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

29 August 2019

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF 2019 PRELIMINARY FINAL REPORT (APPENDIX 4E)

In accordance with the Listing Rules, please find attached the Preliminary Final Report (Appendix 4E) for XTEK Limited (XTE) for the financial year ended 30 June 2019.

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 – 2019 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 2019

GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Current period:	1July 2018 to 30 June 2019
Prior corresponding period:	1July 2017 to 30 June 2018

RESULTS FOR ANOUNCEMENT TO THE MARKET

Key Information	2019 $'000	2018 $'000		Change %
Revenue from ordinary activities	37,861	17,267	↑	119%
Profit/(loss) after tax from ordinary activities	168	139	↑	21%
Net Profit/(loss) attributable to members	168	139	↑	21%

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	2019 $	2018 $
Basic profit/(loss) per share	5	0.004	0.004
Diluted profit/(loss) per share	5	0.004	0.004

Net tangible asset backing per share	Notes	2019 $	2018 $
Net tangible asset backing per share	5	0.186	0.190

OPERATING RESULTS

Key Points:

- **Group revenue of $37.86m – a 119% increase from FY18**
- **Group EBITDA of $478,113 – a 106% increase from FY18**
- **Group net profit of $168,433 – a 21% increase from FY18**
- **Reduced gross margin percentage, a one-off**

The Group is pleased to announce that in FY19 it achieved record revenue, gross profit and net profit, underpinned by a very strong second half performance. In line with the strong growth in revenue, the Group achieved a 106% increase in EBITDA to $478k (FY18: $232k), providing strong operational cash flow.

The FY19 gross profit increased by 45% to $6.9m (FY18: $4.7m). The gross profit as a percentage of revenue was impacted by a product mix heavily weighted to Small Unmanned Aerial Systems (SUAS) sales during the year. The Group expects a higher Gross Profit percentage in FY20 due to:

1. the impact of HighCom Armor revenues;
2. sales of high value ballistic solutions, and
3. maintenance revenues from servicing SUAS.

The XTEK Group's strong result was achieved after significant investment in research and design activities increasing to $1.6m (FY18 $1.2m), illustrating a higher underlying profit than reported profit. Further, the Group's revenue exceeded $20m for the first time, and as such the R&D incentive will not be received as a cashback; as a result, the reported profit and anticipated cashflow for FY19 are diminished in comparison to previous years. XTEK would otherwise have recognised $621k in additional revenue and net profit, and received the same in cash.

As at 30 June 2019 the Group held $5.3m in cash and had no debt. Following the recent Placement and SPP that raised ~$3.6m in July/August 2019, the Group remains well funded to execute on its commercialisation strategy for its proprietary products and entrance into the US market.

The simplified Income Statement for the financial year ended 30 June 2019 is outlined below:

	1st Half				2nd Half				Full Year			
	Dec-18	Dec-17	Change		Jun-19	Jun-18	Change		Jun-19	Jun-18	Change	
	$'000	$'000	%		$'000	$'000	%		$'000	$'000	%	
Total Revenue – goods and service	**8,413**	**5,284**	**3,129**	**59%**	**29,448**	**11,983**	**17,465**	**146%**	**37,861**	**17,267**	**20,594**	**119%**
Gross profit	**1,765**	**1,708**	**57**	**3%**	**5,087**	**3,021**	**2,066**	**68%**	**6,852**	**4,729**	**2,123**	**45%**
Gross profit %	21%	32%			17%	25%			18%	27%		
Other oncome	32	351	(319)	(91%)	23	245	(222)	(91%)	55	596	(541)	(91%)
Total expenses	(3,570)	(2,718)	(852)	31%	(3,169)	(2,468)	(701)	28%	(6,739)	(5,186)	(1,553)	30%
Profit / (loss) before tax	**(1,773)**	**(659)**	**(1,114)**	**169%**	**1,941**	**798**	**1,143**	**143%**	**168**	**139**	**29**	**21%**
Income Tax	-	-			-	-			-	-		
Total profit / (loss) after tax	**(1,773)**	**(659)**	**(1,114)**	**169%**	**1,941**	**798**	**1,143**	**143%**	**168**	**139**	**29**	**21%**

COMMENTARY ON THE RESULTS FOR THE PERIOD

XTEK focused on the commercialisation of its high value soldier solutions

Ballistic solutions: accelerating commercialisation strategy for XTclave™ enabled products

The Group continues to advance the commercialisation of its advanced XTclave enabled ballistic solutions, primarily the Small Arms Protective Insert (SAPI) plates and combat ballistic helmets. In addition, XTEK has been progressing the successful evaluation of the Company's helmet performance, in conjunction with the US Government's Combating Terrorism Technical Support Office. The new commercial-scale XTclave manufacturing facility is under development, and will be operational by Christmas this year.

Actionable intelligence: XTatlas™ commercialisation, underpinned by SUAS business activities

In October 2018, the Group received its first commercial order from the ADF for its proprietary XTatlas technology for SUAS and in May 2019, received its first international order for XTatlas, validating the growing commercialisation of XTEK's technology in global markets. During the year, XTEK developed the Sensor and Radiation Broadband Interface (SARBI) as a module of XTatlas. This interface allows detection and localisation of Chemical, Biological, Radiation, Nuclear and Explosive threats and has a range of potential hardware applications, including robots and SUAS.

The commercialisation of the XTatlas application is supported by the Group's existing SUAS distribution business and global networks. XTEK is the exclusive distributor for AeroVironment in Australia and New Zealand and has completed the initial delivery of SUAS to the ADF. Revenue from the SUAS contract generated $30m of sales in FY19, with the delivery of 35 Wasps and spare parts to support the ADF SUAS fleet, totalling $6.3m. Further, the installation of the state-of-the-art SUAS repair and maintenance facility in Canberra has been completed during the year, positioning XTEK as a full-service SUAS solutions and services provider.

Other products and services

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

- Other soldier solutions
  - Lightweight systems and components
  - Exclusive value-added reseller for Heckler & Koch in Australia
  - 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

Advanced composite solutions for space applications

On 12 June 2019, the Group announced that it had entered into a memorandum of understanding with Skykraft Pty Limited for the co-engineering and potential manufacture of small spacecraft and launcher systems. XTclave technology has unique advantages in space applications and presents an interesting opportunity to capture other market segments and diversify product development.

A table highlighting the Group's overarching business trends from financial year 2017 to 2019 is shown below:

Performance Indicators	Financial Year 2017	2018	2019
Revenue from sale of goods and services $'000	9,023	17,267	37,861
Gross profit from sales of goods and services $'000	3,497	4,729	6,852
Gross profit %	39%	27%	18%
Net profit $'000	61	139	168
Market Capitalisation @ 30 June $'000	8,871	17,976	17,449

Significant changes in the state of affairs

- In July 2018, the Company completed the issue of new securities to Kentgrove Capital following their exercising of a total of 400,000 unlisted options prior to the expiry date of 15 July 2018.

There were no other significant changes to the state of affairs in financial year 2019.

Matters subsequent to the end of the financial year

- On 17 July 2019, the Parent Company announced it had entered into a binding agreement for the acquisition of HighCom Armor Solutions, a US based company providing body armour and personal protective equipment to US Defence and Law Enforcement Agencies.
- On 24 July 2019, the Parent Company raised $2.7million in capital through a share placement program and subsequently issued 6,053,984 new securities to sophisticated investors.
- On 26 July 2019, the Parent Company announced that it had entered into a memorandum of understanding with Skykraft Pty Limited for the co-engineering and potential manufacture of small spacecraft and launcher systems.
- On 9 August 2019, the Parent Company raised $855,350 in capital through a share purchase plan and subsequently issued 1,900,852 new securities to eligible security holders.

Outlook

A key focus in the near term is finalising and integrating the HighCom acquisition. The acquisition enables the Group to enter the US market while leveraging existing business, capabilities, relationships and networks already in place across the US. The Group is targeting large and high value orders for XTclave enabled products, with major customers nearing the end of the comprehensive evaluation and testing cycle. The Group is currently actively engaged in discussions with selected distributors and partners in USA and in Europe to offer XTclave produced armour products within these markets.

This increasing interest combined with the Group's commercial-scale XTclave manufacturing facility, which is expected to be completed by the end of this calendar year, ensures XTEK is well positioned to expand sales of its high value ballistic products. Increased export orders are expected in FY20, which will support the Group's expansion into the US and global markets. XTatlas continues to attract attention from leading SUAS manufacturers and operators, specifically among first responder teams in both the military and commercial sectors.

Looking forward, the Group expects a higher gross margin percentage, underpinned by a shift towards higher margin proprietary product sales, supported by the recent acquisition of the HighCom business and the associated higher proportion of ballistic solution sales, software solutions and increased high margin maintenance activity in the new financial year.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	**2019 $**	2018 $
Revenue	2	**37,860,848**	17,266,892
Changes in inventories of finished goods and work in progress		**(31,008,759)**	(12,537,561)
Gross profit		**6,852,089**	4,729,331
Other income	2	**54,647**	596,661
Corporate and administrative expenses	3	**(5,123,699)**	(3,957,872)
Research and development expenses	3	**(1,614,604)**	(1,228,896)
Profit/(loss) from operations before income tax		**168,433**	139,224
Income tax expenses		**-**	-
Total comprehensive income/(loss) for the period		**168,433**	139,224

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

	Notes	**2019 $**	2018 $
Basic profit/(loss) per share	5	**0.004**	0.004
Diluted profit/(loss) per share	5	**0.004**	0.004

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents		**5,349,874**	5,944,620
Trade and other receivables		**19,858,111**	5,979,880
Inventories		**1,750,673**	1,466,734
Other		**989,543**	347,841
Total current assets		**27,948,201**	13,739,075
Non-current assets			
Property, plant and equipment	6	**2,464,085**	609,260
Total non-current assets		**2,464,085**	609,260
TOTAL ASSETS		**30,412,286**	14,348,335
LIABILITIES			
Current liabilities			
Trade and other payables		**18,773,301**	5,785,405
Provisions		**348,035**	287,459
Deferred income		**1,963,855**	544,613
Total current liabilities		**21,085,191**	6,617,477
Non-current liabilities			
Trade and other payables		**1,077,931**	15,859
Provisions		**31,857**	44,551
Deferred income		**521,366**	102,794
Total non-current liabilities		**1,631,154**	163,204
TOTAL LIABILITIES		**22,716,345**	6,780,681
NET ASSETS		**7,695,941**	7,567,654
EQUITY			
Contributed equity	9(a)	**27,312,482**	27,196,530
Reserves		**8,775**	516,110
Accumulated losses		**(19,625,316)**	(20,144,986)
TOTAL EQUITY		**7,695,941**	7,567,654

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	**2019** **$**	2018 $
Cash flows from/(used in) operating activities			
Receipts from customers		**28,395,763**	16,292,504
Payments to suppliers and employees		**(27,850,955)**	(14,512,779)
		544,808	1,779,725
Interest received		**52,252**	46,187
Borrowing costs		**(2)**	(3,839)
Net cash flows from operating activities	4	**597,058**	1,822,073
Cash flows (used in)/from investing activities			
Proceed from sale of property plant and equipment		**-**	1,609
Payments for property plant and equipment		**(994,207)**	(294,634)
Net cash flows (used in) investing activities		**(994,207)**	(293,025)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**180,000**	1,761,201
Payment of transaction costs associated with issued share capital		**(133,784)**	(167,245)
Repayment of Lease liabilities		**(243,813)**	
Net cash flows (used in)/from financing activities		**(197,597)**	1,593,956
Net increase (decrease) in cash and cash equivalents		**(594,746)**	3,123,004
Cash and cash equivalents at beginning financial year		**5,944,620**	2,821,616
Cash and cash equivalents at end of year		**5,348,874**	5,944,620

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital (note 9) $	Equity-based payments reserve $	Accumulated losses $	Total Equity $
Balance at 1 July 2017	25,378,045	516,110	(20,284,210)	5,609,945
Profit for the year	-	-	139,224	139,224
Total income and expense for the period	-	-	139,224	139,224
Issues of ordinary shares during the year:				
Issue of share capital	1,985,730	-	-	1,985,730
Transaction costs associated with share capital	(167,245)	-	-	(167,245)
Balance at 30 June 2018	27,196,530	516,110	(20,144,986)	7,567,654
Balance at 1 July 2018	**27,196,530**	**516,110**	**(20,144,986)**	**7,567,654**
Restatement due to 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**

The Group has not restated comparatives 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 2019 was authorised for issue in accordance with a resolution of the Directors on 29 August 2019.

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 for the current period. Prior periods have not been restated. The adoption of the standard has decreased the profit in FY19 by $29,723.

	Carrying amount as at 30 June 2018 $	Remeasurement $	Carrying amount as at 1 July 2018 $	Carrying amount as at 30 June 2019 $
Right to use	-	1,170,299	1,170,299	1,019,473
Lease liabilities	-	(1,333,290)	(1,333,290)	(1,212,187)
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 2019.

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 the following categories:
- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements,

are charged against surpluses on a net basis in their respective categories.

The contributions made to superannuation funds are charged to the 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.

Lease incentives

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

2. Revenue and other income

a. Revenue from operations

	2019	2018
	$	$
Value added reseller products	**31,282,847**	12,817,081
In-house development and manufactured products	**1,607,633**	1,663,607
Logistic engineering maintenance	**4,970,368**	2,576,154
Grant and other revenue	**-**	210,050
	37,860,848	17,266,892

b. Other income

	2019	2018
	$	$
Interest	**52,252**	46,187
R&D tax incentive (refer note 7a)	**-**	534,570
Other	**2,395**	15,904
	54,647	596,661

3. Expenses

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

	2019	2018
Employee benefits	**$**	$
Salaries and wages	**3,005,202**	2,685,116
Superannuation	**332,274**	278,193
Payroll tax	**146,635**	122,912
Other employee expenses	**15,557**	-
Workers compensation	**61,580**	30,654
Depreciation		
Plant and equipment	**61,285**	42,394
Motor vehicles	**908**	908
Office furniture and equipment	**43,316**	28,488
Computer software	**18,281**	3,883
Demonstration equipment	**10,041**	9,087
Leasehold property improvements	**25,022**	4,103
Right to use assets	**150,827**	-
Accounting fees	**35,459**	41,232
Audit fees	**55,500**	63,268
Bank charges	**6,171**	6,294
Consultancy fees	**559,936**	394,569
Directors fees	**260,000**	135,000
Insurance	**182,244**	142,213
FBT	**21,720**	9,166
Legal fees	**4,421**	-
Office administrative costs	**509,391**	592,769
Minor operating lease	**16,430**	34,754
Finance costs		
Interest on lease liabilities	**122,710**	-
Other interest expense	**2**	3,839

(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.)

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

	2019	2018
	$	$
Profit for the year	**168,433**	139,224
Adjustments for:		
Depreciation	**309,680**	88,863
Bonus issue of shares to employees	**69,736**	224,529
Share based payment to employee	**6,893**	-
Loss on derivative	**-**	51,140
(Gain) on sale of property, plant and equipment	**-**	(551)
Finance cost on lease	**122,710**	-
Changes in assets and liabilities		
(Increase) in trade debtors	**(13,878,231)**	(3,421,356)
Decrease / (Increase) in inventory	**(284,204)**	(580,527)
(Increase) / Decrease in prepayments and other assets	**(641,702)**	311,727
Increase in trade and other payables	**12,838,047**	4,529,737
Increase in deferred income	**1,837,814**	337,751
Increase in employee provisions	**47,882**	141,536
Net cash flows from/(used in) operating activities	**597,058**	1,822,073

Non-cash Financing and Investing Activities
176,546 out of 232,228 shares issued to employees during financial year 2018-19, were issued with non-vesting conditions. Balance 55,682 shares have vesting conditions and shall be allotted to employees on completion of three years of service or upon leaving the employment of the Company. All shares were issued at rate of 0.395 cents per share.

5. Earnings per share

a. Basic profit/(loss) per share

	2019	2018
	$	$
Profit/(loss) attributable to the ordinary equity holders of the Company	**0.004**	0.004

b. Diluted profit/(loss) per share

	2019	2018
	$	$
Profit/(loss) attributable to the ordinary equity holders of the Company	**0.004**	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.

	2019	2018
	$	$
Profit/(loss) from continuing operations	**168,433**	139,224
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**-**	-
	168,433	139,224

d. Weighted average number of shares used as the denominator

	2019	2018
	No.	No.
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**40,447,495**	39,375,685
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	**40,447,495**	39,375,685

i. Options and share performance rights

Options and share performance rights granted to employees and Directors that are considered to be potential ordinary shares have been included in the determination of diluted earnings per share to the extent to which they are dilutive. As at reporting date, the options and share performance rights have not been included in the determination of basic earnings per share.

The issued capital of XTEK Ltd at 30 June 2019 comprises 40,579,906 fully paid Ordinary Shares. 400,000 unlisted options were exercised in July 2018. At 30 June 2019 there are no options on issue.

6. Property plant and equipment

During the full year ended 30 June 2019, the Group acquired assets with a cost of $994,207 which includes $59,276 for patent application costs associated with the Intellectual Property.

7. Government grants

a. AusIndustry's R&D tax incentive

No income from the AusIndustry R&D Tax Incentive was recognised in the 2019 financial year. $534,570 was recognised in financial year 2018.

As the Group's revenue exceeded $20m the R&D incentive will not be received as a cashback. XTEK would otherwise have recognised $621k 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.
There were 400,000 unlisted options on issue at 30 June 2018. These share options were exercised in July 2018.

As at 30 June 2019 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 2019 was 44.8 cents.

9. Interest bearing liabilities

There were no loans made to the Group in 2018-19 year. The Group finished the year without borrowings.

10. Other current liabilities

There were no other Current Liabilities

11. Contributed equity

a. Share capital

Movement in ordinary shares on issue	No. of Shares	$
At 1 July 2018	39,947,678	27,196,530
Shares issued	632,228	249,736
Transaction cost in relation to capital	-	(133,784)
Balances as at 30 June 2019	40,579,906	27,312,482

b. Ordinary Shares

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

12. Contingent liabilities

There are no contingent liabilities at 30 June 2019.

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

13. Parent entity

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

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

	Year ended 30 June 2019 $	Year ended 30 June 2018 $
Statement of Financial Position		
Assets		
Current assets	27,999,981	13,827,647
Non-current assets	2,462,660	606,751
Total Assets	**30,462,641**	14,434,398
Liabilities		
Current liabilities	21,457,535	6,598,403
Non-current liabilities	1,191,153	163,203
Total Liabilities	**22,648,688**	6,761,606
Net Assets	**7,813,953**	7,672,792
Equity		
Issued capital	27,312,482	27,196,530
Reserves	6,893	514,228
Accumulated losses	(19,505,422)	(20,037,966)
Total Equity	**7,813,953**	7,672,792
Statement of Profit or Loss and Other Comprehensive Income		
Profit / (Loss) for the year	181,306	190,936
Total comprehensive income	**181,306**	190,936

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: 29 August 2019