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

27 August 2020

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF 2020 PRELIMINARY FINAL REPORT (APPENDIX 4E)

In accordance with ASX Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30 June 2020.

Should you require any further information in respect to this matter please contact the Managing Director, Mr Philippe Odouard at Philippe@xtek.nett or 02 61635588 in the first instance.

Yours sincerely,

Lawrence A. Gardiner
Company Secretary

Attachment: Appendix 4E – 2020 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 2020

GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Current period:	1July 2019 to 30 June 2020
Prior corresponding period:	1July 2018 to 30 June 2019

RESULTS FOR ANOUNCEMENT TO THE MARKET

Key Information	2020 $'000	2019 $'000		Change %
Revenue from ordinary activities	42,715	37,861	↑	13%
Profit/(loss) after tax from ordinary activities	303	168	↑	80%
Net Profit/(loss) attributable to members	303	168	↑	80%

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	2020 $	2019 $
Basic profit/(loss) per share	5	0.006	0.004
Diluted profit/(loss) per share	5	0.006	0.004

Net tangible asset backing per share	2020 $	2019 $
Net tangible asset backing per share	0.251	0.186

OPERATING RESULTS

Key Points:

- **Group revenue of $42.7m – a 13% increase on FY19**
- **Group EBITDA of $825k – a 167% increase on FY19**
- **Group net profit of $302k – an 80% increase on FY19**
- **Gross profit margin increases to 20% (18% FY19), reflecting the pivot in the nature of XTEK's underlying business**

The Group is pleased to announce that in FY20 it achieved record revenue of A$42.7m (FY19: A$37.9m), gross profit of A$8.6m (FY19: A$6.9m) and net profit of A$0.3m (FY19: A$0.2m), underpinned by a very strong second half performance. This strong result was achieved as XTEK continued to invest A$542k in research and development. During the financial year, XTEK achieved strong operational cash flows, holding A$3.1m in cash at 30 June 2020. The Group remains well positioned to deliver on its key commercial objectives and milestones.

The FY20 gross profit margin of 20% (FY19: 18%), reflects the revenue mix shift towards proprietary products that have higher margins and highlighted the contribution of ballistic sales in the US. Increasing margins are expected in FY21 and beyond, driven by higher margin revenue streams, including XTEK's proprietary ballistic products (US and globally) and actionable intelligence software, and Small Unmanned Aerial Systems (SUAS) repair and maintenance services from servicing the Australian Defence Force's growing SUAS fleet.

The simplified Income Statement for the financial year ended 30 June 2020 is outlined below.

Summary Income Statement		**FY18**	**FY19**	**FY20**
Revenue	A$m	17.3	37.9	42.7
COGS	A$m	(12.5)	(31.0)	(34.1)
Gross profit	A$m	4.7	6.9	8.6
Gross margin		*27%*	*18%*	*20%*
EBITDA	A$m	0.23	0.31	0.83
Net profit	A$m	0.1	0.2	0.3
Net profit margin		*0.6%*	*0.5%*	*0.7%*
Other key metrics		**FY18**	**FY19**	**FY20**
Cash balance	A$m	5.9	5.3	3.1
Market Capitalisation at 30 June	A$m	18.0	17.5	37.7

In light of the global COVID-19 pandemic, XTEK has worked to ensure the safety of its staff and partners. While staff have worked from home where possible to reduce numbers in key facilities, the SUAS repair and maintenance facility in Canberra, the XTclave™ manufacturing centre in Adelaide and the HighCom facilities in the US continued to operate efficiently to service ongoing demand. They all operate in accordance with the latest government regulations and recommendations to reduce the risk of contagion.

XTEK is fortunate to be part of the robust Defence sector and continued to experience strong demand and supply throughout FY20, with operations experiencing minimal disruptions due to COVID-19. This is supported by defence and law enforcement in the US being classified as a Priority Sector, which works to protect XTEK and its supply channels and allowed sales of ballistic protection products to continue through this time.

COMMENTARY ON THE RESULTS FOR THE PERIOD

During FY20, XTEK focused on the following key activities:

- Acquired a US ballistics armour manufacturer and distributor, HighCom Armor Solutions Inc, providing direct access into the US market with established reputation and networks
- Achieved first domestic and international commercial orders of XTclave plates, and progressed further potential customers through evaluation and testing phases
- Officially launched the opening of the Adelaide manufacturing centre in February 2020 to enable production for fulfilment of local and international orders for ballistic protection products
- Leveraged the unique advantages of its XTclave technology for other applications, with a grant for space applications secured from the Australian Space Agency together with Skykraft Pty Limited.
- Continued development of XTatlas™ actionable intelligence software and remaining in active discussions with potential customers
- Secured a long-term SUAS support and maintenance contract with the ADF, positioning XTEK as a full-service solution provider, with further deliveries of SUAS to the ADF completed and new supply orders received
- Supplied a range of market leading products, solutions and services to government, defence and law enforcement agencies throughout Australasia

XTEK focused on the commercialisation of its high value soldier solutions

Ballistic solutions: Direct expansion into US market via acquisition of HighCom

In October 2019, XTEK completed the acquisition of HighCom Armor Solutions Inc, a successful and profitable provider of proprietary body armour and personal protective equipment focused on the US market. This strategic acquisition allows XTEK to gain direct access to HighCom's established US distribution network, providing the opportunity to expand its customer base and sales channels into the largest defence market globally. This accelerates XTEK's commercialisation of XTclave manufactured products into key target markets in the US. HighCom's personal protective equipment products also expand XTEK's proprietary product portfolio.

Purchase consideration comprised of 4m XTEK shares, A$1.8m cash consideration, and a future earnout based on HighCom's performance in CY2019. The consideration offered represented a transaction EV/EBITDA multiple of 2.6x CY2018 EBITDA (pre future earnout payment). XTEK successfully raised ~A$3.6m capital through a A$2.7m placement and A$855k Share Purchase Plan (SPP) to fund the acquisition as well as other growth opportunities. The earnout payment threshold was not triggered.

Ballistic solutions: Accelerating commercialisation strategy for XTclave™ enabled products

The Group continues to develop and commercialise its advanced XTclave enabled ballistic solutions, primarily the Small Arms Protective Insert (SAPI) plates and combat ballistic helmets. In January 2020, XTEK launched three new products and met with potential distributors, customers and strategic parties at SHOT Show in Las Vegas, USA. XTEK's high quality and lightweight XTclave manufactured hard armour plates and ballistic helmet shells were introduced to the lucrative US market. New female soft armour, designed by HighCom, was also launched to meet a high and unmet demand in the US. This product launch demonstrates that XTEK and HighCom are a fully integrated entity with a common portfolio of products.

In February 2020, XTEK opened its new state of the art ballistics manufacturing centre in Adelaide, South Australia. The facility will support the commercial production of unique light weight ballistic solutions, including ballistic armour plates and helmets. This production capacity provides the opportunity for XTEK to generate up to A$40m per annum in Adelaide, which represents a significant increase from the previous forecast production capacity of ~A$20m per annum revenue following XTEK's optimisation activities.

XTEK also secured a A$2.5m loan facility from the Commonwealth Bank of Australia to enhance the XTclave ballistic helmet manufacturing line within the Adelaide facility. The upgrade places XTEK in a stronger position to deliver on large commercial orders for its XTclave ballistic helmets.

XTEK has received the first domestic and international commercial orders for XTclave ballistic plates - a significant milestone in its ballistic armour commercialisation strategy. In March 2020, XTEK received its first commercial order for its XTclave manufactured ballistic armour plates from Tote Systems Australia to be used in the field by an Australian Specialist Law Enforcement unit. This order has been fulfilled. While modest in terms of value and quantum, this order represents external validation of XTEK's proprietary technology and commercialisation strategy. Shortly after, XTEK received its first international commercial order of XTclave manufactured ballistic plates from CPE Production Oy, for use by the Finnish Defence Forces. This order followed an extensive validation and testing process for qualification purposes by the Finish Army. Initially announced to be worth >A$1m, it was later increased to ~A$2m. This order demonstrates significant external validation and global demand for XTEK's novel technology. Further, multiple orders of ballistic products have been received for export to international customers, including to Mexico and the UAE. Some of these international orders have already been delivered, with further deliveries scheduled in the near to medium term.

Actionable intelligence: XTatlas commercialisation, underpinned by SUAS business activities

During the year, XTEK continued to progress the development of its actionable intelligence software, XTatlas, with multiple active discussions with potential customers and strategic parties progressing. This software can be interfaced into existing systems (such as an SUAS or ground robot), with its commercialisation being underpinned by XTEK's existing networks in the SUAS industry.

In September 2019, XTEK secured an exclusive long-term SUAS support contract with the ADF. XTEK's comprehensive SUAS repair and maintenance facility in Canberra will continue to provide support to the ADF's growing WASP AE SUAS fleet, in line with the support contract which is expected to be worth in the order of $5m per year over five years.

XTEK's key support services consist of spare parts, training, maintenance and repairs, including electronic and composite repairs of the product itself. Under the previously secured supply contracts and subsequent additional orders to the ADF, over 65 AeroVironment WASP AE SUAS have now been delivered. During the year, XTEK also received additional purchase orders from the ADF for spare parts. These activities illustrate XTEK's strong and continued relationship with the ADF, and XTEK is now well placed to secure additional supply orders for full systems and spare parts, as the exclusive distributor for AeroVironment in Australia and New Zealand for SUAS products. The repair and maintenance services are expected to grow in line with the ADF's fleet.

Other products and services

The XTEK business covers a range of other products, solutions and maintenance services; key assets under development include:

- Tactical and protective equipment
- Explosive ordnance disposal robots and X-Ray equipment
- Forensics equipment and products
- Logistics engineering and maintenance
    - Services, spares, repairs and training
- Advanced composite solutions
    - Carbon fibre composites
    - Spacecraft satellite and launcher systems

XTclave advanced composites have potential applications in other sectors, such as in space applications

XTEK's advanced composite materials, which are manufactured using its XTclave technology, have unique technical advantages and a broad potential for applications in other sectors. Space applications in particular represent an attractive opportunity since XTEK can leverage its XTclave technology to minimise the weight of launch systems while still retaining rigidity and strength.

In June 2020, Skykraft Pty Limited, in conjunction with its project partner XTEK, received an Australian Space Agency (ASA) Grant to design and qualify a small satellite launch stack. This follows the Memorandum of Understanding that was signed with Skykraft Pty Limited for the co-engineering and potential manufacture of small spacecraft and launcher systems, first announced in June 2019. XTEK signed a Joint Statement of Strategic Intent and Cooperation with the Australian Space Agency in July 2019, highlighting the investment opportunities in the Australian space sector that could leverage XTEK's capabilities.

Significant changes in the state of affairs

- On 24 July 2019, the Parent Company raised A$2,724,293 in capital through a share placement program and subsequently issued 6,053,984 new securities to sophisticated investors.

- On 9 August 2019, the Parent Company raised A$855,355 in capital through a Share Purchase Plan and subsequently issued 1,900,852 new securities to eligible security holders.

- On 30 September 2019, the Parent Company completed the issue of 4,000,000 new securities to HighCom Global Securities Inc as part of the successful acquisition of HighCom Armor Solutions.

There were no other significant changes to the state of affairs in financial year 2020.

Matters subsequent to the end of the financial year

On 9 July 2020, XTEK announced that it received an additional purchase order from the ADF for the supply of AeroVironment WASP AE SUAS worth ~A$2.8m.

On 10 August 2020, XTEK announced that it was collaborating with 17 other Australian companies to scope the development of a C4 (Command Control Communications and Computing) EDGE (Evolutionary Digital Ground Environment) demonstration for the Australian Army. The C4 Edge Program intends to deliver a demonstration of Australian industry capability of C4 technology in late 2021 (subject to the Australian Army approval of the next phase). This strategic collaboration provides XTEK the opportunity to leverage unique capabilities of XTatlas and enhance the situational awareness of select frontline soldiers.

On 13 August 2020, the Parent Company launched a Share Purchase Plan seeking to raise up to A$2 million in capital. The SPP closes on 28 August 2020.

On 14 August 2020, the Parent Company raised ~A$9.2 million in capital through a placement and subsequently issued 13,291,801 new securities to sophisticated investors. The placement was oversubscribed, with several new institutional investors welcomed to XTEK's share register.

The proceeds from the Placement and the SPP will be used to execute XTEK's international ballistic strategy and commercialisation, including increasing XTclave manufacturing capability in the US in anticipation of strong pipeline growth. Further investment will also be made to accelerate growth in actionable intelligence and advanced composite materials businesses.

Outlook

As global defence spending continues to grow and governments increase their focus on soldier survivability, XTEK remains well placed to capitalise on these market trends. XTEK continues to drive ongoing discussions and negotiations with potential customers, distributors and strategic parties to capture the increasing demand for its advanced products, both domestically and internationally.

XTEK has strong confidence that the FY21 revenue will exceed A$30m, underpinned by US ballistic sales (based on the HighCom network), the Finnish defence ballistic order with potential for further orders, ongoing SUAS support and maintenance contract and supply of additional SUAS and spare parts to the ADF. XTEK is targeting up to A$70m of near-term opportunities across ballistic, SUAS and other solutions. Further opportunities are expected to formally arise during FY21.

XTEK has progressed with the optimisation of the armour manufacturing capability and plans to install a second machine in the US in the medium term. Two fully utilised XTclave based facilities provide a forecast revenue of up to ~A$80m per annum from XTEK's XTclave manufactured products alone, supporting the Company's medium to long term objective of becoming a A$100m business. The establishment of a US XTclave manufacturing capability will enable tendering for large US Defense contracts that require locally made product. XTEK also plans to increase the pipeline of new products for sale, to drive growth through greater product development. An increased sales and marketing capability in the US and EU will handle the anticipated growth in demand.

XTEK's position as the leading full-service SUAS supplier in Australia ensures that it is well placed to shape and influence requirements from the ADF and other government agencies for the supply of SUAS and associated capabilities. This enhances XTEK's ability to leverage its broad networks to create opportunities to interface XTatlas software with existing SUAS and other hardware. In addition, the C4 EDGE Program provides XTEK with the opportunity to showcase the XTatlas software, alongside other complementary technology from distinguished Australian partners, and further develop aspects of its actionable intelligence software capability in line with the requirements of the C4 EDGE Program.

XTEK intends to leverage the unique technical advantages of its XTclave technology into attractive opportunities, including growing space design, build and test capabilities within Australia and servicing the Australia Space sector. This is supported by the ongoing collaboration with Skykraft Pty Limited, funded by an Australian Space Agency grant.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	**2020 $**	2019 $
Revenue	2	**42,715,267**	37,860,848
Changes in inventories of finished goods and work in progress		**(34,085,386)**	(31,008,759)
Gross profit		**8,629,881**	6,852,089
Other income	2	**850,647**	54,647
Corporate and administrative expenses	3	**(8,635,423)**	(5,123,699)
Research and development expenses	3	**(542,427)**	(1,614,604)
Profit/(loss) from operations before income tax		**302,678**	168,433
Income tax expenses		**-**	-
Total comprehensive income/(loss) for the period		**302,678**	168,433

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

	Notes	**2020 $**	2019 $
Basic profit/(loss) per share	5	**0.006**	0.004
Diluted profit/(loss) per share	5	**0.006**	0.004

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents		**3,057,031**	5,349,874
Trade and other receivables		**15,372,060**	19,858,111
Inventories		**9,036,996**	1,750,673
Other		**1,604,629**	989,543
Total current assets		**29,070,716**	27,948,201
Non-current assets			
Goodwill		**1,288,191**	-
Property, plant and equipment	6	**4,964,012**	2,464,085
Total non-current assets		**6,252,203**	2,464,085
TOTAL ASSETS		**35,322,919**	30,412,286
LIABILITIES			
Current liabilities			
Trade and other payables		**15,227,543**	18,773,301
Provisions		**198,477**	348,035
Contract liabilities		**1,723,292**	1,963,855
Total current liabilities		**17,149,312**	21,085,191
Non-current liabilities			
Trade and other payables		**3,610,254**	1,077,931
Provisions		**54,744**	31,857
Contract liabilities		**46,951**	521,366
Total non-current liabilities		**3,711,949**	1,631,154
TOTAL LIABILITIES		**20,861,261**	22,716,345
NET ASSETS		**14,461,658**	7,695,941
EQUITY			
Contributed equity	10(a)	**33,741,882**	27,312,482
Reserves		**42,414**	8,775
Accumulated losses		**(19,322,638)**	(19,625,316)
TOTAL EQUITY		**14,461,658**	7,695,941

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Cash flows from/(used in) operating activities			
Receipts from customers		**52,364,311**	28,395,763
Payments to suppliers and employees		**(56,926,343)**	(27,850,955)
		(4,562,032)	544,808
Interest received		**17,678**	52,252
Finance costs		**(1,015)**	(2)
Net cash flows from operating activities	4	**(4,545,369)**	597,058
Cash flows (used in)/from investing activities			
Cash acquired from subsidiary		**180,312**	-
Proceeds from sale of assets		**429**	-
Payment for intangibles		**(171,737)**	-
Payments for equipment		**(790,095)**	(994,207)
Net cash flows (used in) investing activities		**(781,091)**	(994,207)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**3,669,643**	180,000
Payment of transaction costs associated with issued share capital		**(233,612)**	(133,784)
Repayment of lease liabilities		**(421,006)**	(243,813)
Proceeds from borrowings		**368,643**	-
Repayment of loan		**(356,825)**	
Net cash flows (used in)/from financing activities		**3,026,843**	(197,597)
Net increase (decrease) in cash and cash equivalents		**(2,299,617)**	(594,746)
Exchange rate impact on cash		**6,774**	-
Cash and cash equivalents at beginning financial year		**5,349,874**	5,944,620
Cash and cash equivalents at end of year		**3,057,031**	5,349,874

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital (note 10) $	Equity-based payments reserve $	Accumulated losses $	Foreign Exchange valuation reserve $	Total Equity $
Balance at 1 July 2018	27,196,530	516,110	(20,144,986)	-	7,567,654
Restatement, adoption of AASB 16	-	-	(162,991)	-	(162,991)
Balance at 1 July 2018 restated	27,196,530	516,110	(20,307,977)	-	7,404,663
Profit for the year	-	-	168,433	-	168,433
Total income and expense for the period	-	-	168,433	-	168,433
Issues of ordinary shares during the year:					
Transferred to retained earnings		(514,228)	514,228	-	-
Issue of share capital	249,736	-	-	-	249,736
Transaction costs associated with share capital	(133,784)	-	-	-	(133,784)
Share based payment reserve	-	6,893	-	-	6,893
Balance at 30 June 2019	27,312,482	8,775	(19,625,316)	-	7,695,941
Balance at 1 July 2019	**27,312,482**	**8,775**	**(19,625,316)**	**-**	**7,695,941**
Profit for the year	**-**	**-**	**302,678**	**-**	**302,678**
Total income and expense for the period	**-**	**-**	**302,678**	**-**	**302,678**
Issues of ordinary shares during the year:					
Issue of share capital	**6,663,012**	**-**	**-**	**-**	**6,663,012**
Foreign exchange reserve	**-**	**-**	**-**	**14,193**	**14,193**
Transaction costs associated with share capital	**(233,612)**	**-**	**-**	**-**	**(233,612)**
Share based payment reserve	**-**	**19,446**	**-**	**-**	**19,446**
Balance at 30 June 2020	**33,741,882**	**28,221**	**(19,322,638)**	**14,193**	**14,461,658**

The Group has not restated comparatives in the 2018-19 year when initially applying AASB 9 and AASB 16.

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 2020 was authorised for issue in accordance with a resolution of the Directors on 26 August 2020.

b. New accounting standards and interpretations

i. Changes in accounting policy and disclosures.

The same accounting policies and methods of computation have been followed in this preliminary final report as were applied in the most recent annual financial statements, subject to the following changes:

Derivative financial instruments

The Group uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Changes in fair value are recognised immediately in profit or loss in income or expenses. Forward currency contracts are recognised as an asset when their value is positive and as a liability when their value is negative.

ii. Adoption of new Australian Accounting Standard requirements

The Group has adopted AASB 16 Leases for the first time in the current period with a date of initial adoption of 1 July 2018. The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all the former operating leases except for those identified as low-value or having a remaining lease term of less than twelve months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings. Prior periods have not been restated. Measurements to 30 June 2019 pertain to leases in operation at that date. During the period, new leases have been entered into, this is true for both the parent entity and the US subsidiary.

	Remeasurement $	Carrying amount as at 1 July 2018 $	Carrying amount as at 30 June 2019 $	Carrying amount as at 30 June 2020 $
Right to use	1,170,299	1,170,299	1,019,473	2,522,837
Lease liabilities	(1,333,290)	(1,333,290)	(1,212,187)	(2,793,529)
Impact on Opening retained earnings	162,991	162,991	-	-

iii. Future Australian Accounting Standard requirements

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2020.

The Group is yet to undertake a detailed assessment of the impact of these standards. However, based on the Group's preliminary assessment, the 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

No accounting judgements estimates or assumptions have been made that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next annual reporting period.

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:
Major 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.

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 Long Term Incentive Performance Rights Plan (LTIPRP); and
- the Employee Tax Exempt Share Plan, which provides benefits to all employees.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to either the Black Scholes valuation or by an external valuer using a binomial model.

In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of XTEK ('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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

ii. Rendering of Services

Revenue is recognised by reference to the stage of completion of a contract.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

iii. Interest revenue

Revenue is recognised as interest accrues 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.

iv. Deferred Income

Deferred income consists of customer deposits received and government grants. Deferred income relating to customer deposits is not recognised as revenue until such time when the ownership of the goods is transferred to the customer. In the case of Government grants, grants are recognised in accordance with the accounting policy outlined in Note 1(x).

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 released to the Statement of Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

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

2. Revenue and other income

a. Revenue from operations

	Notes	**2020**	2019
		$	$
Value added reseller products		**28,884,243**	31,282,847
In-house development and manufactured products		**10,738,409**	1,607,633
Logistic engineering and maintenance		**2,580,023**	4,970,368
Grant and other revenue		**512,592**	-
		42,715,267	37,860,848

b. Other income

		2020	2019
		$	$
Interest		**17,678**	52,252
Other	**12**	**832,969**	2,395
		850,647	54,647

3. Expenses

"Research and development expenses" and "Corporate and administrative expenses" include the following.

	2020	2019
Employee benefits	**$**	$
Salaries and wages	**3,941,313**	3,005,202
Superannuation	**437,935**	332,274
Payroll tax	**362,009**	146,635
Other employee expenses	**54,756**	15,557
Workers compensation	**129,454**	61,580
Depreciation		
Plant and equipment	**96,656**	61,285
Motor vehicles	**3,707**	908
Office furniture and equipment	**91,405**	43,316
Computer software	**244,125**	18,281
Demonstration equipment	**22,876**	10,041
Leasehold property improvements	**62,970**	25,022
Right to use assets*	**331,420**	150,827
Accounting and Audit fees	**179,387**	90,959
Bank charges	**28,310**	6,171
Consultancy fees	**679,956**	559,936
Directors fees	**260,000**	260,000
Insurance	**285,434**	182,244
FBT	**23,557**	21,720
Office administrative costs	**653,363**	509,391
Minor operating lease	**12,820**	16,430
Finance costs		
Interest on lease liabilities*	**166,929**	122,710
Other interest expense	**1,015**	2

*The "Interest on lease liabilities" refers not to borrowings but is the application of AASB 16, see note 1bii. It refers to the internal interest component of the lease on rented properties. This finance cost plus the Depreciation of the Right of Use Asset are comparable to a rent payment.

With the consolidation of the new HighCom subsidiary for nine months of the 2020 financial year, a number of the individual expense lines have increased, when compared to the previous period. Most notably are salaries and rental costs, seen as Interest on Lease Liabilities and Depreciation on the Right of Use Assets. As a result of due diligence and half year and full year audits of XTEK Ltd and the subsidiary, a total of five financial audits were conducted on the books of the 2020 financial year, the audit costs have risen correspondingly.

The increase in the depreciation of software reflects the increasing professionalisation of the firm. A significant investment has been made in both XTEK's product development capability and into the businesses' IT security.

The value of the R&D expenditure in 2019-20 is a little less than half of the comparative year's expenditure. Whilst the company continued to invest in research and development into its own intellectual capital, more effort was spent in the construction of the firm's production capabilities.

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

	2020	2019
	$	$
Profit for the year	**302,678**	168,433
Adjustments for non-cash flow in profits:		
Depreciation	**775,363**	309,680
Bonus issue of shares to employees	**113,369**	69,736
Share based payment to employee	**19,446**	6,893
Loan forgiveness	**(368,643)**	-
Finance cost on lease	**167,944**	122,710
Loss on sale of assets	**14,527**	-
Changes in assets and liabilities		
(Increase) in trade debtors	**5,962,165**	(13,878,231)
Decrease / (Increase) in inventory	**(4,686,340)**	(284,204)
(Increase) / Decrease in prepayments and other assets	**(597,192)**	(641,702)
Increase / (Decrease) in trade and other payables	**(5,661,567)**	12,838,047
Increase / (Decrease) in deferred income	**(760,783)**	1,837,814
Increase / (Decrease) in employee provisions	**173,664**	47,882
Net cash flows from/(used in) operating activities	**(4,545,369)**	**597,058**

Non-cash Financing and Investing Activities

432,467 shares issued to employees during the financial year 2019-20. As at 30 June 2020 82,166 shares remain in escrow.

FY 2018-19 232,228 shares issued to employees, 176,546 were issued with no-vesting conditions. The balance of 55,682 shares had vesting conditions.

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

	2020	2019
	$	$
Profit/(loss) attributable to the ordinary equity holders of the Company	**0.006**	0.004

b. Diluted profit/(loss) per share

	2020	2019
	$	$
Profit/(loss) attributable to the ordinary equity holders of the Company	**0.006**	0.004

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.

	2020	2019
	$	$
Profit/(loss) from continuing operations	302,678	168,433
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	-	-
	302,678	168,433

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	51,322,177	40,447,495
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	51,322,177	40,447,495

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 2020 comprises 53,167,209 fully paid Ordinary Shares; there were no options on issue.

400,000 unlisted options were exercised in FY19. At 30 June 2019 there are no options on issue.

6. Property plant and equipment

During the full year ended 30 June 2020, the Group acquired assets with a cost of $961,832 which includes $171,737 for intangibles, predominantly Intellectual Property. (FY 2019: $994,207 and $59,276 respectively)

7. Government grants

a. AusIndustry's R&D tax incentive

No income from the AusIndustry R&D Tax Incentive was recognised in the 2020 financial year (FY 2019 – nil).

As the Group's revenue exceeded $20m the R&D incentive will not be received as a cashback. XTEK would otherwise have recognised $208k in additional revenue and net profit, and received the same in cash.

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 2020 there were no unissued shares, nor were there any at the end of any prior year.

b. Weighted average share price

The weighted average market price for the year ended 30 June 2020 was 64.78 cents.

9. Interest bearing liabilities

During the year the US subsidiary drew down and fully repaid a loan from a US bank to the amount of USD250,000.

During the year, XTEK Ltd obtained a loan from the Commonwealth Bank to the amount of $2.5m. The loan is interest only for the first twelve months, interest plus a capital repayment of $500,000 in the subsequent two years with a $1.5m balloon payment at the end. At 30 June 2020 the loan was drawn to the amount of $816,725

The Group had no loans at 30 June 2019.

10. Contributed equity

a. Share capital

Movement in ordinary shares on issue	**No. of Shares**	**$**
At 1 July 2019	40,579,906	27,312,482
Shares issued	12,587,303	6,663,012
Transaction cost in relation to capital	-	(233,612)
Balances as at 30 June 2020	**53,167,209**	**33,741,882**

b. Ordinary Shares

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

11. Contingent liabilities

The Group advises of a contingent liability to the tune of USD253,000.

The US subsidiary received a forgivable loan as part of the US Government’s Covid-19 stimulus package. The Paycheck Protection Scheme provided funding whereby, if certain conditions are met, the loan would be forgiven. As the conditions, as prescribed by the US “Small Business Agency”, have been complied with, AASB120 allows for recognition of the loan as income. It represents $379,709 worth of Other Income in the Group accounts.

The Group plans to make application for formal forgiveness of the loan in September 2020.

There were no contingent liabilities at 30 June 2019.

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 2020 $	Year ended 30 June 2019 $
Statement of Financial Position		
Assets		
Current assets	28,581,936	27,999,981
Non-current assets	3,258,995	2,462,660
Total Assets	**31,840,931**	30,462,641
Liabilities		
Current liabilities	15,485,084	21,457,535
Non-current liabilities	2,539,248	1,191,153
Total Liabilities	**18,024,332**	22,648,688
Net Assets	**13,816,599**	7,813,953
Equity		
Issued capital	33,741,882	27,312,482
Reserves	26,339	6,893
Accumulated losses	(19,951,622)	(19,505,422)
Total Equity	**13,816,599**	7,813,953
Statement of Profit or Loss and Other Comprehensive Income		
Profit / (Loss) for the year	(446,200)	181,306
Total comprehensive income	**(446,200)**	181,306

13. Business combination

On 29 September 2019, the parent company acquired a 100% interest in HighCom Armor Solutions Inc which resulted in XTEK Inc (US incorporated, acquisition vehicle 100% owned by XTEK Ltd) obtaining control of HighCom Armor Solutions Inc. This acquisition is expected to increase XTEK's share of this market and also provide an easy segue to sell XTEK's novel and high value products into the US.

At the acquisition date of HighCom Armor, the following table (all in USD) shows the purchase consideration. The value of assets acquired and liabilities assumed are from the audited Balance Sheet as at contract date. This acquisition price harks back to the Directors' Report (p.4) of purchasing the business for AUD ~3.9m.

	Fair value $
Purchase consideration	**USD**
XTEK – September 2019	2,659,064
Total purchase consideration to end of Half Year Accounts	**2,659,064**
Assets or liabilities acquired at 29 September 2019:	
Cash	126,331
Trade receivables	1,034,200
Inventory and other current assets	1,824,191
Plant and equipment and other non-current assets	98,322
Total net identifiable assets	**3,083,044**
Identifiable assets acquired and liabilities assumed	**2,134,208**
	524,856
Goodwill on acquisition - September 2019	
Less: Identifiable assets acquired	3,083,044
Capital Reserve	**(423,980)**

Under the terms of the acquisition contract, two more payments were made after settlement date:
- December 2019: USD 561,442 acquisition of target working capital USD2m.
- January 2020: USD 75,583 purchase of working capital in excess of target amount.

The earnout payment threshold was not triggered.

14. 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.

COMPLIANCE

1. This report is based on accounts which are in the process of being audited.
2. The Group has a formally constituted finance, audit and risk management committee.

Signed

Printed Name: Uwe Boettcher (Chairman)
Date: 27 August 2020