

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

29 February 2024

By Electronic Lodgement

Dear Sir/Madam,

LODGEment OF HALF YEAR REPORT (APPENDIX 4D)

In accordance with the Listing Rules, please find attached the Half Year Report (Appendix 4D) for HighCom Ltd (HCL) for the half-year period ended 31 December 2023. The information contained in this report should be read in conjunction with the 2023 Annual Report.

Should you require any further information in respect to this matter please email Mr Mark Stevens, HighCom Group Executive Chairman, at investors@highcom.group.

Yours sincerely,



Jacqueline Myers
Company Secretary

Attachment: HighCom Limited Half Year Report for half-year ended 31 December 2023.

HighCom Limited

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PO Box 333, Fyshwick ACT 2609, Australia

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**HighCom Limited
and Controlled Entities**
APPENDIX 4D
HALF YEAR REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2023

SUMMARY OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	Half Year 2023 \$'000	Half Year 2022 \$'000		Change %
Revenue from ordinary activities	14,949	48,514	↓	69%
(Loss)/Profit after tax from ordinary activities	(13,491)	6,050	↓	323%
(Loss)/Profit attributable to members	(13,491)	6,050	↓	323%

Note: HighCom Ltd and Controlled Entities recorded a loss from operations after tax for the current half year period of \$13,490,536 and a profit of \$6,049,856 in the comparative period to 31 December 2022.

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	Half Year 2023 cents	Half Year 2022 cents
Basic profit/(loss) per share	(13.2)	6.0
Diluted profit/(loss) per share	(13.2)	6.0

Net tangible asset backing per share	Half Year 2023 \$	Half Year 2022 \$
Net tangible asset backing per share	0.258	0.393



HighCom Limited and Controlled Entities

HALF YEAR REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2023

This Half Year Report incorporating Appendix 4D is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3

The information contained in this report is to be read in conjunction with HighCom Limited's (formerly XTEK Limited) 2023 Annual Report and any announcements to the market by HighCom Limited during the half-year period ending 31 December 2023.

Current period: 1 July 2023 to 31 December 2023

Prior corresponding period: 1 July 2022 to 31 December 2022

HIGHCOM LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

HighCom Limited and Controlled Entities

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Directors' Report

Half-year Ended 31 December 2023

Your Directors submit the financial report for the half-year ended 31 December 2023.

Directors

The names of Directors who held office during the whole of the financial half-year and up to the date of this report are:

- Mr. Mark Stevens - Chairman (appointed as Executive Chairman on 13 February 2024)
- Mr. Mark Smethurst
- Mr. Christopher Pyne
- Mr. Benjamin Harrison
- Ms. Adelaide McDonald
- Mr. Christopher Fullerton (retired on 23 November 2023)

Principal Activities

During the financial half-year, the principal continuing activities of the consolidated HighCom Ltd (formerly known as XTEK Ltd) entity consisted of:

- **HighCom Armor** (formerly known as the XTEK Ballistics Division) – is 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 and Composite Armour Structures.
- **HighCom Technology** (formerly known as the XTEK Technology Division) – exclusively supplies, integrates, manages, trains, maintains and logistically supports across the ANZ region, Small Uncrewed Aerial Systems (SUAS) and Sensor Payloads from world-leading US based drone company AeroVironment.

Financial Overview

The loss for the consolidated entity after providing for income tax amounted to \$13.5m (Dec 2022: profit \$6.0m), including a non-cash impairment of \$6.2m (Dec 2022, \$0.15m). Given the level and duration of the HighCom Armor inventory, a partial inventory write-down of \$4.4m was recognised and other impairments of \$1.9m, mainly related to the closure of the Adelaide Manufacturing Centre.

- The Group's revenue from continuing operations decreased by 69% to \$14.9m down from a record \$48.5m in H1 FY23. Gross Profit margins have decreased to 21.6% from 50.7% at H1 FY23. The majority of revenue during the 1H was generated from smaller run-rate sales (\$2m per month) in HighCom Armor, at reduced margins.
- The poor revenue performance in H1 FY24 was mainly due to the Company not securing several large international orders in the Middle East region. As of 31 December 2023, the Group held cash of \$1.6m, with borrowings of \$1.5m. The remaining line of credit available is \$2.4m. The cash balance as at 31 December 2023, was also impacted by the timing of contract milestones. The cash receipts related to the accrued revenue of \$2.8m is expected during H2 FY24. Cash payments during the reporting period were primarily used to deliver on the major orders on hand and to facilitate the redundancy and restructuring efforts for the Adelaide manufacturing facility, as well as to relocate the XTclave and related equipment to the US.

The Board recognises the underperformance of the business and its impact on the share price. We are unhappy with current business performance, recognise the need to act swiftly and wish to assure shareholders that we remain focused on doing what is needed to enable HighCom Group to be a world-class company servicing the Defence and Law Enforcement industries. The H1 FY24 performance is disappointing and the Board is taking decisive action. Given our current sales order book and the planned cost reduction initiatives arising from the Board's review, we are highly confident that the business will deliver improved results in future periods.

Cost-reduction review

Post the balance date the Board has commenced a cost-reduction program to generate efficiencies, in addition to the savings from the cessation of operations at the Adelaide manufacturing facility.

As part of the company-wide review the Board has also analysed the sales pipeline, including the current order backlog, and determine the appropriate cost-base for delivering an improved second-half result for FY24. The resultant initiatives are aimed at returning the Company to an EBITDA positive position for the second half of FY24.

Review of Operations

HighCom Armor

- During the reporting period, HighCom Armor delivered and received orders for its advanced, high performance, specialist ballistic protection products, to customers located in the US and around the world.
- The monthly domestic US run rate sales of approximately \$2m per month were recognised during H1 FY24. The business also received a number of additional orders from overseas customers totalling \$12.4m. At the end of the reporting period, the HighCom Armor business had an order book backlog of work in excess of \$7m, all of which it expects to deliver and recognise in H2 FY24.
- The Board's decision to cease all manufacturing operations in the Adelaide manufacturing facility and relocate the business' patented XTclave production system to Columbus, Ohio, will see all of the business's armour manufacturing located centrally to generate efficiencies. By early February 2024, the disassembled XTclave and supporting equipment had been delivered to Ohio, US with re-assembly preparatory work commencing.
- The Board approved the closure of the HighCom Armor Sales and Distribution office in Poland. In line with the business wide restructuring plans, the decision has been made to focus European efforts from its North American operations, supported by a sales representative based in the UK. This aligns with the opportunities existing within the UK and Western Europe, while still being able to service Eastern European militaries and police forces.

HighCom Technology

- Just over a year ago in December 2022, the HighCom Technology business was awarded a contract from the Commonwealth of Australia's (CoA) Department of Defence, totalling \$26.9m, for new Small Unmanned Aerial Systems (SUAS), with 95% of the revenue recognised in FY23. This contract is expected to be completed during FY24 H2, with the final system acceptance and the final milestone payment expected during FY24 H2.
- On 3 October 2023, HighCom Technology received a new multi-year Support Contract received from the Commonwealth of Australia's (CoA) Department of Defence. The total contract value over the 10-year term has the potential to exceed \$110m. The Support Contract provides ongoing support services for an initial term of 4 years, with 3 x 2 year extension options. The initial 4-year term of the contract for support services is valued at \$15.9m, with an additional ~\$23m of spare parts also expected to be required over the initial term. The further 6 years (2+2+2) of extension period support services, if taken, will be valued at a further ~\$26m, with an additional ~\$45m of spare parts also possible.
- At the end of the reporting period, HighCom Technology held orders in hand for delivery in FY24 H2 worth \$11m.

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2023.

This Directors' Report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001



Mr Mark Stevens
Executive Chairman

29 February 2024

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of HighCom Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Rsm Australia Partners

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "Rodney Miller", with a long horizontal stroke extending to the right.

Rodney Miller
Partner

Canberra, Australian Capital Territory
Dated: 29 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

HighCom Limited (formerly known as 'XTEK Limited')

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of HighCom Limited (formerly known as "XTEK Limited") which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity an consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of HighCom Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of HighCom Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the HighCom Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year 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.

RSM Australia Partners

RSM AUSTRALIA PARTNERS



Rodney Miller
Partner

Canberra, Australian Capital Territory
Dated: 29 February 2024

HIGHCOM LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year Ended 31 December 2023

	Note	31 Dec 2023 \$	31 Dec 2022 \$
Revenue	3(a)	14,948,708	48,514,005
Cost of sales		(11,726,989)	(23,929,851)
Gross profit		3,221,719	24,584,154
Other income	3(b)	235,191	61,814
Employee benefits	4	(4,772,649)	(4,349,041)
Corporate and administrative expense	5	(4,463,975)	(4,084,206)
Selling and marketing expenses	6	(171,282)	(5,102,652)
Finance cost	7	(81,895)	(81,003)
Depreciation and amortisation	8	(1,215,875)	(922,794)
Impairment	9	(6,241,770)	(149,047)
Profit/(Loss) from operations before income tax		(13,490,536)	9,957,225
Income tax expense (US operations)		-	(3,907,369)
Profit/(Loss) from operations after income tax		(13,490,536)	6,049,856
Other comprehensive income			
<i>Items That May Be Reclassified Subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations, net of tax		(242,189)	-
Total comprehensive (loss)/income for the half-year		(13,732,725)	6,049,856
		Cents	Cents
Basic earnings per share	21	(13.2)	6.0
Diluted earnings per share	21	(13.2)	6.0

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



HIGHCOM LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 Dec 2023 \$	30 Jun 2023 \$
CURRENT ASSETS			
Cash and cash equivalents	10	1,577,405	6,894,578
Trade and other receivables	11	754,733	24,668,035
Contract assets	12	2,794,323	3,007,469
Inventories	13	19,332,246	25,736,038
Other current assets	14	925,367	1,444,930
TOTAL CURRENT ASSETS		25,384,074	61,751,050
NON-CURRENT ASSETS			
Intangible assets		1,102,890	1,763,194
Goodwill		1,402,346	1,402,346
Right of use assets		993,377	1,438,254
Property, plant and equipment		7,890,507	9,763,021
TOTAL NON-CURRENT ASSETS		11,389,120	14,366,815
TOTAL ASSETS		36,773,194	76,117,865
CURRENT LIABILITIES			
Trade and other payables	15	4,394,711	31,444,066
Borrowings	16	1,521,367	-
Lease Liabilities	17	334,022	325,513
Provisions	18	603,653	589,775
Contract Liabilities	19	186,412	280,226
TOTAL CURRENT LIABILITIES		7,040,165	32,639,580
NON-CURRENT LIABILITIES			
Lease Liabilities	17	803,684	1,228,581
Provisions	18	50,000	130,506
Contract liabilities	19	13,171	15,052
TOTAL NON-CURRENT LIABILITIES		866,855	1,374,139
TOTAL LIABILITIES		7,907,020	34,013,719
TOTAL NET		28,866,174	42,104,146
EQUITY			
Contributed equity	20	52,927,156	52,502,403
Reserves	20	783,048	1,027,119
Accumulated losses	20	(24,844,030)	(11,425,376)
TOTAL EQUITY		28,866,174	42,104,146

The above statement of financial position should be read in conjunction with the accompanying notes



HIGHCOM LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2023

	Note	Issued capital \$	Equity based payments reserve \$	Foreign exchange translation reserve \$	Accumulated Losses \$	Total \$
Balance as at 1 July 2022		52,061,051	41,842	268,788	(17,558,856)	34,812,825
<i>Total comprehensive income for the half-year</i>						
Net profit for the period		-	-	-	6,093,520	6,093,520
Other Comprehensive Income		-	-	756,449	-	756,446
Total Comprehensive Income for the year		-	-	756,449	6,093,520	6,849,969
<i>Transactions With Owner Recognised Directly in Equity</i>						
Issuance of Ordinary Shares		445,169	-	-	-	445,169
Share based payment reserve		-	(39,960)	-	39,960	-
Transaction costs associated with share capital		(3,817)	-	-	-	(3,817)
Balance as at 30 June 2023	20	52,502,403	1,882	1,025,237	(11,425,376)	42,104,146
<i>Total comprehensive Income for the period</i>						
Net loss for the period		-	-	-	(13,490,536)	(13,490,536)
Other Comprehensive Income		-	-	(242,189)	-	(242,189)
Total Comprehensive Loss for the period		-	-	(242,189)	(13,490,536)	(13,732,725)
<i>Transactions With Owner Recognised Directly in Equity</i>						
Issuance of Ordinary Shares		428,250	-	-	-	428,250
Discontinued Operation		-	(1,882)	-	71,882	70,000
Transaction costs associated with share capital		(3,497)	-	-	-	(3,497)
Balance as at 31 December 2023	20	52,927,156	-	783,048	(24,844,030)	28,866,174

The above statement of changes in equity should be read in conjunction with the accompanying notes.



HIGHCOM LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2023

	Note	31 Dec 2023 \$	31 Dec 2022 \$
Cash flows (used in)/from operating activities			
Receipts from customers		36,830,222	24,398,414
Payments to suppliers and employees		(43,217,038)	(47,978,509)
		(6,386,816)	(23,580,095)
Interest received		102,214	23,212
Finance costs		(38,229)	(71,903)
Income tax expense		-	(2,525,446)
Net cash flows (used in) operating activities		(6,322,831)	(26,154,232)
Cash flows from/(used in) investing activities			
Proceeds from sale of assets		349,146	15,500
Payments for property, plant and equipment		(345,574)	(1,359,828)
Net cash flows from/(used in) investing activities		3,572	(1,344,328)
Cash flows from financing activities			
Payment of transaction costs associated with issued share capital		(3,497)	(3,817)
Repayment of lease liabilities		(468,671)	(324,835)
Proceeds from/(repayment of) borrowings		1,522,967	(1,414,740)
Net cash flows from/(used in) financing activities		1,050,799	(1,743,392)
Net decrease in cash and cash equivalents		(5,268,460)	(29,241,952)
Exchange rate impact on cash		(48,713)	(17,917)
Cash and cash equivalents at beginning half year		6,894,578	36,199,524
Cash and cash equivalents at end of the financial half year	10	1,577,405	6,939,655

The above statement of cash flows should be read in conjunction with the accompanying notes.



Notes to the Financial Statements

Half-year Ended 31 December 2023

The consolidated financial report covers HighCom Limited and Controlled Entities (HighCom). HighCom is a for-profit company limited by shares, incorporated, and domiciled in Australia.

Each of the entities within HighCom prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency (unless stated otherwise).

The financial report was authorised for issue by the Directors on 29 February 2024.

Comparatives are consistent with prior years, unless otherwise stated.

1. Basis of Preparation

This consolidated half year financial report for the reporting period ending 31 December 2023 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The half year financial report is intended to provide users with an update on the latest annual financial statements of HighCom Limited and controlled entities (HighCom or the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within HighCom. This consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of HighCom for the year ended 30 June 2023, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this half year financial report as were applied in the most recent annual financial statements.

Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The resulting accounting judgements and estimates may differ from the actual results. In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial report as at and for the year ended 30 June 2023.

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.

2. Going Concern

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

For the half-year ended 31 December 2023, the Group incurred a Loss Before Tax from Continuing Operations of \$13.5m (Dec 2022: profit \$6.0m) and had net cash outflows from operating activities of \$6.3m (Dec 2022: \$26.2m). The cash and cash equivalent held was \$1.6m and borrowing of \$1.5m as at 31 Dec 2023.

The Directors believe that it is reasonably foreseeable that the HighCom Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The backlog of orders on hand as at 31 Dec 2023 was \$31m.
- There are undrawn debt facilities of \$2.4m available, noting a line of credit of \$2.2m expires on 29 April 2024 with an extension of the facility subject to a bank approval. In addition to this line of credit, the receipt of a contract milestone of \$1.5m will be received in FY24 Q3 for work completed in FY23.
- The Board will oversee a cost-reduction program to generate efficiencies, in addition to the savings from the cessation of operations at the Adelaide manufacturing facility.
- The Group has budgeted sufficient cash flows to meet the short-term cash flow requirements over the next 12 month period.

Notes to the Financial Statements

Half-year Ended 31 December 2023

3. Revenue and Other Income

(a) Revenue from operations

	31 Dec 2023	31 Dec 2022
	\$	\$
HighCom Armor	13,169,175	45,180,124
HighCom Technology	1,779,533	3,311,881
Grant revenue	-	22,000
Total Revenue	14,948,708	48,514,005

(b) Other income

Interest Income	102,214	23,213
Gain on sale of assets	50,650	29,210
Other Income	82,327	9,391
Total Other income	235,191	61,814

Total Revenue and Other Income

15,183,899	48,575,819
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4. Employee benefits

Salaries and wages	3,867,503	3,489,692
Superannuation contributions	314,085	268,533
Payroll tax	395,648	340,376
Other employee expenses	195,413	250,440
Total Employee Benefits	4,772,649	4,349,041

5. Corporate and administrative expenses

Accounting and audit fees	458,613	99,192
Bank charges	43,888	21,556
Consultancy fees	605,245	889,822
Directors' fees	215,338	198,667
Insurance	608,563	573,062
Share registry	60,183	45,768
Travel and accommodation	430,815	630,805
Other expenses	2,041,330	1,625,334
Total Corporate and administrative expenses	4,463,975	4,084,206

HIGHCOM LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Notes to the Financial Statements

Half-year Ended 31 December 2023

	31 Dec 2023 \$	31 Dec 2022 \$
6. Selling and marketing expenses		
International sales commission	-	4,772,558
Marketing and trade shows	171,282	330,094
Total Selling and marketing expenses	171,282	5,102,652
7. Finance costs		
Interest on lease liabilities	43,666	71,903
Other interest expense	38,229	9,100
Total Finance costs	81,895	81,003
8. Depreciation and amortisation		
<i>Deprecation</i>		
- Plant and equipment	509,920	501,553
- Motor vehicles	15,626	13,693
- Office furniture and equipment	48,467	63,074
- Demonstration equipment	66,274	21,513
- Leasehold property improvements	55,009	57,687
- Right to use assets	389,367	224,752
<i>Amortisation</i>		
- Computer software	24,907	40,522
- Intangible - plate development	80,862	-
- Intangible - certifications	25,443	-
Total Deprecation and Amortisation	1,215,875	922,794
9. Impairment		
Impairment - Inventory	4,388,233	149,047
Impairment – Other non-financial assets	1,853,537	-
Total Impairment	6,241,770	149,047
	31 Dec 2023 \$	30 Jun 23 \$
10. Cash and Cash Equivalents		
Cash at bank and in hand	1,577,405	6,894,578
Total Cash	1,577,405	6,894,578
Reconciliation of cash		
Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:		
Cash and cash equivalents	1,577,405	6,894,578
Balance as per statement of cash flows	1,577,405	6,894,578

Notes to the Financial Statements

Half-year Ended 31 December 2023

	31 Dec 2023 \$	30 Jun 2023 \$
11. Trade and Other Receivables		
CURRENT		
Trade receivables	754,733	24,668,035
Total current trade and other receivables	754,733	24,668,035
Terms and conditions		
Trade and other receivables are non-interest bearing and generally on thirty-day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There was no impairment loss recognised in FY23 (2022: nil).		
12. Contract Assets		
Contract Assets	2,794,323	3,007,469
Reconciliation		
Reconciliation of the written down values at the beginning and end of the contract and previous financial year are set out below:		
Opening balance	3,007,469	-
Additions	500,036	24,949,431
Transfer to trade receivables	(713,182)	(21,941,962)
Closing Balance	2,794,323	3,007,469
13. Inventories		
Current		
Work in progress	289,458	122,579
Products and spare parts	19,042,788	25,613,459
Total Inventories	19,332,246	25,736,038
14. Other Current Assets		
Current		
Prepayments	538,213	1,439,178
Short-term loan	-	1,600
Related Party Loans	(7,171)	-
Other Assets	394,325	4,152
Total Other Current Asset	925,367	1,444,930
15. Trade and Other Payables		
Current		
Trade and other payables	3,875,583	28,724,439
GST payable	151,188	2,230,427
Sundry payable and accrued expenses	367,940	489,200
Total Trade and other payables	4,394,711	31,444,066

Notes to the Financial Statements

Half-year Ended 31 December 2023

	31 Dec 2023 \$	30 Jun 2023 \$
16. Interest Bearing Liabilities		
Current		
Bank loan – interest bearing	1,521,367	-
	<u>1,521,367</u>	<u>-</u>
17. Lease Liabilities		
Current		
Lease liability	334,022	325,513
	<u>334,022</u>	<u>325,513</u>
Non-current		
Lease liability	803,684	1,228,581
Total lease liabilities	<u>1,137,706</u>	<u>1,554,094</u>
18. Provisions		
Current liabilities		
Annual leave provision	411,985	438,504
Long service leave	191,668	151,271
	<u>603,653</u>	<u>589,775</u>
Non-current liabilities		
Long service leave	-	80,506
Lease make good	50,000	50,000
	<u>50,000</u>	<u>130,506</u>
Total provisions	<u>653,653</u>	<u>720,281</u>
19. Contract Liabilities		
Current		
Customer deposits	186,412	280,226
	<u>186,412</u>	<u>280,226</u>
Non-Current		
Customer deposits	13,171	15,052
Total Contract Liabilities	<u>199,583</u>	<u>295,278</u>

Notes to the Financial Statements

Half-year Ended 31 December 2023

	31 Dec 2023 \$	30 Jun 2023 \$
20. Issued Capital		
Ordinary shares	52,927,156	52,502,403
Total	52,927,156	52,502,403

There were no options on issue at 31 December 2023 (30 June 2023: nil).

(A) Movement in ordinary shares on issue	No. of Shares	\$
Opening balance	101,761,703	52,502,403
Shares issued	920,969	428,250
Transaction cost in relation to capital	-	(3,497)
Total	102,682,672	52,927,156

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

21. Earnings per share

	31 Dec 2023 \$	31 Dec 2022 \$
<i>Earnings per share from (loss) profit from continuing operations</i>		
Loss/(Profit) after income tax attributed to the owners of HighCom Limited	(13,490,536)	6,049,856
	Cents	Cents
Basic earnings per share	(13.2)	6.0
Diluted earnings per share	(13.2)	6.0

22. Operating Segments

The HighCom Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and allocation of resources.

HighCom is managed primarily on the basis of product category and service offerings as the diversification of the Company's operations inherently have different risk profiles and performance assessment criteria.

(a) Revenue by geographical region

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers of the Group.

	31 Dec 2023 \$	31 Dec 2022 \$
North America	8,695,063	12,016,753
Australia and Asia Pacific	2,585,703	3,436,869
Europe	3,650,565	33,025,473
Others	17,377	34,910
	14,948,708	48,514,005

(b) Major customers

The major customer is government clients 24% (previously 76%) and private industry: 76% (previously 24%).

23. Contingencies

As at 31 December 2023, there are no contingencies.

24. Events Occurring After the Reporting Period

The events that have occurred after the reporting date include:

- **Resignation of Group CEO** - On 13 February 2024, Mr Scott Basham resigned as Group CEO.
- **Appointment of Executive Chairman** - On 13 February 2024, Mr Mark Stevens was appointed as Executive Chairman. At this stage, and pursuant to LR 3.16.4, Mr. Stevens' will not receive any additional remuneration and has not entered into any contractual arrangements in respect of his move to 'Executive Chairman'. This may be reviewed by the Board in future, and the market will be updated accordingly.
- **Closure of Poland Sales & Distribution Office** – On 13 February 2024, the Board approved the closure of the HighCom Armor Sales and Distribution office in Poland. In line with the business wide restructuring plans, the decision has been made to focus European efforts from its North American operations, supported by a sales representative based in the UK. This aligns with the opportunities existing within the UK and Western Europe, while still being able to service Eastern European militaries and police forces.
- **Relocation of the XTclave and supporting equipment** – as at the reporting date, the XTclave and supporting equipment was in transit from Australia, with shipments arriving in Ohio US during February 2024.

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

**HIGHCOM LIMITED & CONTROLLED ENTITIES
APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on page 8-19 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mark Stevens
Executive Chairman



Jacqueline Myers
Company Secretary

Dated this 29th day of February 2024