with the item will flow to the entity and the costs incurred can be reliably measured. On recognising that there is an asset with a future economic benefit to the Group the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

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

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

h. 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.

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.

i. 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.

j. Trade receivables

Trade receivables are recognised and carried at original invoice amount less any allowance for expected credit losses. Receivables are non-interest bearing and are generally on thirty 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. The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

k. Cash and cash equivalents

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

l. 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 Statement of Comprehensive Income net of any reimbursement.

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

m. Share based payment transactions

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

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

- the XTEK Employee Incentive Plan;
- the Employee Tax Exempt Share Plan, which provides benefits to all eligible 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 ('market conditions') if applicable.

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

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

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

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

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

n. Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established..

o. Taxes

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

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable differences:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward balances 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 balances of unused tax assets and unused tax losses can be utilised:

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

p. 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 wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements, are charged against surpluses on a net basis in their respective categories.

The contributions made to superannuation funds are charged to the Statement of Profit or Loss and Other Comprehensive Income.

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.

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 twelve months after statement of financial position date are discounted to present value.

q. Earnings per share

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.

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.

r. Interest bearing loans and borrowings

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

s. 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.

t. 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.

u. Dividends

In line with the Capital Management Policy, no dividends were declared on or before or subsequent to the end of the financial year. Priority for FY24 is on reinvestment of capital to drive revenue growth and profitability.

v. 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 is recognised as part of the cost of acquisition of the asset, or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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.

w. Loans and receivables

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 through the use of an allowance account. The amount of the loss is recognised in profit or loss.

x. 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 offset against the capital value when the asset is first recognised in use.

y. Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is,

or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluation criteria which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in plant and equipment.

2. Revenue and other income

a. Revenue from operations

	Notes	2023 \$	2022 \$
Ballistics division		52,718,140	46,967,393
Technology division		36,687,987	11,134,811
Grants and other revenue	8	22,000	74,521
		89,428,127	58,176,725

b. Other income

	2023 \$	2022 \$
Interest	66,693	3,309
Other	29,472	451,828
	96,165	455,137

3. Corporate and administrative expenses

	2023 \$	2022 \$
Employee benefits		
Salaries and wages	7,413,263	7,878,686
Superannuation	559,770	551,278
Payroll tax	541,772	623,440
Other employee expenses	360,301	255,993
	8,875,106	9,309,397
Depreciation & Amortisation		
Plant and equipment	616,412	709,327
Motor vehicles	29,502	9,587
Office furniture and equipment	542,712	116,228
Demonstration equipment	114,681	21,419
Leasehold property improvements	110,787	122,843
Right to use assets	342,666	538,188
Computer equipment	70,175	119,841
Intangible – plate development	53,867	-
Intangible – certifications	23,758	14,100
	1,904,560	1,651,533
Finance costs		
Interest on lease liabilities	93,214	162,406
Other interest expense	17,944	17,007
	111,158	179,413
Non-current asset impairment	789,206	2,486,374
Accounting and Audit fees	314,572	193,680
Bank charges	54,228	121,011
Consultancy fees	1,354,682	615,745
Directors' fees	409,167	327,744
Insurance	1,081,572	701,751
Travel and accommodation	1,165,122	458,264
Share registry	92,370	103,368
Other expenses	3,395,678	2,022,432
	19,547,421	18,170,712

4. Selling and marketing expenses

	2023 \$	2022 \$
International sales commission (to 3rd party for armour sales)	4,756,208	2,240,201
Marketing and trade shows	563,187	316,984
	5,319,395	2,557,185

5. Reconciliation of cash flow from operations with profit after income tax

	2023 \$	2022 \$
Profit for the year	6,133,480	5,738,730
Adjustments for non-cash flow in profits:		
Depreciation and amortisation	1,904,560	1,693,759
Bonus issue of shares to employees	445,169	-
Share based payment to employee	-	5,341
Finance cost on lease	93,214	162,406
Loss on disposal of non-current assets	124,321	1,221
Changes in assets and liabilities		
(Increase) in trade and other receivables	(14,071,008)	(8,746,019)
(Increase) in contract assets	(3,007,469)	-
(Increase) in inventory	(9,863,137)	(5,683,101)
(Increase) in prepayments and other assets	(292,895)	(846,731)
Increase in trade and other payables	24,443,174	809,436
(Decrease) / Increase in contract liabilities	(32,400,591)	33,217,175
Increase / (Decrease) in provisions	217,862	(392,311)
Net cash flows (used in)/from operating activities	(26,273,320)	25,959,906

Non-cash Financing and Investing Activities

During the financial year ending 30 June 2023 there were 1,141,459 shares issued to employees. As at 30 June 2023 there were 633,074 shares in escrow.

Shares that have vesting conditions are held in escrow and are allotted to the employee recipient after the vesting period or upon their leaving the employment of the Company.

6. Earnings per share

a. Basic profit per share

	2023 \$	2022 \$
Profit attributable to the ordinary equity holders of the Company	0.060	0.063

b. Diluted profit per share

	2023 \$	2022 \$
Profit attributable to the ordinary equity holders of the Company	0.060	0.063

c. Reconciliations of earnings used in calculating basic and diluted earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations for both the basic and diluted earnings per share.

	2023 \$	2022 \$
Profit from continuing operations	6,133,480	5,738,730
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	-	-
	6,133,480	5,738,730

d. Weighted average number of shares used as the denominator

	No.	No.
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	101,439,793	91,576,503
<i>Adjustments for calculation of diluted earnings per share:</i>		
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	101,439,793	91,576,503

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.

The issued capital of XTEK Ltd at 30 June 2023 comprises 101,761,703 fully paid Ordinary Shares; there were no options on issue.

At 30 June 2022 there were no options on issue.

7. Non-current Assets

During the full year ended 30 June 2023, the Group acquired property, plant and equipment assets with a cost of \$1,653,824, and intangible assets with a cost of \$14,492 (FY 2022: \$1,844,230 and \$79,939 respectively)

8. Grants

a. Government grants

Government grants of \$22,000 were recognised in the 2023 financial year (FY 2022 – \$74,521).

There were two grants awarded during the financial year 2023 and are still in progress:

- Defence Global Competitiveness grant of \$65,707 was received, a fifty percent contribution for the purchase of a new CNC Virtual Machining Centre to replace outdated equipment. The capital funding will allow for safer and more complex matching, reduced costs of outsourcing and improved productivity. This will accelerate new product development and prototyping, as well as supporting maintenance and production activities.
- Sovereign Industrial Capability Priority grant of \$263,284 was received, a fifty percent contribution for enhancing XTEK's helmet pre-forming and production capacity.

9. Share based payments

a. Expired options and share performance rights

There were no share performance rights exercisable at the end of any prior year.

As at 30 June 2023 there were no unissued shares, nor were there any at the end of the prior year.

b. Weighted average share price

The weighted average market price for the year ended 30 June 2023 was 52.31 cents.

10. Interest bearing liabilities

At 30 June 2023, the Group had no external borrowings. There were lending facilities in place for a total of \$4.9m.

At 30 June 2022 the Group had a Commonwealth Bank loan of \$1.4m. This was fully paid during FY23.

11. Contributed equity

a. Share capital

Movement in ordinary shares on issue	No. of Shares	\$
At 1 July 2022	100,620,244	52,061,051
Shares issued	1,141,459	445,169
Transaction cost in relation to capital	-	(3,817)
Balances as at 30 June 2023	100,761,703	52,502,403

b. Ordinary Shares

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

12. Contingent liabilities

The Group advises that there were no contingent liabilities at 30 June 2023. (At 30 June 2022 – nil)

13. Parent entity

The following information has been extracted from the books and records of the parent, XTEK Limited, and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, XTEK Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$
Statement of Financial Position		
Assets		
Current assets	40,917,975	32,244,709
Non-current assets	13,755,832	9,436,845
Total Assets	54,673,807	41,681,554
Liabilities		
Current liabilities	31,312,885	11,395,293
Non-current liabilities	912,998	1,846,064
Total Liabilities	32,225,883	13,241,357
Net Assets	22,447,924	28,440,197
Equity		
Issued capital	52,502,403	52,061,051
Reserves	-	39,960
Accumulated losses	(30,054,479)	(23,660,814)
Total Equity	22,447,924	28,440,197
Statement of Profit or Loss and Other Comprehensive Income		
Profit for the year	6,393,665	850,846
Total comprehensive income	6,393,665	850,846

14. Business combination

In the financial year ending 30 June 2023 there were no new business combinations.

15. Events occurring after the balance sheet date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of XTEK, the results of those operations, or the state of affairs of XTEK in future financial years.

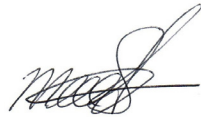
16. Significant Events occurring during the year under review

- On 24 August 2022, Ms Adelaide McDonald joined the Board of Directors to fill a casual vacancy.
- During November 2022, Ms Sally Nordeen was appointed as the HighCom Armor Chief Executive Officer, Ms Jacqui Myers was appointed the Group Chief Financial Officer, and Mr Thomas Kiefer was appointed the HighCom Armor Chief Financial Officer.

■ Compliance

1. This report is based on accounts which are in the process of being audited.
2. The Group has a formally constituted Finance and Audit Committee.

Signed



Printed Name: Mark Stevens (Chairman)

Date: 31 August 2023