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

31 August 2022

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF 2022 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 2022.

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 – 2022 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 2022

GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Current period:	1July 2021 to 30 June 2022
Prior corresponding period:	1July 2020 to 30 June 2021

RESULTS FOR ANOUNCEMENT TO THE MARKET

Key Information	2022 $'000	2021 $'000		Change %
Revenue from ordinary activities	58,176	28,332	↑	105%
Profit/(loss) after tax from ordinary activities	5,738	(3,975)	↑	244%
Net Profit/(loss) attributable to members	5,738	(3,975)	↑	244%

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/(loss) per share attributable to the ordinary equity holders of the company	Notes	2022 $	2021 $
Basic profit/(loss) per share	5	0.063	(0.058)
Diluted profit/(loss) per share	5	0.063	(0.058)

Net tangible asset backing per share	2022 $	2021 $
Net tangible asset backing per share	0.362	0.285

XTEK LTD
PROTECT AND SUSTAIN

OPERATING RESULTS

Key Points

- **Record Group Revenue – $58.2m up 105%**
- **Record Group GM – 47% up 18%**
- **Record EBITDA – $8.97m up $12m**
- **Record Group Net Profit – $5.7m up $9.7m**
- **Record Adjusted Net Profit – $8.1m up $12.0m**
- **Contracted orders in hand at 30 June 22 – $45m**
- **Cash at bank at 30 June 22 – $36.2m**

Commentary on Record Performance

- Restructuring and rightsizing activities undertaken by new management team in H1 FY22 has sharply refocused the business on to its core capabilities and has had a positive impact on the full year result.
- Revenue increased 105% from $28.3m (FY21) to $58.2m.
- Gross Profit Margin was up 18% from 29% (FY21) to 47%, thanks to the significantly changed HighCom Armor revenue model mix, away from a predominantly private label sales model of previous years to a majority direct sales and "badged" reseller channel sales focused model going forward.
- Contracted orders in hand on 30 June 22 totalling $45m (equivalent of 77% of FY22 total revenues).
- Growing pipeline of opportunities at various stages of qualification exceeding $130m, with multiple potential projects on foot for delivery in FY23, FY24, and beyond.
- Strong growth fundamentals continue for armour and technology markets given continued global uncertainty and escalation of military activities around the world.
- Group actively seeking organic expansion opportunities and acquisitions for both armour and technology divisions in US, EU, and AU.
- Group continues its prudent capital management focused on balancing growth opportunities with modest, manageable levels of gearing.

The simplified Income Statement for the financial year ended 30 June 2022 is outlined below.

Summary Income Statement		FY20	FY21	FY22
Revenue	A$m	42.7	28.3	58.2
COGS	A$m	(34.1)	(20.2)	(30.7)
Gross profit	A$m	8.6	8.1	27.4
Gross margin		*20%*	*29%*	*47%*
EBITDA	A$m	0.83	(3.04)	8.97
Net profit	A$m	0.3	(3.97)	5.74

Other key metrics		FY20	FY21	FY22
Cash balance	A$m	3.1	5.9	36.2
Market Capitalisation at 30 June	A$m	37.7	29.5	39.7

FY22 Strategic Review Implementation Fully Completed

- A Strategic Review of the Group's operations occurred in H1 FY22, and all recommendations from that report were accepted in full by the Board for implementation.
- New Group CEO was subsequently appointed, and key additions made to the senior management team.
- The restructuring and rightsizing activities undertaken by the new management team, has sharply refocused the business on its core capabilities, which has enabled the Group to deliver record results for FY22.

FY22 Balance Sheet

- Cash at bank on 30 June 22 was $36.2m vs $5.9m at 30 June 21.
- Cash at bank includes $31.4m of unearned income from prepayment of contracted orders.
- Group holds accumulated Tax Losses of $25m to offset against future profits.

FY23 Contracted Orders in Hand

- The outlook for FY23 is positive and supported by a strong order book.
- At 30 June 22, the Group had contracted orders in hand totalling $45m (equivalent 77% of FY22 revenue).
- This amount included $32m for the remaining 66% of the $46.2m transformational HighCom ballistic armour order, plus other armour orders.
- It also included $9.6m of Technology Division orders for SUAS spare parts and support services for ADF and other customers.

New Sales Pipeline Opportunities

- At the end of FY22, the Group had an opportunity pipeline (across its armour and technology divisions) leads at various stages of qualification worth more than $130m.
- The Group's Technology Division had multiple value added reseller SUAS related opportunities being tendered and negotiated across the ANZ region, valued in excess of $30m.
- Our HighCom Armor business continues to engage with EU customers for multiple follow on order opportunities, as well as customers in the Middle East and the US, and has a pipeline of leads exceeding $100m.
- There continues to be significant global interest in our HighCom lightweight and high-performance helmets and body armour products manufactured out of the Adelaide Manufacturing Facility for use by special forces and elite law enforcement agency groups.

Global Defence Budget Tail Winds

- The strong growth currently being experienced by the business is likely to continue for the foreseeable future, while the ongoing uncertainty and military escalations continue to occur, notably in Europe and across the Asia Pacific region.
- The build-up and re-arming of NATO and European defence forces in the face of ongoing Russian aggression and unpredictability, will almost certainly continue unabated for many years to come.
- In the Asia Pacific region, the ongoing great power competition between China and the United States and its Western Allies, including Australia, will almost certainly continue to see increased activity in the acquisition of new capabilities, such as drones and robots for reconnaissance and surveillance tasks, as well as new lightweight and high performance body armour and helmets that are more suitable for soldiers in tropical operating environments, being purchased by APAC military forces.

XTEK Growth Strategy

- The Group has a clear strategy for growth and continued profitability:
  - *Reinforce Success* – Invest in the areas of our business that have been successful and have potential for continued enhancement and growth.
  - *Seek Adjacencies* – Find new business opportunities that extend our reach and can draw on our experience and expertise.
  - *Create our Future* – Invest in organic and inorganic expansion opportunities in the Defence and Law& Order markets to create new products and service offerings for sustained future growth and profitability.
- In line with our growth strategy, the Group is actively seeking expansion opportunities for both our HighCom Armor and Technology Division in the US, Europe, and Australia.

FY2023 Outlook

- Given the Group's strong cash position, growing backlog of contracted orders in hand and global pipeline of new sales opportunities, the Group is very confident that the revenue in FY23 will exceed the record results we achieved in FY22. In addition to this, we continue to be strongly and sharply focused on developing and converting our various longer-term sales leads into contracted orders for delivery in FY24 and beyond.

Auditor's Review Note

The auditor has provided a Review Report that is attached to the 4E Preliminary Final Report for the purposes of this announcement.

Hardwickes
more than accounting

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Independent Auditor's Review Report to the members of XTEK Limited and Controlled Entities

Report on the review of Financial Report

We have reviewed the accompanying financial report of XTEK Limited and Controlled Entities, which comprises the consolidated condensed statement of financial position as at 30 June 2022, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors' determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2022 and its performance for the year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of XTEK Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Independent Auditor's Review Report to the members of XTEK Limited and Controlled Entities

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of XTEK Limited and Controlled Entities, would be in the same terms if given to the Directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of XTEK Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Hardwickes
Chartered Accountants

R Johnson

Robert Johnson FCA
Partner

Canberra

30 August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	**2022** **$**	2021 $
Revenue	2	**58,176,725**	28,332,460
Changes in inventories of finished goods and work in progress		**(30,738,899)**	(20,205,212)
Gross profit		**27,437,826**	8,127,248
Other income	2	**455,137**	353,346
Corporate and administrative expenses	3	**(22,154,233)**	(12,455,542)
Profit/(loss) from operations before income tax		**5,738,730**	(3,974,948)
Income tax expenses		**-**	-
Total comprehensive income/(loss) for the period		**5,738,730**	(3,974,948)

Profit/(loss) per share attributable to the ordinary equity holders of the company

	Notes	**2022** **$**	2021 $
Basic profit/(loss) per share	5	**0.063**	(0.058)
Diluted profit/(loss) per share	5	**0.063**	(0.058)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents		**36,199,524**	5,901,223
Trade and other receivables		**10,597,027**	1,851,007
Inventories		**16,419,312**	10,736,212
Other		**1,340,923**	494,192
Total current assets		**64,556,786**	18,982,634
Non-current assets			
Goodwill		**1,283,319**	1,175,913
Intangibles		**397,058**	352,868
Right of use assets		**1,619,177**	2,083,501
Property, plant and equipment	6	**10,618,512**	9,781,523
Total non-current assets		**13,918,066**	13,393,805
TOTAL ASSETS		**78,474,852**	32,376,439
LIABILITIES			
Current liabilities			
Trade and other payables	14	**40,606,280**	6,596,604
Provisions		**154,346**	545,913
Lease liabilities		**540,804**	208,454
Total current liabilities		**41,301,430**	7,350,971
Non-current liabilities			
Trade and other payables	14	**819,975**	1,340,644
Provisions		**33,320**	34,064
Lease liabilities		**1,507,302**	2,242,018
Total non-current liabilities		**2,360,597**	3,616,726
TOTAL LIABILITIES		**43,662,027**	10,967,697
NET ASSETS		**34,812,825**	21,408,742
EQUITY			
Contributed equity	10(a)	**52,061,051**	45,039,118
Reserves		**310,630**	(332,790)
Accumulated losses		**(17,558,856)**	(23,297,586)
TOTAL EQUITY		**34,812,825**	21,408,742

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	**2022 $**	2021 $
Cash flows from/(used in) operating activities			
Receipts from customers		**51,250,112**	43,155,914
Payments to suppliers and employees		**(25,131,109)**	(43,399,123)
		26,119,003	243,209
Interest received		**3,309**	7,370
Finance costs		**(162,406)**	(50,574)
Net cash flows from operating activities	4	**25,959,906**	(286,413)
Cash flows (used in)/from investing activities			
Proceeds from sale of assets		**1,134**	13,436
Payments for equipment		**(1,924,169)**	(8,371,651)
Net cash flows (used in) investing activities		**(1,923,035)**	(8,358,215)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**7,691,758**	12,055,642
Payment of transaction costs associated with issued share capital		**(669,825)**	(884,619)
Repayment of lease liabilities		**(642,858)**	(600,979)
Repayment of borrowings		**(537,604)**	1,135,619
Net cash flows (used in)/from financing activities		**5,841,471**	11,705,663
Net increase (decrease) in cash and cash equivalents		**29,878,342**	3,061,035
Exchange rate impact on cash		**419,959**	(216,843)
Cash and cash equivalents at beginning financial year		**5,901,223**	3,057,031
Cash and cash equivalents at end of year		**36,199,524**	5,901,223

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Issued capital (note 10) $	Equity-based payments reserve $	Accumulated losses $	Foreign Exchange valuation reserve $	Total Equity $
Balance at 1 July 2020	33,741,882	28,221	(19,322,638)	14,193	14,461,658
Profit for the year			(3,974,948)		(3,974,948)
Total income and expense for the period	-	-	(3,974,948)	-	(3,974,948)
Issues of ordinary shares during the year:	-	-	-	-	-
Issue of share capital	12,181,855	-	-	-	12,181,855
Foreign exchange reserve	-	-	-	(383,485)	(383,485)
Transaction costs associated with share capital	(884,619)	-	-	-	(884,619)
Share based payment reserve	-	8,281	-	-	8,281
Balance at 30 June 2021	**45,039,118**	**36,502**	**(23,297,586)**	**(369,292)**	**21,408,742**
Balance at 1 July 2021	**45,039,118**	**36,502**	**(23,297,586)**	**(369,292)**	**21,408,742**
Profit / (Loss) for the year	**-**	**-**	**5,738,730**	**-**	**5,738,730**
Total income and expense for the year	**-**	**-**	**5,738,730**	**-**	**5,738,730**
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**

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 2022 was authorised for issue in accordance with a resolution of the Directors on 30 August 2022.

b. New accounting standards and interpretations

Future Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations that might have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2022.

The Group is yet to undertake a detailed assessment of the impact of these standards. However, based on the Group's preliminary assessment, any Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when they are first 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 property, plant and equipment

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 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 impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key judgements – COVID-19

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. The consideration extends to the nature of the products and services offered, customers and staffing. Other than as addressed in specific notes, there does not currently appear to be either significant impact on the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

d. Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

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

e. 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:
Most depreciation periods are:

- plant and equipment 3 - 15 years

iii. Impairment

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

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

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.

Research and development - continued

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 a provision for any uncollectable amounts. 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. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

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

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 Group has adopted AASB 15 Revenue from Contracts with Customers for the first time in the current year with a date of initial application of 1 July 2018.

The key changes to the Group's accounting policies and the impact on these financial statements from applying AASB 15 are described below.

The Group has applied AASB 15 using the cumulative effect method which means the comparative information has not been restated and continues to be reported under AASB 111, AASB 118 and related interpretations. All adjustments on adoption of AASB 15 have been taken to retained earnings at 1 July 2018.

Timing of revenue recognition based on transfer of control of performance obligations

Prior to the adoption of AASB 15, the Group recognised revenue when the risks and rewards associated with the transfer of goods had transferred to the buyer which was when there was an unconditionally exchanged contract and the product was practically complete.

AASB 15 requires revenue from these products to be recognised when the performance obligations to transfer goods and services have been satisfied. The Group considers that performance obligations are satisfied when the physical transfer of the goods has occurred as this is when control transfers to the customer.

Consequently, the timing of revenue recognition and profit has changed and revenue previously recognised in prior years (in accordance with the previous standards) has now been recognised in the current year (in accordance with AASB 15).

This change in timing of revenue has a consequential impact on a number of other financial statement line items including inventories, receivables and taxation.

Transfer of control to a customer - over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The Group has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

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.

i. Long service leave

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

ii. Termination benefits

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

q. 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.

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

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

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.

Leases – continued

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 and lease liabilities have been included in trade and other payables.

2. Revenue and other income

a. Revenue from operations

	Notes	2022	2021
		$	$
Ballistics division		**46,967,393**	16,104,628
Technology division		**11,134,811**	12,123,091
Grants and other revenue	**7**	**74,521**	104,740
		58,176,725	28,332,460

b. Other income

	2022	2021
	$	$
Interest	**3,309**	7,370
Other	**451,828**	345,976
	455,137	353,346

3. Expenses

Corporate and administrative expenses include the following.

	2022	2021
Employee benefits	**$**	$
Salaries and wages	**7,878,686**	4,024,619
Superannuation	**551,278**	525,435
Payroll tax	**623,440**	583,991
Other employee expenses	**255,993**	325,908
Depreciation		
Plant and equipment	**709,327**	77,063
Motor vehicles	**9,587**	5,677
Office furniture and equipment	**134,711**	34,920
Computer equipment	**101,358**	179,232
Demonstration equipment	**21,419**	25,693
Leasehold property improvements	**122,843**	96,341
Right to use assets*	**538,188**	512,152
Inventory impairment (Virolens)	**2,486,374**	-
US companies' profits tax (HighCom US subsidiary)	**1,426,336**	217,369
International sales commission (to 3rd party for armour sales)	**2,240,201**	-
Accounting and Audit fees	**193,680**	252,679
Bank charges	**121,011**	78,612
Consultancy fees	**615,745**	757,614
Directors' fees	**327,744**	278,000
Insurance	**701,751**	599,069
Marketing and conferences	**316,984**	454,161
Travel and accommodation	**458,264**	298,638
Share registry	**103,368**	96,588
FBT	**12,961**	22,653
Finance costs		
Interest on lease liabilities*	**162,406**	186,380
Other interest expense	**17,007**	13,334

*The "Interest on lease liabilities" refers not to borrowings but is the application of AASB 16. It is the internal interest component of the lease on rented properties. This finance cost and the Depreciation of the Right of Use Asset are comparable to a rent payment.

4. Reconciliation of cash flow from operations with profit/(loss) after income tax

	2022	2021
	$	$
Profit (Loss) for the year	**5,738,730**	(3,974,948)
Adjustments for non-cash flow in profits:		
Depreciation and amortisation	**1,693,759**	1,122,648
Bonus issue of shares to employees	**-**	-
Share based payment to employee	**5,341**	126,213
Finance cost on lease	**162,406**	186,378
Loss on sale of assets	**1,221**	7,147
Changes in assets and liabilities		
Decrease / (Increase) in trade debtors	**(8,746,019)**	13,521,052
Decrease / (Increase) in inventory	**(5,683,101)**	(1,699,215)
(Increase) / Decrease in prepayments and other assets	**(846,731)**	1,110,437
Increase / (Decrease) in trade and other payables	**34,009,436**	(8,943,943)
Increase / (Decrease) in deferred income	**17,175**	(1,768,603)
Increase / (Decrease) in provisions	**(392,311)**	26,421
Net cash flows from/(used in) operating activities	**25,959,906**	(286,413)

Non-cash Financing and Investing Activities

During the financial year 2021-22 no shares were issued to employees. As at 30 June 2022, 5,556 shares remain in escrow.

During the financial year 2020-21 397,228 shares were issued to employees. As at 30 June 2021, 59,185 shares were in escrow.

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

5. Earnings per share

a. Basic profit/(loss) per share

	2022	2021
	$	$
Profit/(loss) attributable to the ordinary equity holders of the Company	**0.063**	(0.058)

b. Diluted profit/(loss) per share

	2022	2021
	$	$
Profit/(loss) attributable to the ordinary equity holders of the Company	**0.063**	(0.058)

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.

	2022	2021
	$	$
Profit/(loss) from continuing operations	**5,738,730**	(3,974,948)
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**-**	-
	5,738,730	(3,974,948)

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	**91,576,503**	68,524,916
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	**91,576,503**	68,524,916

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 2022 comprises 100,620,244 fully paid Ordinary Shares; there were no options on issue.

At 30 June 2021 there were no options on issue.

6. Property plant and equipment

During the full year ended 30 June 2022, the Group acquired assets with a cost of $1,924,169 which includes $54,585 for intangibles, predominantly Intellectual Property. (FY 2021: $8,206,803 and $68,814 respectively)

7. Grants

a. Government grants

Government grants of $74,521 were recognised in the 2022 financial year (FY 2021 – $104,740).
In financial year 2022 a Centre for Defence Industry Capability grant of $469,598 was received for works on assets (FY 2021 – nil), see the accounting policy for grants in note 1 (x) above.

8. 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 2022 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 2022 was 33.44 cents.

9. Interest bearing liabilities

At 30 June 2022 the Group had a Commonwealth Bank loan of $1,414,740. At 30 June 2021 the Group had a Commonwealth Bank loan of $1,952,343.

HighCom (US subsidiary) had two loan facilities with PNC Bank which were paid out in full in June 2022.

10. Contributed equity

a. Share capital

Movement in ordinary shares on issue	**No. of Shares**	**$**
At 1 July 2021	71,036,559	45,039,118
Shares issued	29,583,685	7,691,758
Transaction cost in relation to capital	-	(669,825)
Balances as at 30 June 2022	**100,620,244**	**52,061,051**

b. Ordinary Shares

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

11. Contingent liabilities

The Group advises that there were no contingent liabilities at 30 June 2022. (At 30 June 2021 – nil)

In the 2020 financial year the US subsidiary received a forgivable loan as part of the US Government's Covid-19 stimulus package. It represented $379,709 worth of Other Income in the Group's accounts for the 2020 financial year. The loan was subsequently forgiven in the 2021 financial year.

12. 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 2022 $	Year ended 30 June 2021 $
Statement of Financial Position		
Assets		
Current assets	32,244,708	17,423,133
Non-current assets	9,436,845	10,756,454
Total Assets	**41,681,553**	28,179,587
Liabilities		
Current liabilities	11,395,293	4,991,650
Non-current liabilities	1,846,064	2,602,301
Total Liabilities	**13,241,357**	7,593,951
Net Assets	**28,440,197**	20,585,636
Equity		
Issued capital	52,061,051	45,039,118
Reserves	39,960	34,620
Accumulated losses	(23,660,814)	(24,488,102)
Total Equity	**28,440,197**	20,585,636
Statement of Profit or Loss and Other Comprehensive Income		
Profit / (Loss) for the year	850,846	(4,536,480)
Total comprehensive income	**850,846**	(4,536,480)

13. Business combination

In the financial year ending 30 June 2022 there were no new business combinations.

14. Trade and other payables

	2022 $	2021 $
CURRENT		
Trade and other payables	**39,992,700**	5,949,145
Borrowings	**613,580**	613,340
Contract liabilities	**-**	34,119
	40,606,280	6,596,604

	2022 $	2021 $
NON-CURRENT		
Borrowings	**801,160**	1,339,004
Contract liabilities	**18,815**	1,640
	819,975	1,340,644

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.

a. Changes to the Board of Directors

- On 24 August 2022, Ms Adelaide McDonald joined the Board of Directors to fill a casual vacancy.

16. Significant Events occurring during the year under review

- On 23 February 2022, Mr Uwe Boettcher retired as the Chairman of the Board of Directors.
- On 23 February 2022, Mr Mark Stevens became Chairman of the Board of Directors.
- On 23 February 2022, Mr Ben Harrison joined the Board of Directors.
- On 30 July 2021, Mr Scott Basham was appointed Interim Chief Executive Officer. On 23 September 2022 Mr Basham was confirmed as Group Chief Executive Officer.
- On 30 July 2021, Mr Philippe Odouard retired as a Director.

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: 30 August 2022