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

29 September 2023

By Electronic Lodgement

Dear Sir/Madam,

LODGEMENT OF 2023 ANNUAL REPORT FOR XTEK LIMITED

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

Should you require any further information in respect to this matter please contact the Company Secretary, Mr. Lawrence Gardiner at Laurie@xtek.net or 0418 488 931 in the first instance.

Yours sincerely,

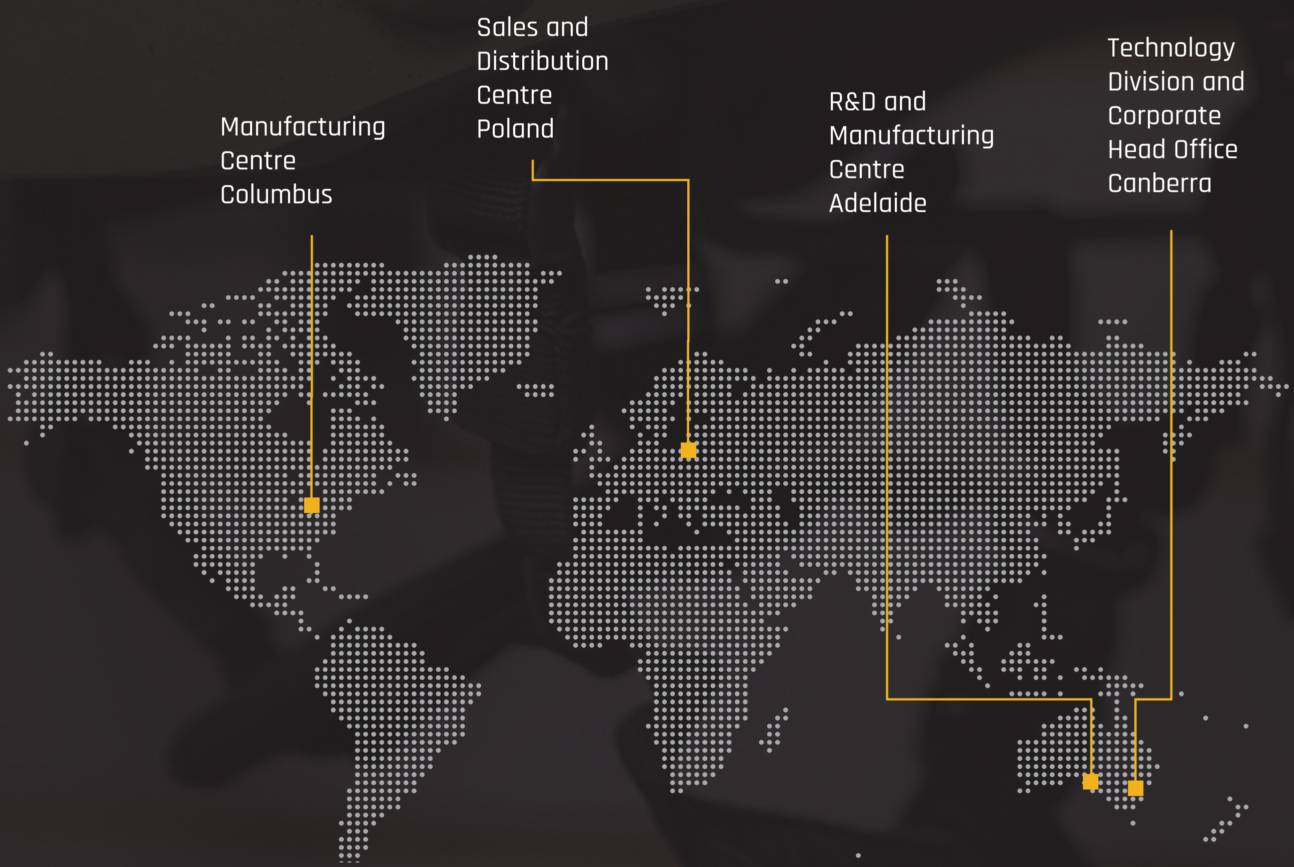
Lawrence A. Gardiner
Company Secretary

Attachment: 2023 Annual Report for XTEK Limited (ABN 90 103 629 107)


XTEK
PROTECT AND SUSTAIN
ANNUAL
REPORT
2023

XTEK's Purpose

Protect the frontline protectors



Contents

XTEK Group

XTEK Group is an ASX Listed International Defence Industry Company

XTEK's Business

is providing high quality specialist products and tailored solutions to military, law enforcement and government agencies

XTEK's Focus

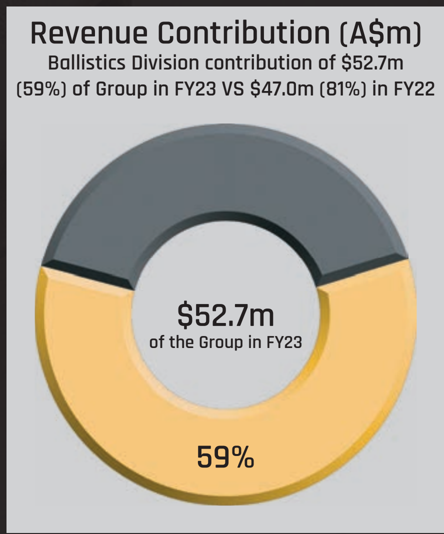
is on growing its global sales and distribution network in new markets for its high performance ballistic products and technology solutions

The Group operates as two distinct divisions

Ballistics Division (HighCom)

Focused on designing, manufacturing, and supplying global military, law enforcement, and first responder customers with world-class, advanced personal protection ballistic products and solutions for:

- Body Armour
- Ballistic Helmets
- Composite Structures



$300m

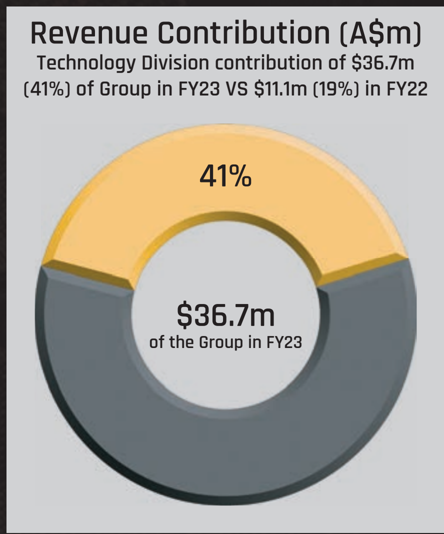
global opportunity pipeline

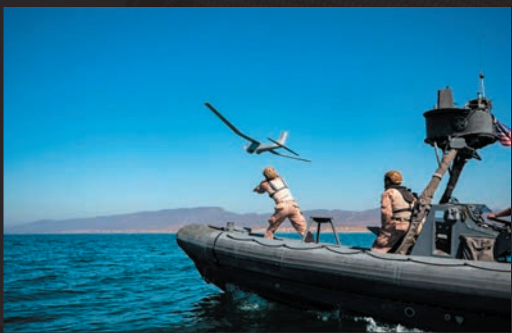
FY24 Ballistic Division has a growing global pipeline of potential deals that exceeds $300m for lightweight body armour, ballistic helmets and ballistic shields.

Technology Division

Focused on manufacturing and supplying global Defence and Security Agencies with world-leading Australian-made and globally sourced:

- Uncrewed Systems and Sensor Payloads
- Uncrewed Systems Mission Management and Analysis Software
- Support - System Integration, Training, & Service Support

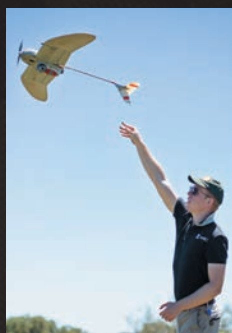




$75m

global opportunity pipeline

FY24 Technology Division is progressing multiple ANZ SUAS related Acquisition & Support Contract opportunities valued in excess of $75m.



Chairman's Report

Dear Shareholders,

I am pleased to present the FY23 Annual Report on behalf of the Board of Directors of XTEK Limited ("XTEK").

XTEK's performance this year has been positive, with record revenue, record gross profit and record EBITDA and NPAT. This has been delivered through strong market demand in both the Ballistics and Technology Divisions.

We do have some areas for improvement, specifically with our cash position and inventory levels. The Board has agreed an inventory management policy and management is working to reset XTEK's inventory to align with this guidance. The lingering impacts of supply chain disruptions caused by the pandemic continue to dissipate, which makes high levels of raw material holdings less necessary. Both the Board and management will continue to work together to ensure an orderly reduction of inventory and increase in cash.

XTEK's share price continues to be buffeted by a range of pressures, some outside of our immediate influence or control. The Board and I are keenly aware of the impact this has on our shareholders. We are actively working to educate the market about the Company and its prospects whilst also focusing internally on those areas, namely sales, that will ensure that the share price increases to better reflect where the board sees value for the company. This remains a work in progress. You will have also seen our Capital Management Strategy that we released last year. We have made the decision to continue to re-invest in the business and while that means we haven't declared a dividend for FY23 we are cognisant of rewarding shareholders with future dividend streams. We continue to monitor this as part of our overall governance activities.

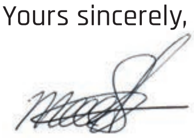
Since my last report to you we have made a number of important changes to management, notably the appointment of a new Group CFO, Jacqui Myers. Critical changes have been made at HighCom Armor in the US with the appointment of Sally Nordeen as the new CEO, Tom Keifer as the CFO, and a refreshed US Sales Team. This is ultimately going to enable us to realise better traction with the US DoD and larger law enforcement clients. We have developed a more effective go to market strategy and these changes are starting to bear fruit. The Board remains laser focused on US market penetration and the effectiveness of the new US management team. XTEK has opened a European sales office in Bydgoszcz, Poland and we have ballistic protection products pre-positioned there to take advantage of renewed European Defence spending. The decision to establish a presence in Europe was recently rewarded with a large armour sale to a European customer.

XTEK continues to look for both organic and inorganic market growth opportunities, especially in the US. The Board has been actively working with management investigating a number of growth opportunities and we hope to be able to make some important announcements soon in this regard.

We continue to execute through the actionable strategy implemented last year and which I mentioned in my last report to you. Scott Basham our Group CEO and his team, including those mentioned above and Vince Creagh in the Technology Division, have done a great job this year guiding the business through ongoing business improvement, enhanced sales and cost focus and the exploration of growth opportunities. I thank them for their efforts in FY23.

Our shareholders' interests remain front of mind and we have big plans for FY24 which promise continuing improvement. I thank our shareholders for your continued support and look forward to sharing XTEK's journey with you during the year ahead.

Yours sincerely,



Mark Stevens

Chairman

Dated this 29th day of September 2023

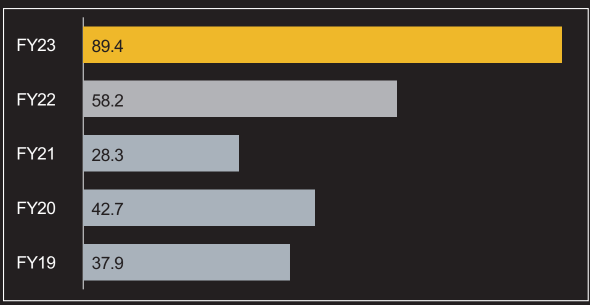
FINANCIAL HIGHLIGHTS

- Continued to execute on our Strategic Plan (reinforce success, seek adjacencies, and create our future)
- Invested in our team to position ourselves to deliver into global markets
- Grew pipeline of opportunities to +$375m, with multiple opportunities on foot for delivery in FY24 and beyond
- Leveraged attractive sector fundamentals that continue to underpin future growth
- Seeking inorganic opportunities to drive penetration into US, UK and EU markets

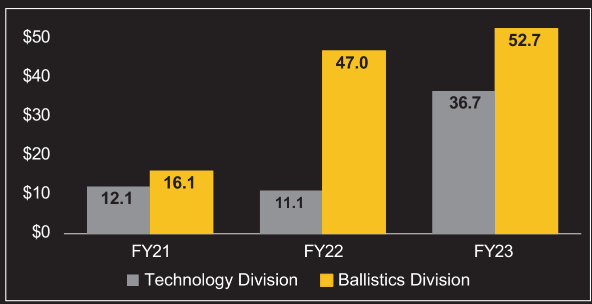
Record Revenue	Gross Margin	Record EBITDA	Record NPAT	Cash Balance (No Debt with $4.9m Facilities)
$89.4m Increased by 54%	**38%** Decreased by 9pp	**$10.9m** Up from $9m	**$6.1m** Up from $5.7m	**$6.9m** Down from $36.2m

REVENUE GROWTH COMPARISON

Revenue (A$m)

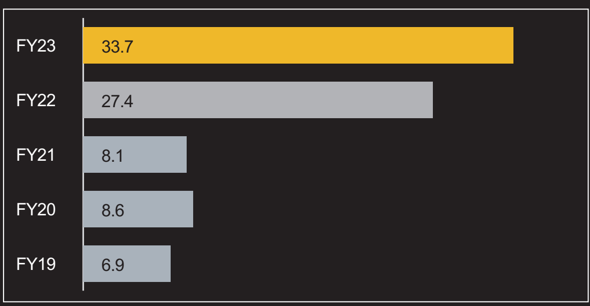


Divisional Revenue Contribution (A$m)

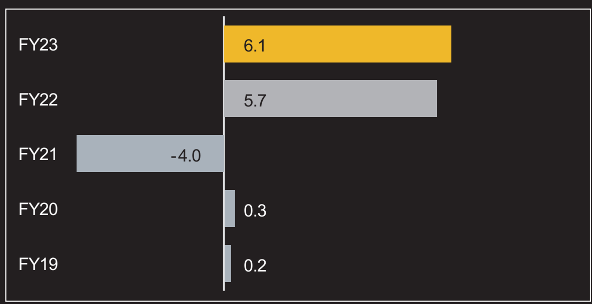


KEY PROFIT COMPARISON

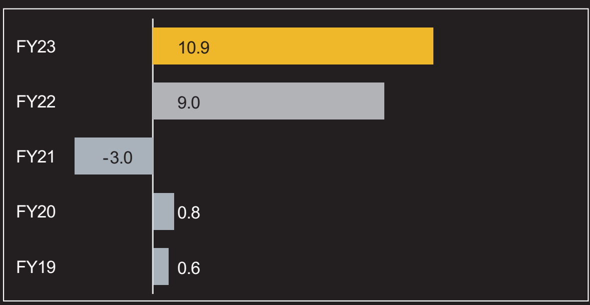
Gross Profit (A$m)



Net Profit (A$m)



EBITDA (A$m)



Group CEO's Report

Dear Shareholders,

It gives me great pleasure to be able to present to you XTEK Limited's Annual Report for Financial Year 2023 (FY23).

XTEK is a remarkably different business now from when I took over as Group CEO just two years ago, on 29 July 2021. We are a serious, consistent, growing, and reliably profitable global company that undertakes meaningful and important work, manufacturing and supplying life-saving ballistic armour products, and providing advanced uncrewed systems and solutions, for military and law enforcement customers, here in Australia and around the world. I am tremendously proud of our team and the great work they do every day.

FY23 is the second consecutive year of record revenue and growth for the Group. It was yet another of high tempo activity around the globe, and has seen our team grow and develop, with a number of new senior executive and key management staff joining us throughout the year. It is the tireless dedication and commitment of our people all around the world that have delivered these excellent FY23 results for you, our shareholders.

Key FY23 Highlights

- Record Revenue with a 54% increase to $89.4m from $58.2m (FY22), driven by significant Technology Division wins;
- Gross Profit Margin was down 9% from 47% (FY22) to 38%, impacted from revenue mix, with Technology Division contribution at lower gross profit, and higher operations expenses to strengthen governance and reporting systems and processes.
- Record EBITDA was $10.9m ($11.7m underlying EBITDA adjusted for $0.8m of one-off costs), up from $9.0m at 30 June 2022.
- NPAT was $6.1m ($6.9m underlying NPAT adjusted for $0.8m of one-off costs), up from $5.7m at 30 June 2022; and
- Cash at bank on 30 June 2023 was $6.9m compared to $36.2m at 30 June 2022, reduced as we recognised a large armour order as revenue.

Ballistics Division (HighCom)

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

Following the appointment of Sally Nordeen in November 2022, as HighCom Armor CEO, the business has adopted a new, direct sales "Go To Market" model in the US, resulting in significantly greater direct engagement with our valued channel partners and end user law enforcement and government agency customers. To support and drive this engagement, the business has increased its domestic US and international sales teams. Further, in December 2022, HighCom opened a new Sales and Distribution office in Bydgoszcz, Poland, which provides excellent proximity to its target military and law enforcement customers in Central European and Scandinavian countries.

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

Technology Division

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

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

Summary income statement		FY21	FY22	FY23
Revenue	A$m	28.3	58.2	89.4
COGS	A$m	(20.2)	(30.7)	(55.7)
Gross profit	A$m	8.1	27.4	33.7
Gross margin		29%	47%	38%
EBITDA	A$m	(3.0)	9.0	10.9
Net profit	A$m	(4.0)	5.7	6.1

Table A: Simplified Income Statement

Other key metrics		FY21	FY22	FY23
Cash Balance	A$m	5.9	36.2	6.9
Market Capitalisation June	A$m	29.5	39.7	43.8

Table B: Other key metrics

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

XTEK Group Strategy

The Group continues to execute on our clear strategy for growth and continued profitability:

- Reinforce Success – Invest in the areas of our business that have been successful and have potential for continued enhancement and growth;
- Seek Adjacencies – Find new business opportunities that extend our reach and can draw on our experience and expertise; and
- Create our Future – Invest in organic and inorganic expansion opportunities in the Defence and Law Enforcement markets to create new products and service offerings for sustained future growth and profitability.

In line with our growth strategy, the Group is actively seeking expansion opportunities in our HighCom Armor and Technology Divisions in the US, Europe and Australia.

FY2024 Outlook

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

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

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

The Group remains committed to seeing its Ballistics Division optimise the full potential of its unique, patented XTclave™ technology which produces ultra-lightweight and high performance next-generation ballistic protection products.

Development continues at pace on a range of advanced inclusive body armour with highly complex curvatures and geometries, as well as its range of "featherweight" NIJ Level 3A and "rifle rated" NIJ Level 3+ advanced ballistic combat helmets.

The Group plans to establish an XTclave manufacturing capability at its Columbus, Ohio facility as soon as practicable.

FY2024 Forecast

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

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

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

Yours sincerely,

Scott Basham
Group CEO
Dated this 29th day of September 2023

FY24 OUTLOOK

$375m

Opportunity pipeline of leads at various stage of qualification. Comprising of:

$300m

FY24 Ballistic Division has a growing global pipeline of potential deals that exceeds $300m lightweight body armour, ballistic helmets and ballistic shields.

$75m

FY24 Technology Division is progressing multiple ANZ SUAS related Acquisition & Support Contract opportunities valued in excess of $75m.

Board of Directors

Mr. Mark Stevens

Non-Executive Director/ Chairman of the Board

Mr. Stevens is the Founder and Managing Director of Arican and is one of Australia's leading Defence advisers and commentators. He is a 1984 graduate of the RMC Duntroon and served for ten years as an infantry officer. Since 1995, Mr Stevens has worked primarily as a management consultant and adviser including appointments as the Defence lead for IBM Australia and then across Asia Pacific.

Since forming his first advisory business in 1999 he has led over 250 deals into Defence and in 2018 was instrumental in originating the first acquisition by Private Equity of an Australian Defence Industry company, Marand Precision Engineering by CHAMP. Further, Mr. Stevens has a detailed understanding of XTEK's business operations and provides outstanding strategic guidance as XTEK continues to sharpen its focus on the core Defence and Law Enforcement markets.

Hon. Christopher Pyne

Non-Executive Director

Christopher Pyne brings a wealth of commercial, political and global defence experience to XTEK, having served as a Member for Parliament (MP) for over 25 years. Christopher served as the 54th Australian Defence Minister and was responsible for delivering the $200 billion build-up of Australia's military capability, the largest in Australia's peacetime history.

Christopher was elected to Parliament in 1993 and served as the Member for Sturt for 26 years. During this time, he was in the Liberal Party Leadership Group for ten years, Leader of the House of Representatives for six years, and served in Cabinet for six years. Christopher has worked to ensure the growth and sustainment of Australia's Defence Industry.

Christopher is the Executive Chairman of Pyne and Partners, consulting to business in the domain of government and political engagement. Headquartered in Adelaide, South Australia, and operating nationally with a presence in Sydney, Canberra, Melbourne, Brisbane, and internationally in Washington DC and Paris. He is an Industry Professor in the University of South Australia Business School specialising in Defence and Space. Before entering Parliament, Christopher practised as a solicitor at Corrs Chambers Westgarth and Thomson Geer.

Ms. Adelaide McDonald

Non-Executive Director

Ms. Adelaide McDonald has over 15 years' experience in corporate advisory and equity research. Ms McDonald is currently a Non-Executive Director of Regal Asian Investment Ltd (ASX:RG8). In addition, Ms. McDonald has held roles as a Director at KPMG in the Mergers and Acquisitions practice with previous roles at Wilson HTM and BDO Kendalls. Ms. McDonald graduated from the University of Queensland with a Bachelor of Commerce, with majors in Accounting and Finance, and a Bachelor of Business Management, majoring in Business Economics. Ms. McDonald has completed the CFA Program and has been awarded the CFA Charter.

Mr. Chris Fullerton

Non-Executive Director

Mr. Fullerton has extensive experience in investment, management and investment banking and is a qualified chartered accountant. He worked in Hong Kong and Singapore for 15 years before returning to Australia in 1992. He is an investor in listed equities and private equity and has been a non-executive director of a number of ASX listed companies. His unlisted company directorships cover companies in the property investment and Agtech sectors.

Mr. Mark Smethurst DSC, AM

Non-Executive Director

Mr. Smethurst's significant Defence experience spans over 35 years in Australian Army, with 27 years as a Senior Special Forces Officer including command at all levels including the Deputy Commander of the Australian Special Forces. He commanded the NATO Special Forces in Afghanistan during 2011/12 and was the Deputy Chief of Operations for the US Special Operations Command in 2013/14.

Prior to leaving the Australian Defence Force in early 2017, he was the Head of Preparedness/Director General Joint Force Analysis, responsible for developing Futures Concepts, Experimentation, Lessons and Preparedness.

Mr Smethurst holds a variety of board and advisory roles with several private and public companies and is an Advisor to the Global SOF Foundation and is the Chairman of the Commando Welfare Trust. Through his other business interests, he is well positioned to support XTEK both within the Australian and international contexts.

Mr. Ben Harrison

Non-Executive Director

Mr Harrison has 16 years of experience in advising and investing in companies. He commenced his career as a Project Manager for a large international engineering consulting firm working on a number of infrastructure projects in Australia and South East Asia. Mr. Harrison later moved into investment banking, working for a leading corporate advisory house where over a 5 year period he executed over $2.0 billion in capital market transactions and $5.5 billion of public M&A transactions. Mr Harrison has 16 years of experience in advising and investing in companies.

He is a founder and Chief Investment Officer of Altor Capital and is active in the private equity and credit sectors in Australia. Mr Harrison currently holds board and advisory roles with several private and public companies.

Mr Harrison's extensive investment and financial background knowledge will provide additional financial experience to the XTEK Board.

Mr. Lawrence Gardiner

Company Secretary

Mr. Gardiner served with the Australian Army and specialised in the fields of logistic management and explosive ordnance disposal operations. In addition to his military service, Mr. Gardiner also served with the Australian Federal Police (AFP), performing senior executive roles in the areas of counter terrorist first response and protective security operations.

Mr. Gardiner is a current member of the Australian Institute of Company Directors.

Group Leadership Team

Mr. Scott Basham

Group Chief Executive Officer

Mr. Basham joined XTEK in February 2021 and is an internationally experienced corporate executive who has a wealth of knowledge and experience gained from twenty years of involvement working on major security technology projects and system integrations across Australasia and the Asia Pacific regions. Scott's expertise encompasses leadership and general management of private and public companies, strategic sales and business development, international marketing and communications, as well as commercial, operational and program management.

During his career, Scott has worked for a number of major global security technology companies, including Smiths Detection, Unisys, Safran Morpho, and Idemia. His last role before joining XTEK was as Group CEO of the ASX listed company Ava Risk Group Ltd. Scott's expertise and understanding encompasses the breadth of high-end, high-value, integrated detection, inspection, imaging and sensor technologies, and their applications in transportation, border protection, critical infrastructure, emergency services, and the military.

A former commissioned officer in the Australian Regular Army, Scott holds a Master of Business Administration and a Master of Management from the Macquarie Graduate School of Management, a Master of Commerce from Macquarie University and is a graduate of the Australian Institute of Company Directors.

Ms. Jacqui Myers

Group Chief Financial Officer

Ms. Myers is a highly experienced and qualified financial professional with extensive public sector, private sector, management consulting, Australian Defence industry, and international business operations expertise. Jacqui's appointment comes at an exciting time of growth and global expansion for the Group.

Jacqui is a Certified Practising Accountant (CPA) and holds a Bachelor of Commerce from the Australian National University, as well as a Master of Business Administration from Deakin University, and is a graduate of the Australian Institute of Company Directors.

People, Environmental, Social and Governance

XTEK People

The XTEK Group understands that the achievement of business goals and the overall company strategy requires highly skilled and committed people. As such, the company is doing a range of activities to help attract, further develop, and keep this type of workforce.

Workforce Culture

XTEK understands the importance of having a good work environment and is actively implementing a range of initiatives to improve its workplace culture. These include:

- providing all employees with professional learning and development opportunities including attending overseas conferences.
- ensuring that XTEK's workplace culture is a positive one that will be attractive to both prospective and current employees.
- continually developing and improving our policies, procedures, work practices and benefits aimed at ensuring that XTEK will retain high performing employees.

Working Arrangements

XTEK understands that, to attract and retain the right employees across its workforce, it must actively balance business requirements with employee preferences when determining working arrangements. This includes hours of work, patterns of work and location of work.

Traditionally, XTEK's workforce has largely comprised full-time employees working on-site on a full-time basis. XTEK understands that flexibility helps employees maintain a work-life balance which in turn helps improve the productivity and efficiency of our business. The company is increasingly offering employment options that do not require employees to work 100 per cent on-site.

Examples include:

- changes to start and finish times.
- compressed working hours.
- working from home or another location.
- engaging staff members to work on a "fixed term" or per-project basis.

Diversity and Inclusion

As an equal-opportunity employer, XTEK values the efforts and contributions of all staff members irrespective of age, disability, gender identity, marriage and civil partnership, pregnancy or maternity, breastfeeding, race, religion or belief, sexual orientation, or intersex status. This means that:

- XTEK will continue to adopt a consistent, non-discriminatory approach to the advertising of vacancies. We will not confine our recruitment to areas or media sources which provide only, or mainly, applicants of a particular group.
- all applicants who apply for jobs with us will receive fair treatment and will be considered solely on their ability to do the job.
- short listing and interviewing will be carried out by more than one person where possible.
- interview questions will be related to the requirements of the job and will not be of a discriminatory nature.
- selection decisions will not be influenced by any perceived prejudices of other staff.
- XTEK will continue to develop and improve business policies and procedures to prevent any forms of discrimination or harassment from occurring in its workplaces

Employment of Veterans

XTEK is a proud employer of veteran personnel as we understand the extensive range of skills, experience and qualifications that make them valuable members of our workforce.

XTEK's business is to "protect the frontline protectors." Our strong commitment to supporting veterans through employment, and our corporate sponsorship to Legacy Australia which does vital work in supporting Australian Defence Force veterans and their families means that our veterans can continue to serve and protect.

Work Health and Safety

Throughout 2023, XTEK has maintained a strong focus on Work Health and Safety (WHS) of both staff and suppliers (contractors) alike. XTEK is committed to providing a safe and healthy work environment for our employees, subcontractors, customers, and visitors. XTEK has implemented the following initiatives and objectives to strengthen our focus on preventing hazards:

- conducting safety awareness inductions, training, and programs for 100% of employees and visitors to any XTEK site/location.
- ensuring 100% of all near misses and incidents are reported to aid in the improvement of our work practices.
- ensuring 100% of all staff returning to work after injury have a return-to-work program in place.
- conducting investigations into 100% of all reported incidents and documenting any findings in formal reports.
- conducting risk assessments in the workplace twice annually on buildings, plant, and equipment in all XTEK locations.

XTEK sites in Australia and the U.S. undertook regular WHS safety observation tours and other reviews in 2023, which will continue throughout 2024.

Environment

XTEK is committed to the protection and preservation of our environment and to maintaining a high standard of environmental care, contributing to a sustainable future while conducting our business activities.

Our environmental performance is supported by implementing and maintaining sound management practices and provides a framework for establishing, reviewing, and updating our Environmental objectives.

In practice, this commitment involves, for example:

- reducing risks from environmental hazards in our operations by 25%.
- reviewing and assessing XTEK's environmental impacts associated within the activities that we perform twice per year.
- reviewing and refining waste management practices (twice per year) embracing the principles of redesign, reduce, reuse, and recycle and meeting obligations of the Australian Packaing Covenant Organisation.
- ensuring full compliance of all regulatory legal requirements – Nil environmental incidents.

Corporate Governance Framework

XTEK's global business activities require strong corporate governance. In February 2023, XTEK employed a Group Governance and Quality Manager to ensure that the governance framework was implemented, followed, and measured. The XTEK Group has certification covering the following:

1, XTEK Certification (certified by LRQA) covering the ISO 9001 Quality Standard only with the scope "The provision of specialist homeland security solutions, products, and services as used by defence and law enforcement agencies. Including, design, research and development, manufacture, project management, repair and maintenance services, product support and training in the use of specialised homeland security equipment" for the following sites:

- Canberra – 3 Faulding Street Symonston, ACT 2609
- Adelaide – 183 Phillip Highway, Elizabeth, SA 5112

2. HighCom Certification (certified by Perry Johnson) covering the ISO 9001 Quality Standard, and BA9000 NIJ CTP Body Armor Quality Management System Requirements with the scope "Design, Development, Testing, Manufacturing, and Distribution of Body Armor and Personal Protective Equipment (PPE)" for the following site:
   - 2901 East 4th Avenue, Unit J, Columbus OH 43219 United States
3. HighCom Certification (certified by Perry Johnson) covering the ISO 14001 Environmental Standard with the scope "Design, Development, Testing, Manufacturing, and Distribution of Body Armor and Ballistic Resistant Products" for the following site:
   - 2901 East 4th Avenue, Unit J, Columbus OH 43219 United States

XTEK's governance framework incorporates the following key areas:

- environmental awareness – being responsible and committed to the environment in which we work.
- ethical behaviour – being accountable to each other, the Board and Shareholders on the company's activities and results of its conduct.
- corporate strategy – being transparent and communicating the strategy, financial results etc. to shareholders and key stakeholders.
- compensation – being fair to employees and management through performance reviews and incentive plans, and to shareholders through the selection of skilled and transparent board members.
- risk management – identifying all risks across the company and having a framework in place to mitigate/control and communicate the status of these risks.

Our Commitment to Ethical Exports and Human Rights

XTEK operates under Australian and US export controls that are designed to protect human rights around the globe.

At XTEK, we recognise our responsibility to respect human rights as stated in our Employees Health and Safety handbook. This handbook also covers the issue of modern slavery as defined in the Universal Declaration of Human Rights, which is a comprehensive definition that includes forced labour (Articles 4 and 23).

We work internally and with our suppliers (through formal supplier evaluations) to address the risk of forced labour and child labour in our global supply chain. We recognise that the risk of forced labour exists in various forms in all countries and across our supply chain.

We strictly prohibit any type of forced labour, regardless of the market or region. All allegations made about XTEK, a supplier or business partner are investigated. If we discover and verify a case of forced labour, we take immediate action. For business relationships this will lead to enforcement action, and if prompt corrective action is not taken or adequate remedy provided, the ultimate consequence will be termination.

In addition, Australia participates in several multilateral export control regimes, and the Commonwealth assesses export applications against legislative criteria that include human rights and Australia's international obligations. The US controls the export, import and use of military items under the International Traffic in Arms Regulations, which operate separately from, and in addition to, Australian controls.

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of XTEK Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were Directors of XTEK Limited during the financial year ending 30 June 2023 and to the date of this report:

Mr. Mark Stevens	Hon. Christopher Pyne
Ms. Adelaide McDonald	Mr. Mark Smethurst
Mr. Christopher Fullerton	Mr. Ben Harrison

Particulars of each Director's experience and qualifications are set out later in this report.

Principal activities

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

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

- Body Armour
- Ballistic Helmets
- Composite Armour Structures

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

- Uncrewed Systems and Sensor Payloads
- Uncrewed System Mission Management and Analysis Software
- Support – Systems Integrations, Training & Service Support

Dividends

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

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $6,093,520 (30 June 2022: $5,738,730).

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

Group Revenue increased by 54% to a record $89.4m up from a previous record of $58.2m (FY22).

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

EBITDA increased to a record $10.9m from $9.0m (FY22).

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

The cash balance on 30 June 23 was $6.9m, compared with $36.2m at 30 June 2022. The FY22 cash balance included a $33.4m customer advance received from a large European customer, for goods delivered during FY23.

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matters or circumstances has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years. On 28 August 2023, the voluntary deregistration of the non-operating subsidiary, Simmersion Holdings Pty Ltd, was lodged with ASIC.

Likely developments and expected results of operations

The outlook for XTEK continues to remain positive due to the ongoing global tailwinds still being generated by the instability of the war in Europe, and from the ongoing tensions within the Asia Pacific region. The Group continues to execute on its strategic plan to reinforce the ongoing successes it has delivered in both its Ballistics Division and its Technology Division.

Following on from the assessment of a number of inorganic growth opportunities during FY23, the Group is currently progressing potential M&A expansion opportunities. The Group remains committed to seeing its Ballistics Division optimise the full potential of its unique, patented XTclave technology which produces ultra-lightweight and high performance next-generation ballistic protection products. Development continues at pace on a range of advanced inclusive body armour with highly complex curvatures and geometries, as well as its range of "featherweight" NIJ Level 3A and "rifle rated" NIJ Level 3 advanced ballistic combat helmets. The Group plans to establish an XTclave manufacturing capability at its Columbus, Ohio facility as soon as practicable.

Material Business Risks

Following a review of the Group's activities and all business units, the Board has identified the key, material risks and subsequently established the level of risk it is prepared to accept for each risk. As a result, a risk appetite has been allotted to each risk , forming the basis of the Group's risk management and reporting system.

Relative Risk Appetites

The enterprise risks for which the Group has the lowest appetite are:

- safety and welfare of staff
- security of IP and confidential and personal information
- fraud, unethical behaviour, and corruption
- compliance with legal, governance and regulatory requirements.

The Group has a low appetite for risks that may negatively impact on the safety of the community and/or damage XTEK's reputation, thereby avoiding any damage to public confidence in and the products and services provided by the Group.

A higher level of risk is acceptable in pursuit of innovative initiatives, for opportunities to gain material benefits , while maintaining acceptable risks.

Group Material Risks

The material risks faced by the Group and and the approach to their management are set out below.

Fully Commercialising Proprietary Technologies

XTEK is in the early stage of commercialising its XTclave technology. Failure to commercialise this technology and scale up production of the XTclave would have a material negative impact on the Group, necessitating a heavy reliance on OEM and LEM suppliers and the need to create new technologies.

XTEK has recently employed and engaged experienced staff and consultants to further develop and establish our technologies, against a background of strongly increasing interest in its products.

Product Risk

The inherent value of the XTEK ballistics business is the design and manufacture of the lightest and strongest products in the market. If competitors could readily manufacture products of similar or superior quality, the Group's product offering and sales revenue would be adversely impacted.

XTEK's executive team stay close to suppliers and in particular its customers, understanding their requirements to ensure it remains competitive. Further, our competitors' activities are closely monitored.

Cyber/Information Technology Risks

XTEK is highly dependent on the performance, reliability and availability of technology platforms, data centres and technology systems, including services provided by third parties. There is a risk that technology systems may be seriously adversely disrupted. Any prolonged disruption to activities could severely impact our reputation and financial position.

In addition to a strong internal focus, the Group has engaged expert personnel, consultants and third-party service providers to help mitigate these risks.

Legal/Regulatory Risks

XTEK is subject to a wide range of regulatory and legal obligations, in Australia, the US and Europe. To ensure timely compliance, the Group has employed suitably qualified staff and engaged professional consultants to help identify, manage and mitigate these risks.

Work Health and Safety Risks

Many of XTEK's staff are involved in high-risk work which involves large complicated machinery and equipment. In addition, our staff are responsible for managing contractors conducting high-risk work on our site.

XTEK engages expert consultants in Australia and in the US to assist our staff to develop processes and procedures to conduct site reviews, where required, to ensure we remain compliant to relevant WHS and OSHA regulations.

Financial Risk Management

Financial Risk Management is disclosed in Note 31 to the financial statements.

Information relating to the Directors and Company Secretary during the reporting period

Mr. Mark Stevens	**Director (Chairman) – Appointed 23 February 2022**
Experience	Mr. Stevens is a Non-Executive Director and Chairman of the XTEK Group. Mr. Stevens is the Founder and Managing Director of Arican and is one of Australia's leading Defence advisers and commentators. He is a 1984 graduate of the RMC Duntroon and served for ten years as an infantry officer. Since 1995, Mr. Stevens has worked primarily as a management consultant and adviser, including appointments as the Defence lead for IBM Australia and then across Asia Pacific. Since forming his first advisory business in 1999 he has led over 250 deals into Defence and in 2018 was instrumental in originating the first acquisition by Private Equity of an Australian Defence Industry company, Marand Precision Engineering by CHAMP.
Interest in Shares	Nil
Special Responsibilities	Chairman of the Nomination Committee
Other Directorships	Director of Arican Pty Ltd.
Mr. Christopher Fullerton	**Director (Non-Executive) – Appointed 24 April 2018**
Experience	Mr. Fullerton has extensive experience in investment, management and investment banking and is a qualified chartered accountant. He worked in Hong Kong and Singapore for 15 years before returning to Australia in 1992. He is an investor in listed equities and private equity and has been a non-executive director of a number of ASX listed companies.
Interest in Shares	254,055 ordinary shares at 30 June 2023
Special Responsibilities	Chairman of Risk Management Committee, effective 30 June 2012
Other Directorships	Director of Kador Properties Pty Ltd
Ms Adelaide McDonald	**Director (Non-Executive) – Appointed 24 August 2022**
Experience	Ms. McDonald has over 15 years experience in corporate advisory and equity research. Ms. McDonald has held roles as a Director at KPMG in the Merger and Acquisition practice with previous roles at Wilson HTM and BDO Kendalls. Ms. McDonald graduated from the University of Queensland with a Bachelor of Commerce, with majors in Accounting and Finance, and a Bachelor of Business Management, majoring in Business Economics. Ms. McDonald has completed the CFA Program and has been awarded the CFA Charter.
Interest in Shares	Nil
Special Responsibilities	Member of the Human Resource and Remuneration Committee
Other Directorships	Non-Executive Director of Regal Asian Investment Ltd.

Mr. Benjamin Harrison	**Director (Non-Executive) – Appointed 23 February 2022**
Experience	Mr. Harrison has 15 years of experience in advising and investing in companies. He commenced his career as a Project Manager for a large international engineering consulting firm working on a number of infrastructure projects in Australia and South East Asia. Mr. Harrison later moved into investment banking, working for a leading corporate advisory house where over a 5 year period he executed over $2.0 billion in capital market transactions and $5.5 billion of public M&A transactions. He is a founder and Chief Investment Officer of Altor Capital and is active in the private equity and credit sectors in Australia. Mr. Harrison currently holds board and advisory roles with several private and public Companies.
Interest in Shares	Nil
Special Responsibilities	Chairman of Finance and Audit Committee
Other Directorships	Non-Executive Director Propell Holdings Limited.

Mr. Mark Smethurst	**Director (Non-Executive) – Appointed 29 April 2021**
Experience	Mr. Smethurst's significant Defence experience spans over 35 years in the Australian Army, with 27 years as a Senior Special Forces Officer including command at all levels including the Deputy Commander of the Australian Special Forces. He commanded the NATO Special Forces in Afghanistan during 2011/12 and was the Deputy Chief of Operations for the US Special Operations Command in 2013/14. Prior to leaving the Australian Defence Force in early 2017, he was the Head of Preparedness/Director General Joint Force Analysis, responsible for developing Futures Concepts, Experimentation, Lessons and Preparedness. Mr Smethurst holds a variety of board and advisory roles with several private and public companies and is an Advisor to the Global SOF Foundation and is the Chairman of the Commando Welfare Trust. Through his military experience, current contacts and other business interests, he is well positioned to support XTEK both within the Australian and internationally.
Interest in Shares	72,460 ordinary shares at 30 June 2023
Special Responsibilities	Chairman of the Human Resources and Remuneration Committee
Other Directorships	Non-Executive Director of KORD Group, XRG Pty Ltd and KLAS Australia Pty Ltd.

Hon. Christopher Pyne	**Director (Non-Executive) – Appointed 30 November 2020**
Experience	Christopher Pyne brings a wealth of commercial, political and global defence experience to XTEK, having served as a Member for Parliament (MP) for over 25 years, from which he retired in 2019. Christopher served as the 54th Australian Defence Minister and was responsible for delivering the $200 billion build-up of Australia's military capability, the largest in Australia's peacetime history. Christopher was elected to Parliament in 1993 and served as the Member for Sturt for 26 years. During this time, he was in the Liberal Party Leadership Group for ten years, Leader of the House of Representatives for six years, and served in Cabinet for six years. He has worked to ensure the growth and sustainment of Australia's Defence Industry, and thus implemented Australia's Defence Export Strategy, Defence Industrial Capability Plan, and the Naval Shipbuilding Plan. Christopher also created the Defence Cooperative Research Centre, the Centre for Defence Industry Capability, the Defence Innovation Hub, and the Next Generation Technology Fund. Additionally, he was the driving force behind the recent establishment of the Australian Space Agency. Christopher is the Executive Chairman of Pyne and Partners, consulting to business in the domain of government and political engagement. Headquartered in Adelaide, South Australia, and operating nationally with a presence in Sydney, Canberra, Melbourne, Brisbane, and internationally in Washington DC and Paris. He is an Industry Professor in the University of South Australia Business School specialising in Defence and Space. Before entering Parliament, Christopher practiced as a solicitor at Corrs Chambers Westgarth and Thomson Geer.
Interest in Shares	38,461 at 30 June 2023
Other Directorships	Christopher is Chairman of the Advisory Board of NIOA Munitions and the Australian Missile Corporation and a member of the Advisory Board of Amaero Ltd. He is Chairman of Vision 2020 and on the Board of the International Centre for Democratic Partnerships Pty Ltd and the Advisory Board of the Orygen Institute. In addition, he is on the Board of Pyne and Partners Pty Ltd, GC Advisory Pty Ltd and Newpin Advisory Pty Ltd.
Mr. Lawrence Gardiner	**Company Secretary – Appointed 17 August 2004**
Experience	Mr. Gardiner served with the Australian Army and specialised in the fields of logistic management and explosive ordnance disposal operations. In addition to his military service, Mr. Gardiner also served with the Australian Federal Police (AFP), performing senior executive roles in the areas of counter terrorist first response and protective security operations. Mr. Gardiner is a current member of the Australian Institute of Company Directors.
Interest in Shares	79,158 ordinary shares at 30 June 2023
Special Responsibilities	Corporate Governance
Other Directorships	None

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Finance & Audit Committee		Nominations Committee		Human Resources & Remuneration Committee		Risk Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr Mark Stevens	13	13	–	–	2	2	–	–	–	–
Mr Chris Fullerton	13	13	4	4	–	–	–	–	4	4
Hon. Christopher Pyne	9	13	–	–	2	2	–	–	–	–
Mr Mark Smethurst	12	13	–	–	–	–	6	6	–	–
Ms Adelaide McDonald	11	12	–	–	–	–	6	6	4	4
Mr Ben Harrison	12	13	4	4	–	–	–	–	–	–

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration Report (Audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The Human Resources and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

2023	Short-term Benefits			Post Employment Benefits		Long-term Benefits	Share-based payments			
	Fees and Leave[1]	Bonus [2]	Non-Monetary Benefits	Super-annuation	Other	LSL[3]	(STIP)[4]	(LTIP)[5]	Total	Perf. Related
Key Management Personnel (KMP)	$	$	$	$	$	$	$	$	$	%
Mr Mark Stevens	96,000	–	–	–	–	–	–	–	96,000	–
Mr Chris Fullerton	65,000	–	–	–	–	–	–	–	65,000	–
Hon. Christopher Pyne	65,000	–	–	–	–	–	–	–	65,000	–
Mr Mark Smethurst	65,000	–	–	–	–	–	–	–	65,000	–
Mr Ben Harrison	65,000	–	–	–	–	–	–	–	65,000	–
Ms Adelaide McDonald	54,167	–	–	–	–	–	–	–	54,167	–
Mr Scott Basham	429,190	100,000	–	67,042	–	2,969	–	100,000	699,201	29%
Mr Lawrence Gardiner	160,966	18,270	–	21,568	20,000	5,080	18,270	–	244,154	15%
Ms Jacqueline Myers	204,942	32,874	–	20,184	–	–	–	63,814	321,814	30%
Mr David Brooking	134,590	–	–	17,473	–	25,088	–	–	177,151	–
Total KMP	1,339,855	151,144	–	126,267	20,000	33,137	18,270	163,814	1,852,487	18%

2022	Short-term Benefits			Post Employment Benefits		Long-term Benefits	Share-based payments			
	Fees and Leave[1]	Bonus [2]	Non-Monetary Benefits	Super-annuation	Other	LSL[3]	(STIP)[4]	(LTIP)[5]	Total	Perf. Related
Key Management Personnel (KMP)	$	$	$	$	$	$	$	$	$	%
Mr Mark Stevens	32,000	-	-	-	-	-	-	-	32,000	-
Mr Chris Fullerton	65,000	-	-	-	-	-	-	-	65,000	-
Hon. Christopher Pyne	65,000	-	-	-	-	-	-	-	65,000	-
Mr Mark Smethurst	67,083	-	-	-	-	-	-	-	67,083	-
Mr Ben Harrison	22,822	-	-	-	-	-	-	-	22,822	-
Mr Scott Basham	285,832	240,454	-	26,786	-	728	-	245,454	799,254	61%
Mr Lawrence Gardiner	164,443	31,100	-	16,163	-	6,905	29,600	-	248,211	24%
Mr David Brooking	202,711	37,862	-	20,221	-	6,006	30,862	-	297,662	23%
Mr Uwe Boettcher	86,667	-	-	-	-	-	-	-	86,667	-
Mr Philippe Odouard	302,696	-	9,424	12,312	-	-	-	-	324,432	-
Total KMP	1,294,254	309,416	9,424	75,482	-	13,639	60,462	245,454	2,008,131	31%

Notes

(1) Salary, fees and leave are per payroll summary or invoices received. These payments may vary from the employment contract due to employee benefits, voluntary salary reductions, additional pay, back pay and annual leave. FY22 has been restated to include movements in annual leave accruals.

(2) Cash bonuses accrued during the financial year, relating to the FY23 Short Term Incentive Plan (STIP) was $151,144. The cash bonuses paid during the financial year, relating to the FY22 STIP was $309,416. This note disclosure in FY22 was not on an accrual basis, therefore this note includes a restatement of the FY22 balances.

(3) Amounts included for long service leave are movements in accrued entitlements for the relevant twelve-month period.

(4) Share bonuses accrued during the financial year, relating to the FY23 STIP was $18,270. Shares issued during the financial year, relating to the FY22 STIP was $60,462. This note disclosure in FY22 was not on an accrual basis, therefore this note includes a restatement of the FY22 balances.

(5) Share bonuses accrued during the financial year, relating to the FY23 Long-Term Incentive Plan (LTIP) was $163,814. Shares issued during the financial year, relating to the FY22 LTIP was $254,454, with $122,727 to vest in October 2023, and $122,727 to vest in October 2024. This note disclosure in FY22 was not on an accrual basis, therefore this note includes a restatement of the FY22 balances.

Options Rights Granted as Remuneration

There were no new issues of share options or share performance rights during FY23 (FY22 nil). Any share options or share performance rights issued by the parent company have lapsed. During the year no shares were issued as a result of the exercise of options or share performance rights by staff.

Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr. Scott Basham
Title:	Group Chief Executive Officer
Agreement commenced:	23 February 2023
Term of agreement:	Ongoing
Details:	Base salary for the year ending 30 June 2024 of $400,000 plus superannuation, to be reviewed annually by the Human Resources and Remuneration Committee. 6 month termination notice by either party, non-solicitation and non-compete clauses, eligible for Company Long Term Incentive Plan and Short Term Incentive Plan as per Human Resource and Remuneration Committee approval and KPI achievement.

Name:	Ms. Jacqueline Myers
Title:	Group Chief Financial Officer
Agreement commenced:	28 November 2022
Term of agreement:	Ongoing
Details:	Base salary for the year ending 30 June 2024 of $340,000 plus superannuation, to be reviewed annually by the Human Resources and Remuneration Committee. 3 month termination notice by either party, non-solicitation and non-compete clauses, eligible for Company Long Term Incentive Plan and Short Term Incentive Plan as per Human Resource and Remuneration Committee approval and KPI achievement.

Name:	Mr. Lawrence Gardiner
Title:	Company Secretary
Agreement commenced:	15 July 2014
Term of agreement:	Ongoing
Details:	Base salary for the year ending 30 June 2024 of $210,000 plus superannuation (full-time equivalent), to be reviewed annually by the Human Resources and Remuneration Committee. 3 month termination notice by either party, non-solicitation and non-compete clauses, eligible for Short Term Incentive Plan as per Human Resource and Remuneration Committee approval and KPI achievement.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors,

Mark Stevens

Chairman

29 September 2023

Auditor's Independence Declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of XTEK Limited and its controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Australia Partners

RSM AUSTRALIA PARTNERS

Canberra, Australian Capital Territory
Dated: 29th September 2023

RODNEY MILLER
Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

	Notes	2023 $	2022 $
Revenue	3(a)	89,428,127	58,176,725
Cost of sales		(55,708,966)	(30,738,899)
Gross profit		33,719,161	27,437,826
Other income	3(b)	96,165	455,137
Corporate and administrative expenses	4	(19,587,381)	(18,170,712)
Selling and marketing expenses	5	(5,319,395)	(2,557,185)
Profit from operations before income tax		8,908,550	7,165,066
Income tax expenses (US operations)	6	(2,815,030)	(1,426,336)
Total comprehensive income for the year		6,093,520	5,738,730

	Notes	2023 Cents	2022 Cents
Basic earnings per share	25	6.01	6.27
Diluted earnings per share	25	6.01	6.27

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents	11	6,894,578	36,199,524
Trade and other receivables	12	24,668,035	10,597,027
Contract assets	13	3,007,469	–
Inventories	14	25,736,038	16,419,312
Other	15	1,444,930	1,340,923
Total current assets		61,751,050	64,556,786
Non-current assets			
Intangibles	16	3,165,540	1,890,390 (1)
Right of use assets	17	1,438,254	1,619,177
Property, plant and equipment	18	9,763,021	10,408,499 (1)
Total non-current assets		14,366,815	13,918,066
TOTAL ASSETS		76,117,865	78,474,852
LIABILITIES			
Current liabilities			
Trade and other payables	19	31,444,066	7,000,893 (2)
Borrowings	20	–	613,580
Lease liabilities	21	325,513	540,804
Provisions	22	589,775	469,099
Contract liabilities	23	280,226	32,677,054 (2)
Total current liabilities		32,639,580	41,301,430
Non-current liabilities			
Borrowings	20	–	801,160
Lease liabilities	21	1,228,581	1,507,302
Provisions	22	130,506	33,320
Contract liabilities	23	15,052	18,815
Total non-current liabilities		1,374,139	2,360,597
TOTAL LIABILITIES		34,013,719	43,662,027
NET ASSETS		42,104,146	34,812,825
EQUITY			
Contributed equity	24	52,502,403	52,061,051
Reserves	32(a)	1,027,119	310,630
Accumulated losses	32(b)	(11,425,376)	(17,558,856)
TOTAL EQUITY		42,104,146	34,812,825

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

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

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

	Issued capital (note 10)	Equity-based payments reserve	Accumulated losses	Foreign Exchange valuation reserve	Total Equity
	$	$	$	$	$
Balance at 1 July 2021	45,039,118	36,502	(23,297,586)	(369,292)	21,408,742
Profit after income tax for the year	-	-	5,738,730	-	5,738,730
Total comprehensive income for the year	-	-	5,738,730	-	5,738,730
Issues of ordinary shares during the year:					
Issue of share capital	7,691,758	-	-	-	7,691,758
Foreign exchange reserve	-	-	-	638,080	638,080
Transaction costs associated with share capital	(669,825)	-	-	-	(669,825)
Share based payment reserve	-	5,340	-	-	5,340
Balance at 30 June 2022	52,061,051	41,842	(17,558,856)	268,788	34,812,825
Balance at 1 July 2022	52,061,051	41,842	(17,558,856)	268,788	34,812,825
Profit after income tax for the year	-	-	6,093,520	-	6,093,520
Total comprehensive income for the year	-	-	6,093,520	-	6,093,520
Issue of share capital	445,169	-	-	-	445,169
Foreign exchange reserve	-	-	-	756,449	756,449
Transaction costs associated with share capital	(3,817)	-	-	-	(3,817)
Share based payment reserve	-	(39,960)	39,960	-	-
Balance at 30 June 2023	52,502,403	1,882	(11,425,376)	1,025,237	42,104,146

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

Statement of Cash Flows

For the Year Ended 30 June 2023

	Notes	2023 $	2022 $
Cash flows (used in)/from operating activities			
Receipts from customers		40,431,248	51,250,112
Payments to suppliers and employees		(63,885,033)	(23,704,773)
		(23,453,785)	27,545,339
Interest received		66,693	3,309
Finance costs		(111,160)	(162,406)
Income tax expense		(2,815,029)	(1,426,336)
Net cash flows (used in)/from operating activities	27	(26,313,281)	25,959,906
Cash flows (used in)/from investing activities			
Proceeds from sale of assets		16,500	1,134
Payments for property, plant and equipment		(1,653,824)	(1,844,230)
Payments for intangible assets		(14,492)	(79,939)
Net cash flows (used in) investing activities		(1,651,816)	(1,923,035)
Cash flows (used in)/from financing activities			
Proceeds from issue of ordinary shares		-	7,691,758
Payment of transaction costs associated with issued share capital		(3,817)	(669,825)
Repayment of lease liabilities		(587,226)	(642,858)
Repayment of borrowings		(1,414,740)	(537,604)
Net cash flows (used in)/from financing activities		(2,005,783)	5,841,471
Net (decrease) increase in cash and cash equivalents		(29,970,880)	29,878,342
Exchange rate impact on cash		665,934	419,959
Cash and cash equivalents at beginning financial year		36,199,524	5,901,223
Cash and cash equivalents at end of year		6,894,578	36,199,524

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

Notes to the Financial Statements

For the Year Ended 30 June 2023

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XTEK Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. XTEK Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Board of Directors, the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is XTEK Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

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

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

Sale of goods

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

Rendering of services

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

Interest

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

Other revenue

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

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

XTEK Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Patents and certifications

Significant costs associated with patents and certifications are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

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.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of XTEK Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in the Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 28 for further information.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available. There is no allowance for expected credit losses, for the financial year ended 30 June 2023. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 16 for further information.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

3. Revenue and Other Income

	Notes	2023	2022
		$	$
A. REVENUE FROM OPERATIONS			
Ballistics Division		52,718,140	46,967,393
Technology Division		36,687,987	11,134,811
Grants and other revenue	26	22,000	74,521
Total revenue		89,428,127	58,176,725
B. OTHER INCOME			
Interest		66,693	3,309
Other		29,472	451,828
Total other income		96,165	455,137
Total revenue and other income		89,524,292	58,631,862

Disaggregation of Revenue

The disaggregation of revenue from contracts with customers is as follows:

	Notes	2023	2022
		$	$
Timing of revenue recognition			
Goods transferred at a point in time		10,229,958	9,700,692
Services transferred over time		26,458,029	1,434,119
		36,687,987	11,134,811

4. Corporate and Administrative expenses

Profit/(loss) before income tax from continuing operations includes the following specific expenses.

	2023 $	2022 $
Salaries and wages	7,453,224	7,878,686
Superannuation contributions	559,770	551,278
Payroll tax	541,772	623,440
Other employee expenses	360,301	255,993
Total employee benefits	8,915,067	9,309,397
Plant and equipment	1,034,817	709,330
Motor vehicles	29,502	9,586
Office furniture and equipment	124,307	116,228
Demonstration equipment	114,681	21,419
Leasehold property improvements	110,787	122,841
Right to use assets	342,666	538,188
Computer software	70,175	119,841
Intangible – plate development	53,867	–
Intangible – certifications	23,758	14,100
Total depreciation and amortisation	1,904,560	1,651,533
Interest on lease liabilities	93,214	162,406
Other interest expense	17,944	17,007
Total finance costs	111,158	179,413
Impairment – Inventory	444,118	2,486,374
Impairment – property, plant and equipment	345,088	–
Accounting and audit fees	314,572	193,680
Bank charges	54,228	121,011
Consultancy fees	1,354,682	615,745
Directors' fees	409,167	327,744
Insurance	1,081,572	701,751
Travel and accommodation	1,165,122	458,264
Share registry	92,370	103,368
Other expenses	3,395,677	2,022,432
Total corporate and administrative expenses	19,587,381	18,170,712

5. Selling and marketing expenses

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

6. Income Tax Expense

A. THE MAJOR COMPONENTS OF TAX EXPENSE (INCOME) COMPRISE

	2023 $	2022 $
Current tax expense		
Current income tax charge	(1,586,519)	(21,347)
Loss used not recognised	1,586,519	21,347
Deferred tax expense		
Origination and reversal of temporary differences (26%)[1]	–	115,838
Origination and reversal of temporary differences (30%)[1]	(258,959)	56,925
Change in unrecognised deductible temporary difference	258,959	(172,763)
	–	–

Note: (1) Deferred Tax Expense relating to change in company tax rate: 2023 30%, 2022 30%, 2021 26%.

B. RECONCILIATION OF INCOME TAX TO ACCOUNTING PROFIT

	2023 $	2022 $
Profit	8,908,550	7,165,066
Tax	30.0%	30.0%
	2,672,565	2,149,520
Add:		
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
– Capital raising cost amortised	(93,804)	(103,838)
– Capital expenditure incurred	58,693	–
– Assessable government grant	98,697	–
– Losses not brought to account	1,584,726	21,347
– Timing differences not brought to account	260,752	(172,763)
– Non-assessable foreign subsidiary income	(1,766,599)	(467,930)
Income tax expense	2,815,030	1,426,336

Note: The tax position is reconciled to the position of the parent company, for which no tax is payable.

C. RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	2023 $	2022 $
Deferred tax liabilities		
Accrued interest	–	23
Gross deferred tax liabilities	–	23
Deferred tax liability not recognized	–	(23)
Total deferred tax liabilities	–	–

	2023 $	2022 $
Deferred tax assets		
Accrued expenses	11,100	10,790
Bonus	238,988	–
Superannuation	43,575	35,966
Employee leave entitlements	276,714	150,726
Deferred revenue	82,182	–
Unrealised foreign exchange losses	(121,252)	(55,340)
Lease assets	49,752	111,974
Capitalised assets	7,703	–
Impaired assets	–	259,878
Potential tax losses	7,847,645	7,476,279
Potential capital tax losses	466,878	466,878
Deferred differences and losses not recognised	(8,903,285)	(8,457,151)
Net deferred tax asset	–	–

D. TAX LOSSES

The Parent Company and Australian subsidiaries are consolidated for taxation purposes.

The Group has accumulated tax losses for which no deferred tax asset has been recognised of $26,158,818 (Parent company, 2022: $24,920,930). The deferred tax asset associated with the loss will only be recognised in the future in the event of sufficient taxable profits being available to recognise the losses, subject to loss recoupment rules.

The Group has capital tax losses for which no deferred tax asset is recognised on the Balance Sheet that arise in Australia of $1,556,260 (2022: $1,556,260) and are available indefinitely for offset against future capital gains of a similar nature subject to continuing to meet relevant statutory tests.

E. UNRECOGNISED TEMPORARY DIFFERENCES

At 30 June 2023 there are no unrecognised temporary differences associated with the Parent Company's investments in subsidiaries as the Parent has no liability for additional taxation should unremitted earnings be remitted (2022: nil).

7. Key Management Personnel Remuneration

Refer to the remuneration report in the Directors' report for details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2023.

Key management personnel remuneration included within employee expenses for the year is shown below:

	2023 $	2022 $
Short-term employee benefits	1,509,269	1,673,556[1]
Post-employment benefits	146,267	75,482
Other long-term benefits	196,951	259,093[1]
Total	1,852,487	2,008,131

Note: (1) FY22 was restated to include accrued bonuses.

8. Auditors' Remuneration

	2023 $	2022 $
Audit and review of financial reports and other audit work under the Corporations Act 2001		
Remuneration of the auditor - RSM Australia Partners	182,000	–
Remuneration of the auditor - Hardwickes Chartered Accountants	–	61,000
Remuneration of the auditor - Turner Stone	–	67,553
Total	182,000	128,553

9. Dividends

Ordinary shares

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

Franking account

	2023 $	2022 $
The franking credits available for subsequent financial years	981,110	981,110

The above available balance is based on the dividend franking account at year-end adjusted for:

a. Franking credits that will arise from the payment of the current tax liabilities;

b. Franking debits that will arise from the payment of dividends recognised as a liability at the year-end; and

c. Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

10. Operating Segments

SEGMENT INFORMATION

Identification of reportable segments

The consolidated entity is organized into two operating segments based on differences in products and services provided; Ballistics Division and Technology Division (see note 3a). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortization). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information is reported to the CODM on a monthly basis.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria operating segments are therefore determined on the same basis.

Operating Segments

a. Major customers

The Parent company has a number of customers to whom it provides both products and services, with 99.8% of revenue attributable to Australian Government departments and agencies (2022: 96%). The US subsidiary supplies directly to customers and through a network of distributors, with 71% of sales provided to Non-US government customers (2022: 59%), 4% to US Federal, state and municipal bodies (2022: 3%) and 25% of sales provided through commercial distributor networks (2022: 38%).

b. Geographical information

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

	2023 $	2022 $
Australia and Asia Pacific	36,844,391	23,280,414
North America	19,413,155	13,310,721
Europe	33,170,581	21,580,426
Other	–	5,164
Total revenue	89,428,127	58,176,725

11. Cash and Cash Equivalents

	2023 $	2022 $
Cash at bank and in hand	6,894,578	36,199,524

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	2023 $	2022 $
Cash and cash equivalents	6,894,578	36,199,524
Balance as per statement of cash flows	6,894,578	36,199,524

12. Trade and Other Receivables

	2023 $	2022 $
CURRENT		
Trade receivables	24,668,035	10,530,309
Other receivables	–	66,718
Total current trade and other receivables	24,668,035	10,597,027

At 30 June 2023, the ageing analysis of trade receivables is as follows:

	Not impaired Gross amount $	Not impaired <30 days $	Past due but not impaired (days overdue) 31-60 $	Past due but not impaired (days overdue) 61-90 $	Past due but not impaired (days overdue) >90 $
2023					
Trade receivables	24,668,035	22,238,665	2,330,728	6,596	92,046
Total	24,668,035	22,238,665	2,330,728	6,596	92,046
2022					
Trade receivables	10,530,309	10,466,236	61,751	585	1,737
Total	10,530,309	10,466,236	61,751	585	1,737

97% of all trade receivables at 30 June 2023 were received by 31 August 2023.

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables in the financial statements.

13. Contract Assets

	2023 $	2022 $
Contract Assets	3,007,469	–
Reconciliation		
Reconciliation of the written down values at the beginning and end of the contract and Previous financial year are set out below:		
Opening Balance	–	–
Additions	24,949,431	–
Transfer to trade receivables	(21,941,962)	–
Closing balance	3,007,469	–

14. Inventories

	2023 $	2022 $
CURRENT		
Work in progress	122,579	1,524,717
Products and spare parts	25,613,459	14,894,595
Total inventories	25,736,038	16,419,312

In FY23, the inventory comprises of 50% raw materials and 50% finished goods.

15. Other Current Assets

	2023 $	2022 $
CURRENT		
Prepayments	1,439,178	1,334,523
Short-term loan	1,600	6,400
Other	4,152	-
Total other current assets	1,444,930	1,340,923

16. Intangibles

	2023 $	2022 $
Goodwill	1,402,346	1,283,319
Total goodwill	1,402,346	1,283,319
Plate development		
At cost	808,633	-
Accumulated amortisation	(53,867)	-
Total plate development	754,766	-
Patents and certification		
At Cost	427,862	424,796
Accumulated amortisation	(44,820)	(27,738)
Total patents and certifications	383,042	397,058
Computer software		
At cost	761,309	601,198
Accumulated amortisation	(135,923)	(391,185)
Total computer software	625,386	210,013
Total intangibles	3,165,540	1,890,390

A. MOVEMENTS IN CARRYING AMOUNTS OF INTANGIBLE ASSETS

Movement in the carrying amounts for each class of intangible between the beginning and the end of the current financial year:

Year ended 30 June 2023	Goodwill	Plate development	Patents and certifications	Computer Software	Total
	$	$	$	$	&
Balance at the beginning of year	1,283,319	–	397,058	210,013	1,890,390
Additions	–	–	–	14,492	14,492
Disposals	–	–	–	(3,664)	(3,664)
Amortisation expense	–	(53,867)	(23,758)	(70,175)	(147,800)
Transfer	–	808,633(1)	–	482,165(2)	1,290,798
Foreign exchange movement	119,027	–	9,742	(7,445)	121,324
Balance at the end of the year	1,402,346	754,766	383,042	625,386	3,165,540

(1) Plate development costs were capitalised in March 2023 (transferred from work in progress), in accordance with the accounting policy stated in note 1.

(2) Computer software was reclassified from Property, plant and equipment.

Year ended 30 June 2022	Goodwill	Plate development	Patents and certifications	Computer Software	Total
	$	$	$	$	&
Balance at the beginning of year	1,175,913	–	352,868	301,368	1,830,149
Additions	–	–	54,584	25,355	79,939
Amortisation expense	–	–	(14,100)	(119,841)	(133,941)
Foreign exchange movement	107,406	–	3,706	3,131	114,243
Balance at the end of the year	1,283,319	–	397,058	210,013	1,890,390

Impairment Testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	2023	2022
	$	$
HighCom Armor Solutions Inc (Ballistics Division)	1,402,346	1,283,319
Total goodwill	1,402,346	1,283,319

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate of 5% per annum projected EBIT. The discounted cash flow model used a 15% pre-tax discount rate.

Based on the above, the recoverable amount of the cash generating unit exceeded the carrying amount, therefore no impairment is recorded.

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 20% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 30% before goodwill would need to be impaired, with all other assumptions remaining constant.

17. Right of Use Assets

	2023 $	2022 $
Right of use, lease assets		
At cost	3,268,720	3,185,082
Accumulated depreciation	(1,830,466)	(1,565,905)
Total right of use, lease assets	1,438,254	1,619,177

18. Property, Plant and Equipment

	2023 $	2022 $
Plant and equipment		
At cost	11,498,328	11,622,634
Accumulated depreciation	(2,969,626)	(2,114,147)
Total plant and equipment	8,528,702	9,508,487
Office furniture and equipment		
At cost	851,894	721,865
Accumulated depreciation	(677,007)	(570,269)
Total office furniture and equipment	174,887	151,596
Motor vehicles		
At cost	174,398	163,020
Accumulated depreciation	(46,108)	(56,721)
Total motor vehicles	128,290	106,299
Demonstration equipment		
At cost	706,347	241,577
Accumulated depreciation	(191,307)	(204,491)
Total demonstration equipment	515,040	37,086
Leasehold improvements		
At cost	858,397	924,449
Accumulated depreciation	(442,295)	(400,730)
Total leasehold improvements	416,102	523,719
UAS	–	
At cost	–	81,312
Total UAS	–	81,312
Total property, plant and equipment	9,763,021	10,408,499

A. MOVEMENTS IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

Year ended 30 June 2023	Plant and Equipment	Office Furniture and Equipment	Motor Vehicle	Demonstration Equipment
	$	$	$	$
Balance at the beginning of year	9,508,487	151,596	106,299	37,086
Additions	918,883	66,548	50,344	592,811
Disposals	(50,025)	(1,991)	(1,983)	(176)
Depreciation expense	(1,034,817)	(124,307)	(29,502)	(114,681)
Impairment	(345,088)	–	–	–
Transfer	(525,874)	32,798	–	–
Foreign exchange movement	57,136	50,243	3,132	–
Balance at the end of the year	8,528,702	174,887	128,290	515,040

Year ended 30 June 2023	Leasehold Improvements	UAS	Total
	$	$	$
Balance at the beginning of year	523,719	81,312	10,408,499
Additions	25,238	–	1,653,824
Disposals	–	(81,312)	(135,487)
Depreciation expense	(110,787)	–	(1,414,094)
Impairment	–	–	(345,088)
Transfer	–	–	(493,076)
Foreign exchange movement	(22,068)	–	88,443
Balance at the end of the year	416,102	–	9,763,021

Year ended 30 June 2022	Plant and Equipment	Office Furniture and Equipment	Motor Vehicle	Demonstration Equipment
	$	$	$	$
Balance at the beginning of year	8,451,382	242,203	24,243	58,505
Additions	1,714,521	23,605	87,182	–
Disposals	(2,147)	(208)	–	–
Depreciation expense	(709,330)	(116,228)	(9,586)	(21,419)
Transfer	(42,226)	-	–	–
Foreign exchange movement	96,287	2,224	4,460	–
Balance at the end of the year	9,508,487	151,596	106,299	37,086

Year ended 30 June 2022	Leasehold Improvements	UAS	Total
	$	$	$
Year ended 30 June 2022			
Balance at the beginning of year	622,509	81,312	9,480,154
Additions	18,921	–	1,844,229
Disposals	–	–	(2,355)
Depreciation expense	(122,841)	–	(979,404)
Transfer	–	–	(42,226)
Foreign exchange movement	5,130	–	108,101
Balance at the end of the year	523,719	81,312	10,408,499

19. Trade and Other Payables

	2023 $	2022 $
Current		
Trade and other payables	28,724,439	5,412,200
GST payable	2,230,427	255,212
Sundry payable and accrued expenses	489,200	1,333,481
Total trade and other payables	31,444,066	7,000,893

20. Interest Bearing Liabilities

As at 30 June 2023, there were no borrowings of the Group from external parties. There were undrawn facilities of $4.9m in place.

	2023 $	2022 $
Current		
Bank loan – interest bearing	–	613,580
Non-Current		
Bank loan – interest bearing	–	801,160
Total borrowings	–	1,414,740

21. Lease Liabilities

	2023 $	2022 $
Current		
Lease liability	325,513	540,804
Non-current		
Lease Liability	1,228,581	1,507,302
Total lease liabilities	1,554,094	2,048,106

22. Provisions

	2023 $	2022 $
Current liabilities		
Annual leave provision	438,504	314,753
Long service leave	151,271	154,346
	589,775	469,099
Non-Current liabilities		
Long service leave	80,506	33,320
Lease make good	50,000	–
	130,506	33,320
Total provisions	720,281	502,419

23. Contract Liabilities

	2023 $	2022 $
Current		
Customer deposits - payments received in advance	280,226	32,667,054
Non-Current		
Customer deposits - payments received in advance	15,052	18,815
Total contract liabilities	295,278	32,685,869

24. Issued Capital

	2023 $	2022 $
101,761,703 (2022: 100,620,244) Ordinary shares	52,502,403	52,061,051
Total	52,502,403	52,061,051

There were no options on issue at 30 June 2023 (30 June 2022: nil).

A. MOVEMENT IN ORDINARY SHARES

	2023 No.	2023 $	2022 No.	2022 $
Opening balance	100,620,244	52,061,051	71,036,559	45,039,118
Shares issued	1,141,459	445,169	29,583,685	7,691,758
Transaction cost in relation to capital	–	(3,817)	–	(669,825)
Total	101,761,703	52,502,403	100,620,244	52,061,051

B. EXPIRED OPTIONS AND SHARE PERFORMANCE RIGHTS

There were no options on issue at 30 June 2023 (30 June 2022: nil). There were no share performance rights exercisable at the end of any prior year.

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

C. CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

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

25. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company (after declaring interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potential shares into ordinary shares.

	2023	2022
	Cents	Cents
Basic profit per share	6.01	6.27
Dilutive profit per share	6.01	6.27

RECONCILIATIONS OF EARNINGS USED IN CALCULATING BASIC AND DILUTED EARNINGS PER SHARE

(a) Reconciliation of earnings to profit or loss from continuing operations

	2023	2022
	$	$
Profit after tax from continuing operations	6,093,520	5,738,730
Earnings used in the calculation of dilutive EPS from continuing operations	6,093,520	5,738,730

(b) Earnings used to calculate overall earnings per share

	2023	2022
	$	$
Earnings used to calculate overall earnings per share	6,093,520	5,738,730

(c) Weighted average number of ordinary shares outstanding during the year used in

calculating basic EPS

	2023 $	2022 $
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	101,439,793	91,576,503
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	101,439,793	91,576,503

(d) Options and share performance right

Options and share performance rights granted to employees and Directors that are considered to be potential ordinary shares would be included in the determination of diluted earnings per share, to the extent to which they are dilutive. As at reporting date, no options or share performance rights have not been included in the determination of basic earnings per share.

(e) Share Issuance

The issued capital of XTEK Ltd & controlled entities at 30 June 2023 comprised 101,761,703 (2022: 100,620,244) fully paid Ordinary Shares. There were no issued options as at 30 June 2023 (2022 nil).

26. Grants

Government grants of $22,000 were recognised in the 2023 financial year (FY22 – $74,521). There were two grants awarded during the financial year 2023, and are still in progress:

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

See the accounting policy for grants in Note 1 above.

27. Cash Flow Information

A. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX.

	2023 $	2022 $
Profit for the year	6,093,520	5,738,730
Adjustments for non-cash flow in profits:		
Depreciation and amortisation	1,904,560	1,651,533
Bonus issue of shares to employees	445,169	–
Share based payment to employees	–	5,341
Finance cost on lease	93,214	162,406
Net loss on sale of assets	124,321	1,221
Changes in assets and liabilities		
(Increase) in trade and other receivables	(14,071,008)	(8,746,019)
(Increase) in contract assets	(3,007,469)	–
(Increase) in inventory	(9,863,137)	(5,640,875)
(Increase) in prepayments and other	(292,894)	(846,731)
Increase in trade and other payables	24,443,172	809,436
(Decrease)/Increase in contract liabilities	(32,400,591)	33,217,175
Increase/(Decrease) in provisions	217,862	(392,311)
Net cash flows from/(used in) operating activities	(26,313,281)	25,959,906

B. NON-CASH FINANCING AND INVESTING ACTIVITIES

In FY23 there were 1,141,459 shares issued to employees. As at 30 June 2023 633,074 shares remain in escrow.

In FY22 no shares were issued to employees. As at 30 June 2022 5,556 shares remain in escrow

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

28. Share-Based Payments

During the year ended 30 June 2023, there were 1,141,459 ordinary shares were issued as part of staff incentive plans for employees of the company (FY22 no new ordinary shares issued).

Employee Share Ownership Plans

The Company provides 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:

- the XTEK Employee Incentive Plan; and
- the Employee Tax Exempt Share Plan, which provides benefits to all eligible employees.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they were granted.

Share Options and Share Performance Rights

There were no unlisted options at 30 June 2023 (2022: nil). There were no options or share performance rights in the hands of staff issued at the start of financial year 2023 or the prior year. There were no options or share performance rights in the hands of staff exercisable at the end of the year or any prior year.

Employee/Director Share Issue

The Board may approve a bonus comprising cash and fully paid ordinary shares separate from the LTIP – note 3(s). No non-executive director bonus was paid in FY23 (FY22 – nil).

Weighted Average Share Price

The weighted average market price at 30 June 2023 was 52.3 cents (2022: 33.4 cents).

29. Events Occurring After the Reporting Date

The financial report was authorised for issue on 29 September 2023 by the Board of Directors.

No matters or circumstances has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years. On 28 August 2023, the voluntary deregistration of the non-operating subsidiary, Simmersion Holdings Pty Ltd, was lodged with ASIC.

30. Related Parties

A. THE GROUP'S MAIN RELATED PARTIES ARE AS FOLLOWS:

1. Entities

The Group is XTEK Limited and its wholly owned subsidiaries:

- Simmersion Holdings Pty Ltd.
- HighCom Holdings Inc (formerly XTEK, Inc) (registered in Delaware, USA) is the owner of HighCom Armor Solutions, Inc. and HighCom Armor Sp. z.o.o.

The financial details for the Parent entity are at Note 33 and Interest in Subsidiaries at Note 34.

2. Directors

Details of all Directors can be found in the Directors' Report.

3. Key management personnel

- Disclosures relating to key management personnel are set out in the Remuneration Report.

B. TRANSACTIONS WITH RELATED PARTIES

Transactions between related parties, if they occur, are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

In FY23, the following transactions occurred with related parties.

- $356,250 was paid for advisory services to Arican Pty Ltd a company related to Mr. Stevens current Chairman of XTEK Ltd. Invoices were paid on seven day terms.

In FY22, the following transactions occurred with related parties.

- In September 2021 an unsecured loan facility for $1,000,000 was established but not drawn. The firm paid $20,000 establishment fee to UDB Pty Ltd a company associated with Mr Uwe Boettcher, former Chairman of XTEK Ltd. This facility expired in November 2021; and
- From March to June 2022, $50,913 was paid for advisory services to Arican Pty Ltd a company related to Mr. Stevens current Chairman of XTEK Ltd. Invoices were paid on seven day terms.

31. Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The most significant financial risks to which the Group is exposed to are described below.

Specific risks

- Liquidity risk
- Credit risk
- Market risk, currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Group are described below.

- Cash at bank
- Trade receivables
- Trade and other payables

Summary Table

	2023 $	2022 $
Financial assets		
Held at amortised cost		
Cash and cash equivalents	6,894,578	36,199,524
Trade and other receivables	24,668,035	10,597,027
Total financial assets	31,562,613	46,796,551
Financial liabilities		
Financial liabilities at fair value		
Trade and other payables	31,444,066	7,000,893
Borrowings	–	1,414,740
Total financial liabilities	31,444,066	8,415,633

Objectives, policies and processes

The Board of Directors has overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

The XTEK Group does not engage in the trading of financial assets for speculative purposes. Mitigation strategies for specific risks faced are described below.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group could encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30 day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and a 360 day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The Group's liabilities have contractual maturities which are summarised below:

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Remaining contractual maturities
2023	%	$	$	$	$
Trade and other payables		31,444,066	-	-	-
Lease liabilities	4.70%	729,998	565,831	781,762	-
Total		32,174,064	565,831	781,762	-

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Remaining contractual maturities
2022	%	$	$	$	$
Trade and other payables		7,000,893	-	-	-
Bank Loan	4.48%	1,414,740	-	-	-
Lease liabilities	4.52%	670,029	729,998	1,128,308	-
Total		9,085,662	729,998	1,128,308	-

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure being equal to the carrying amount of these instruments. Exposure at statement of financial position date is addressed in each applicable note.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. The Group minimises concentrations of credit risk in relation to trade and other receivables by undertaking transactions with a large number of government entities.

It is the Group's policy that all non-government customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their financial position, past experience and industry reputation.

In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by the Group in currencies other than the Group's functional currency. Approximately 92% (2022: 86%) of the Group's purchases are denominated in currencies other than the functional currency of the Group, whilst 5% of sales are denominated in the Group's functional currency (2022: 5%).

The following sensitivity analysis is based on the foreign currency risk exposures in the Statement of Financial Position as they relate to the Parent Entity. Movements in the value of the assets of the foreign subsidiary have no immediate impact on the profit/loss of the Group as variations in the exchange rate impact the foreign exchange reserve (see Note 32 (a)) not the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

At 30 June 2023, had the Australian Dollar moved, with all other variables held constant, post-tax profit/(loss) would have been affected as follows:

		2023		2022
	+10%	-10%	+10%	-10%
	$	$	$	$
USD				
Net results	675,645	(825,788)	371,149	(453,626)
EUR				
Net results	9,040	(11,059)	5,858	(7,159)
GBP				
Net results	53	(65)	400	(489)
NZD				
Net results	293	(358)	108	(132)

Exposure to foreign exchange rates vary during the year depending on the volume of overseas trading transactions. Nonetheless, the analysis table is considered to be representative of the Group's exposure to foreign currency risk through the year.

In order to minimise XTEK's exposure to currency fluctuation, the Group is increasingly negotiating with government customers for them to accept invoices in the source currency of the manufacturer. This provides a natural offset in the invoicing and cost base.

(ii) Interest rate risk

The Group's exposure to market interest rates relates primarily to the cash at bank. At reporting date, the Company had financial assets comprising cash and cash equivalents totalling $6,894,578 (2022: $36,199,524) exposed to variable interest rate risk that are not designated in cash flow hedges.

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. At 30 June 2023, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the post-tax net profit/(loss) for the period and equity would have been affected as below.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

For cash held

		2023		2022
	+1.00%	-1.00%	+1.00%	-1.00%
	$	$	$	$
Net results	68,946	(68,946)	361,995	(361,995)
Equity	68,946	(68,946)	361,995	(361,995)

For borrowings

		2023		2022
	+1.00%	-1.00%	+1.00%	-1.00%
	$	$	$	$
Net results	–	–	14,147	(14,147)
Equity	–	–	14,147	(14,147)

32. Reserves and Retained (losses)/profits

EQUITY BASED PAYMENT RESERVE

Equity based payments reserve of $1,882 relates to premiums paid on the purchase of Simmersion Holdings Pty Ltd during FY16;

(a) Movement in reserves

	2023	2022
	$	$
Foreign Exchange Reserve		
Balance at the beginning of the year	266,906	(369,292)
Creation on consolidation of subsidiaries	758,331	636,198
Balance Foreign Exchange Reserve	1,025,237	266,906
Equity Based Payment Reserve		
Balance at the beginning of the year	41,842	36,502
Equity Based Payments	–	5,340
Transfer to Retained Earnings	(39,960)	–
Balance Equity Based Payment Reserve	1,882	41,842
Balance at the end of the year	1,027,119	310,630

(b) Accumulated Losses

Movement in accumulated profit/(losses) were as follows:	2023	2022
	$	$
Balance at the beginning of the year	(17,558,856)	(23,297,586)
Profit/(losses) for the year	6,093,520	5,738,730
Transfer to Retained Earnings	39,960	-
Balance at the end of the year	(11,425,376)	(17,558,856)

33. Parent Entity

Set out below is the supplementary information about the parent entity.

	2023	2022
	$	$
Statement of Financial Position		
Assets		
Current assets	40,917,975	32,244,709
Non-current assets	13,755,833	9,436,845
Total Assets	54,673,808	41,681,554
Liabilities		
Current liabilities	31,312,886	11,395,29
Non-current liabilities	912,998	1,846,064
Total Liabilities	32,225,884	13,241,357
Net Assets	22,447,924	28,440,197
Equity		
Issued capital	52,502,403	52,061,051
Retained earnings	(30,054,479)	(23,660,814)
Reserves	-	39,960
Total Equity	22,447,924	28,440,197
Statement of Profit or Loss and Other Comprehensive Income		
Total (loss) profit for the year	(6,433,625)	850,846
Total comprehensive (loss) income	(6,433,625)	850,846

34. Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business/Country Incorporated	Ownership Interest	
		2023	2022
		%	%
Simmersion Holdings Pty Ltd	Australia	100%	100%
HighCom Holding Inc	USA	100%	100%
HighCom Armor Solutions Inc [(1)]	USA	100%	100%
HighCom Armor Sp. z.o.o[(1)]	Poland	100%	–

Note: (1) 100% owned subsidiary of HighCom Holdings Inc

35. Contingencies

There were no contingent liabilities at 30 June 2023 (At 30 June 2022 – nil).

36. Business Combination

There were no new business combinations in FY23 (FY22 – nil).

37. Statutory Information

The principal registered office and place of business, of the company is:

XTEK Limited

3 Faulding Street

Symonston ACT 2609

Directors' Declaration

In accordance with a resolution of the Directors of XTEK Limited, the Directors declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
   (a) Comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (b) Give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date for the consolidated group.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due; and
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Group Chief Executive Officer and Group Chief Financial Officer.

On behalf of the Board,

Mark Stevens

Chairman

Dated this 29th day of September 2023

Independent Auditor's Report

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

XTEK LIMITED

Opinion

We have audited the financial report of XTEK Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit and loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RSM

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Valuation of Inventory Refer to Note 14 in the financial statements	
We have identified a Key Audit Matter (KAM) related to the valuation of inventory in the audit of XTEK Limited. The significant volume of inventory on hand increases the risk of impairment. This KAM highlights the crucial audit area that required significant attention and professional judgment. Inventory is a critical asset for XTEK Limited, and its valuation directly impacts the financial statements.	Our audit procedures in relation to management’s impairment assessment included: • We assessed the appropriateness of the inventory valuation method used by client. We examined whether it is consistent with the applicable accounting standards. • We performed detailed testing to verify the existence and completeness of the inventory recorded in the financial statements. This included attendance at the year-end stock take procedures at a sample of locations. We assessed the adequacy of management’s controls to ensure that stock takes were carried out adequately, and we validated the accuracy of the counts for a sample of items by comparing our count results with the results of counts performed by the client and reconciliation with supporting documentation. • Performed a net realisable value test to verify that inventories are being held at the lower of cost and net realisable value. • Given the large volume of inventory on hand we specifically evaluated the presence of any indicators of impairment. We evaluated the assumptions and estimates applied in management's impairment assessment.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RSM

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in page 31 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of XTEK Limited., for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM Australia Partners

RSM Australia Partners

Canberra, Australian Capital Territory
29th September 2023

RODNEY MILLER
Partner

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Additional Information

1. The following information set out below was applicable as at 27 September 2023.

2. Shareholding

(a) Distribution of Shareholders

Range	Total holders	Units	% Units
1 - 1,000	365	189,274	0.19
1,001 - 5,000	832	2,151,931	2.11
5,001 - 10,000	371	2,945,477	2.89
10,001 - 100,000	726	25,409,108	24.97
100,001 Over	147	71,065,913	69.84
Rounding			0
Total	2,441	101,761,703	100.00

(b) Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.3050 per unit	1640	592	498,037

(c) Top Holders (Grouped) as at 27 September 2023

Rank	Name	Units	% Units
1	ACM AEPF PTY LTD <ALTOR EMERGING PIPE FUND A/C>	8,635,006	8.49
2	CORNISH GROUP INVESTMENTS PTY LTD <CORNISH GROUP INVEST A/C>	5,000,000	4.91
3	UDB PTY LIMITED <THE BOETTCHER FAMILY A/C>	4,850,000	4.77
4	CITICORP NOMINEES PTY LIMITED	2,921,501	2.87
5	JWT HOLDINGS PTY LIMITED <JWT A/C>	2,572,501	2.53
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,520,637	2.48
7	FAIRLANE MANAGEMENT PTY LTD	2,096,097	2.06
8	ALL OTHERS PTY LTD <ALL OTHERS A/C>	1,779,011	1.75
9	EMALYN HOLDINGS <JOHN KENNEDY TESTAMENTARY AC>	1,666,666	1.64
10	ACE PROPERTY HOLDINGS PTY LTD	1,300,000	1.28
11	BISSAPP SOFTWARE PTY LTD <BISAPP SOFTWARE SF A/C>	1,182,351	1.16
12	SCOTT BASHAM	829,370	0.82
13	DEMETA PTY LTD	812,466	0.80
14	MS KYLIE LYNETTE NUSKE + MR MATTHEW JAMES COOK <VISION SPLENDID SUPER A/C>	800,000	0.79
15	BAJKOR NOMINEES PTY LTD <M & G BAJKOR PL SF 1978 A/C>	735,358	0.72
16	BISSAPP SOFTWARE PTY LTD <SUPER FUND ACCOUNT>	693,493	0.68
17	ANNE MARGARET MCGRATH <EST NICHOLAS H WEBER A/C>	675,804	0.66
18	MR BERT VANGHEEL + MS GILLIAN MAY HORNER <ARIKEEPA S/F A/C>	631,946	0.62
19	EMPIRE PROPERTY PLANNING PTY LTD <SEAWEED INVESTMENT A/C>	603,090	0.59
20	BUNDARRA TRADING COMPANY PTY LTD <THOMAS EMERY KENNEDY A/C>	580,510	0.57
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		40,885,807	40.18
Total Remaining Holders Balance		60,875,896	59.82

1. The name of the Company Secretary is Mr. Lawrence Gardiner.
2. The address of the Principal Registered Office of XTEK Limited in Australia is
   3 Faulding Street
   Symonston, ACT 2609

   Telephone +61 2 6163 5588.

Corporate Governance Statement

XTEK Limited and controlled entities is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's approach to corporate governance is to have a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing and protect security holder interests. This approach includes a commitment to best practice governance standards, which XTEK sees as being in the best interests of investors whilst ensuring full compliance with legal requirements.

The framework for XTEK's Corporate Governance Statement follows the Australian Securities Exchange (ASX) Corporate Governance Council's eight principles and recommendations for Corporate Governance (4th Edition) of 27 February 2019.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Council Recommendation 1.1: A listed entity should disclose the respective roles and responsibilities of Board and Management and those matters expressly reserved to the Board and those delegated to Management

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board to carry out its functions, it has adopted a formal Charter that details functions and responsibilities of the Board and areas of authority as delegated. The Board Charter is supplemented by the Company Code of Conduct that is available to guide Non-Executive Directors, Executive Directors, Company Secretary, Group Chief Executive Officer, Group Chief Financial Officer and other senior executives and employees in the performance of their roles.

Role of Group Chief Executive Officer

The Group Chief Executive Officer's role is to develop and agree with the Board the corporate strategy and vision and to oversee implementation of the strategy and management of the Company to achieve the agreed vision in accordance with the strategies, policies and programs set by the Board.

Responsibilities include:

- Formulating and reviewing, with the Board, the vision and strategy and developing actions and plans to achieve the vision and implement the strategy. Reporting to the Board on the progress against those plans;
- Appointing a management team and negotiating terms and conditions for approval by the Human Resource and Remuneration Committee of the Board. Providing leadership to and overseeing the senior management team, ensuring employees are properly instructed to achieve a safe workplace and ensuring compliance with laws and Company policies and that a high level of ethical behaviour is practiced;
- Reporting to the Board on various matters, including all matters requiring review or approval, significant changes to the risk profile, certification to the Board on the fairness of the financial statements and adequacy of policies as regards risk management, monthly reporting on performance of businesses and continual education of Directors of the Company, its business environment and relevant changes of law;

- Acting within delegated authority levels for capital expenditure, sale of assets, appointment and termination of executives; and
- All other matters necessary for the day-to-day management of the Company and not reserved for the Board. Induction procedures are in place to allow new executive management personnel to participate fully and actively in management decision making at the earliest opportunity upon appointment. This induction process will take into account the individuals knowledge of the Company and the homeland security industry. The induction program for senior executives is designed to make available the Company's financial position, strategies, operations and risk management policies. Also, the respective rights, duties, responsibilities and roles of the Board and senior executives.

Responsibilities of the Board of Directors

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- **Leadership of the Organisation:** overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
- **Strategy Formulation:** working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- **Overseeing Planning Activities:** overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
- **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- **Monitoring, Compliance and Risk Management:** overseeing the Company's risk management, compliance, control and accountability systems and reviewing the effectiveness and directing the financial and operational performance of the Company.
- **Company Finances:** approving expenses in excess of those approved under the Company authorisations process and approving and monitoring acquisitions, divestitures and financial and other reporting.
- **Human Resources:** appointing, and, where appropriate, removing the Company Secretary, the Group Chief Executive Officer, Group Chief Financial Officer as well as reviewing the performance of the Company Secretary and the Group Chief Executive Officer and monitoring the performance of senior management in their implementation of the Company's strategy.
- **Ensuring the health, safety and well-being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- **Delegation of Authority:** delegating appropriate powers to the Company Secretary and the Group Chief Executive Officer to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. The Board has established the following Standing Committees, details of which are included later in this Corporate Governance Statement:

- Finance and Audit Committee
- Human Resources and Remuneration Committee;
- Nomination Committee; and
- Risk Management Committee.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of strategic plans designed to meet stakeholders' needs and manage business risk;
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- Ongoing development of strategic plans and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget. This is achieved by the establishment and reporting of both financial and non-financial key performance indicators.

Other matters expressly reserved for the Board of Directors

The following matters and responsibilities have been expressly reserved for the Board:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Ensuring that any significant corporate risks that arise are identified, assessed, appropriately managed and monitored;
- Ensuring appropriate resources are available to senior executives; and
- Reporting to security holders.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained on the Company's website at the Corporate Governance Section.

The Company complies with Recommendation 1.1.

Council Recommendation 1.2: A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director and in addition should disclose all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company has adopted a policy as developed by the Nomination Committee for the selection and appointment of Directors. This policy defines procedural processes for the appointment of new Directors and the re-election of incumbent Directors. As part of this process, the Company undertakes appropriate background checks on all candidates being considered for appointment. Directors are appointed based on the specific governance skills required by the Company to fill Board vacancies when they arise. The Company discloses all material information to security holders in its possession relevant to a decision on whether or not to elect or re-elect Director. This is achieved primarily through the release of information contained within the Notice of Annual General Meeting of the Company covering motions on the election and re-election of Directors.

The Company complies with Recommendation 1.2.

Council Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment

All new Directors and Senior Executives are provided with a letter of appointment and contractual agreement setting out terms of the appointment, which include the Company's expectations, their individual responsibilities, rights and terms and conditions of their appointment. By way of induction, new Directors and Executives meet with the Chairman and Company Secretary upon appointment. These briefings cover the operation of the Board and its Committees and financial, strategic, operations and risk management issues.

The Company complies with Recommendation 1.3.

Council Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Board has designated the Company Secretary as the Officer responsible for oversighting all governance matters and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is responsible for ensuring that all Company announcements are made in a timely manner and are factual and do not omit any material information. In addition, the Company Secretary is also responsible for the following matters:

- advising the Board and its Committees on all governance matters;
- monitoring of Board policy and procedures to ensure compliance standards are met by the Company;
- ensuring the business of the Board/Committee meetings are accurately recorded in official Minutes and disseminated in a timely manner;
- overseeing and coordinating information disclosure to the ASX, security holders, analysts, brokers, the media and the public;
- advising Directors and staff on the Company's governance and disclosure policies and raising awareness of the principles underlying continuous disclosure; and
- facilitating the induction and professional development of new Directors and Executives.

The Company complies with Recommendation 1.4.

Council Recommendation 1.5: A listed entity should have a disclosable diversity policy which includes requirements to set measurable objectives for achieving gender diversity.

The Company is committed to providing a safe working environment and equal employment opportunities for all Directors, executives and employees at all levels within the Company. Whilst the Company is not subject to the provisions of The Workplace Gender Equality Act, in that it employs less than 100 employees, it does recognise the importance of diversity within the workplace.

The Company operates as an equal opportunity Employer and selects personnel based upon the principle of the best person for the role/job, irrespective of gender, age, sexual orientation, ethnicity, marital or family status and religious or cultural background. The Company Code of Conduct defines that discrimination, harassment, vilification and victimisation cannot and will not be tolerated. Recruitment and selection practices at all levels are appropriately structured to ensure all candidates are considered and that no conscious or unconscious biases are applied against certain candidates. The Company is a small business enterprise with less than 50 personnel overall (inclusive of the Board). None-the-less, the Company has successfully employed a number of women to senior management roles in recent years.

Whilst the Company does not comply with Recommendation 1.5 fully, it nonetheless applies many of the core principles through its Code of Conduct provisions.

Council Recommendation 1.6: A listed entity should have and disclose a process for periodically evaluating the Board, Committees and individual Directors.

The Nomination Committee of the Board is responsible for the conduct of a performance review of the Board (both collectively and individually) and the Group Chief Executive Officer. This is an annual evaluation process and is based on a number of goals for the Board and the individual Directors that have been established in the preceding year. The goals are based on the role of the Board and individual Directors as well as corporate objectives and any areas for improvement identified in previous reviews. The assessment of the performance of individual Directors is undertaken by the Nomination Committee, with the Chairman meeting privately with each Director, Company Secretary and the Group Chief Executive Officer to discuss their annual assessment. A performance assessment was conducted for the FY23 reporting period, with the Chairman meeting with all Directors, the Company Secretary and the Group Chief Executive Officer.

The Company complies with Recommendation 1.6.

Council Recommendation 1.7: A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives.

The performance of senior executives is reviewed regularly through the application of a Performance Appraisal Program (PAP) that defines appropriate evaluation measures to be applied in the assessment process. Each year senior executives establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements. The PAP is administered annually for all senior executives with the Group Chief Executive Officer being responsible for their individual assessment and subsequent reporting of outcomes to the Board. The Board is responsible for the performance assessment of the Company Secretary, the Group Chief Executive Officer, in accordance with contractual performance measures and deliverables. An informal review of the PAP outcomes for other senior executives and staff is carried out annually by the Human Resource and Remuneration Committee. A performance assessment was conducted for all senior executives during the FY23 reporting period. A statement outlining specific matters reserved for the Board and Executive Management are contained in the Board Charter, a copy of which is posted on the Company's website at the Corporate Governance Section.

The Company complies with Recommendation 1.7.

PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

Council Recommendation 2.1: The Board of a listed entity should have a Nomination Committee

Nomination Committee

The role of the Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. Under the Company's Constitution, the Board shall be comprised of not less than three and no more than twelve Directors, unless otherwise determined by a general meeting. In consideration of the size of the Company and the Board, the Directors have resolved that the Nomination Committee shall comprise a minimum of three members. Mr. Stevens is the current Chair.

Role of Nomination Committee

The role of the Nomination Committee is to:

- Review the structure, size and composition of the Board;
- Identify, consider and select candidates with appropriate capabilities, to fill Board vacancies when they arise;
- Ensure that candidates have adequate time available to fulfil their role as a Director;
- Undertake or arrange for annual performance evaluation of the Board, its committees and Directors, and
- Review the:
    - continuation of the Chairman after the initial term of appointment and subsequent re-appointments;
    - re-election of Directors who retire by rotation; and
    - membership of committees.

Director Selection and Appointment

The Board has adopted a policy as developed by the Nomination Committee for the selection and appointment of Directors. This policy defines procedural processes for the appointment of Directors and the re-election of incumbent Directors. Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the industry, appropriate to the Company's market. If the need for a new Board member is identified, the Nomination Committee, may initiate a search or nominate eligible candidates, who are interviewed by the Chairman and considered by the Board. The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of security holders.

Access to independent Professional Advice

To ensure that Directors have access to independent expertise necessary to effectively carry out their role as a Director of the Company, the Board has adopted a policy to allow Directors to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

The Company complies with Recommendation 2.1.

Council Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is seeking to achieve in its membership.

The current Board is comprised of six Directors who possess a wide range of background skills, expertise and knowledge deemed appropriate for the Company's industry type. The names of Directors in office and their term in office at the date of this statement and their standing as Executive or Non-Executive Director and their independence, are on the Board of Directors page of XTEK's website.

The Company complies with Recommendation 2.2.

Council Recommendation 2.3: A listed entity should disclose the names of the Directors considered by the Board to be independent, if they have a relevant interest and their length of service.

The Board considers independent decision-making as critical to effective governance and to meet the ASX Corporate Governance Council Recommendations. Independent Directors are identified by their profiles in the 2023 Annual Report. These profiles detail the skills, experience, and expertise relevant to the position of Director, and the terms of office held by the Director and also the status of each Director in relation to the criteria listed below. Unless otherwise stated, the Board does not consider a Director to be an independent Director of the Company if the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or within the last three years, has been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years, been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or another group m ember, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company other than as a Director of the Company;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is not free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

Similarly, the Board has adopted a policy that the Chair should be an independent Director. Due to the resignation of the former Chairman, Mr. Uwe Boettcher and subsequent changes to the Board made in February 2022, Mr. Mark Stevens was appointed as a Director (Non-Executive) and Chairman of the Company. The Company further recognises that Independent Directors are important in assuring shareholders that the Board is properly fulfilling its role, therefore, in addition to being Non-Executive Directors, Messrs. Fullerton, Harrison, Pyne, Smethurst and Ms. McDonald also meet the criteria for independence.

The Company complies with Recommendation 2.3.

Council Recommendation 2.4: A majority of a Board of a listed entity should be independent Directors

Under the Company's Constitution, the Board is to be comprised of not less than three and no more than twelve Directors, unless otherwise determined by a general meeting. The Board currently consists of six Non-Executive Directors.

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in their Director Profiles that form part of the 2023 Annual Report along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment. The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Messrs Fullerton, Harrison, Pyne, Smethurst, Stevens and Ms. McDonald currently serve as Non-Executive Directors. The Company further recognises that Independent Directors are important in assuring shareholders that the Board is properly fulfilling its role, therefore, in addition to being a Non-executive Director, Messrs. Fullerton, Harrison, Pyne, Smethurst, Stevens and Ms. McDonald also meet the criteria for independence.

The Board has a specific Code of Conduct for Directors and Senior Management. As part of this, where any Director has a material personal interest in a matter, the Director will not be permitted to be present during discussions or to vote on the matter. The enforcement of this requirement should ensure that the interest of shareholders, as a whole, are pursued and not jeopardised by a lack of a majority of independent Directors. The independence of Non-Executive Directors is assessed annually by the Nomination Committee.

The Company currently complies with Recommendation 2.4.

Council Recommendation 2.5: The Chairperson of a listed entity should be an independent Director and, in particular should not be the same person as the Chief Executive Officer of the entity.

Independence of Chairman

The Board recognises the importance of independence in decision-making, and following the resignation of the former Chairman, Mr. Uwe Boettcher in February 2022, appointed Mr. Mark Stevens, as a Director (Non-Executive) and Chairman of the Company. Mr. Stevens is an independent Director and does not share the same duties as the Group Chief Executive Officer.

The Company complies with this independence requirement.

Roles of Chairman and Group Chief Executive Officer

The roles of Chairman and the Group Chief Executive Officer are not exercised by the same individual.

The Company complies with this independence requirement.

Council Recommendation 2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain skills and knowledge needed to perform their role as Directors effectively.

The Board has designated the Company Secretary as the Officer responsible for facilitating the induction and professional development of new Directors. By way of induction, new Directors meet with the Chairman and Company Secretary upon appointment, whereby briefings are given on the operation of the Board and its Committees and financial, strategic, operations and risk management issues applicable to the Company. The Company Secretary provides all new Directors with a comprehensive induction package covering Company policies and procedures that are applicable to all Directors and employees. As part of their ongoing professional development, new Directors may be required to complete a Company Directors Course as conducted by the Australian Institute of Company Directors.

The Company complies with Recommendation 2.6

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Council Recommendation 3.1: A listed entity should articulate and disclose its values

The Company is committed to conducting all its business activities honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board is dedicated to the ongoing maintenance of high ethical standards and has established a Company Code of Conduct to guide compliance with legal and other obligations to all legitimate stakeholders. These stakeholders include shareholders, employees, customers, government authorities, creditors and the community as whole. All Directors, senior executives and employees are made aware of the existence of the Company Code of Conduct and are requested to confirm they have read it.

The Company complies with Recommendation 3.1.

Council Recommendation 3.2: A listed entity should have and disclose a code of conduct for its Directors, senior executives and employees and that the Board is informed of any material breaches of that code.

Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct that applies to all Directors, senior executives and employees.

The Company's Code of Conduct gives guidance on the following.

- **Ethical Standards:** All Directors, senior executives and employees are expected to act with the utmost honesty and integrity, striving at all times to enhance the reputation and performance of the Company.
- **Responsibilities to Shareholders and the Financial Community Generally:** The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.
- **Responsibilities to Clients, Customers and Consumers:** Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.
- **Employment Practices:** The Company is committed to providing a safe workplace environment in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.
- **Obligations Relative to Fair Trading and Dealing:** The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.
- **Responsibilities to the Community:** As part of the community the Company:
  - is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
  - encourages all employees to engage in activities beneficial to their local community.
- **Responsibility to the Individual:** The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.
- **Conflicts of Interest:** Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

- **How the Company Complies with Legislation:** Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.
- **How the Company Monitors and Ensures Compliance with its Code of Conduct:** The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

The Company's Code of Conduct policy is posted on the Company's website at the Corporate Governance Section.

The Company complies with Recommendation 3.2

Council Recommendation 3.3: A listed entity should have and disclose a whistleblower policy and that the Board is informed of any material incidents under that policy.

The Company's Whistleblower Policy which forms part of the Code of Conduct provides for the reporting of unlawful and unethical behaviour by Directors, Senior Executives and Employees of the Company.

These provisions allow for whistleblower protection in accordance with legislative requirements and good practice recommendations. The policy aims to provide a working environment that enables employees to voice genuine concerns in relation to:

- breaches of relevant legislation;
- breaches of the Company's vision and values;
- financial misconduct or impropriety or fraud;
- failure to comply with legal obligations;
- danger to health and safety or the environment;
- criminal activity; and
- attempts to conceal any of the above.

Any material breaches of the Whistleblower Policy as defined by the Company are reported to the Board.

The Company complies with Recommendation 3.3

Council Recommendation 3.4: A listed entity should have and disclose an anti-bribery and anti-corruption policy and that the Board is informed of any material breaches of that policy.

The Company's Anti-Bribery and Anti-Corruption Policy forms part of the TRACE International Code of Conduct that has been adopted by the Company. This policy provides guidance on the conduct of commercial transactions that may involve the following risks:

- bribery and facilitation of payments or extortion;
- kick-backs/granting of a benefit;
- conflicts of interest; and
- political and philanthropic contributions.

The Company complies fully with this international policy and undertakes annual anti-bribery and anti-corruption training with TRACE International. Any material breaches of this policy are reported to the Board and to TRACE International.

The Company complies with Recommendation 3.4

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Council Recommendation 4.1: The Board of a listed entity should have an Audit Committee.

Finance and Audit Committee

The Finance and Audit (formerly Audit) Committee was originally formed by resolution of the Board on 4 September 2006. Below is a summary of the role, composition and responsibilities of the Finance and Audit Committee.

Responsibilities

The Finance and Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Finance and Audit Committee also recommends to the Board the appointment of the external auditor and the internal auditor and, each year, reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal. The responsibilities of the Finance and Audit Committee include:

- Reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with the auditors and ensuring that the annual statutory audits are conducted in an effective manner;
- Monitoring management efforts to continuously improve the quality of the accounting function;
- Reviewing the half-year and annual reporting and financial statements prior to lodgment of those documents with the Australian Securities Exchange and to make the necessary recommendations to the Board for the approval of these documents;
- Providing the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports;
- Recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement the scope and quality of the audit;
- Assessing the attention being given by management to matters likely to impact on the financial performance of the Company, including monitoring of compliance with laws and regulations and monitoring and control of business risks;
- Management information and other systems of internal control and risk management; and
- Ethical policies and practices for corporate conduct are in place and being adhered to.

The Auditor, the Group Chief Financial Officer and Company Managers may be invited to the Finance and Audit Committee meetings at the discretion of the Committee Chair.

Composition

The Finance and Audit Committee currently consists of two members. Members are appointed by the Board from amongst the Directors. Mr. Harrison is the current Chair of the Finance and Audit Committee. All members can read and understand financial statements and are otherwise financially literate. The details of the member's qualifications may be found in their Director profiles as published on the Company's website.

Charter

A formal charter for the Finance and Audit Committee is established and defines the role and responsibility of the Audit and Finance Committee together with procedures for the selection and appointment of external auditors and rotation of engagement partners and is posted on the Company's web site. The Board, with the involvement of the Finance and Audit Committee, has established procedures in relation to the external auditor selection and appointment and for discussing with the auditor the rotation of the lead partner. The current external Auditor as appointed by the Board is RSM Australia Pty Ltd.

Further details are contained in the Finance and Audit Committees Charter, which is available on the Company's website at the Corporate Governance Section.

The Company complies with Recommendation 4.1.

Council Recommendation 4.2: The Board of a listed entity should before it approves the entity's financial statements for a financial period, receive assurance from the Group Chief Executive Officer and the Group Chief Financial Officer a declaration, that in their opinion, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Management Attestation

At the time the Board reviews the draft half year and full year financial statements and reports, the Group Chief Executive Officer and the Group Chief Financial Officer are required to provide a signed declaration that the statements and reports are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

On 29 September 2023, the Group Chief Executive Officer and the Group Chief Financial Officer declared to the Board that the risk management and internal compliance and control systems were operating efficiently and effectively in all material respects. Their statement has assured the Board that the financial statements are founded on a sound system of risk management and internal compliance.

The Company complies with Recommendation 4.2.

Council Recommendation 4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report, it releases to the market that is not audited or reviewed by an external auditor.

The Company ensures that all of its periodic corporate reports (Half Year and Annual Report) it releases to the market are firstly reviewed by Management and appropriate supporting documents and declarations are provided to the Board for final review and approval. All financial reports are prepared in accordance with accounting standards and give a true and fair view of the financial position and performance of the Company. Additionally all financial reports released to the market are subject to review by an external auditor and that the Auditor's Report forms part of all Company financial reports released to the market.

The Company complies with Recommendation 4.3.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

Council Recommendation 5.1: A listed entity should have and disclose its written policy for complying with continuous disclosure obligations under ASX Listing Rule 3.1.

Continuous Disclosure

It is the policy of the Company to act at all times with integrity and in accordance with law, including the disclosure required of:

- Australian Securities Exchange (ASX) Listing Rules and Guidance Notes;
- ASX Corporate Governance Council Recommendations; and
- Corporations Act 2001.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The only exception to this is where the ASX Listing Rules do not require such information to be disclosed. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is responsible for ensuring that all Company announcements are made in a timely manner and are factual and do not omit any material information. The Company Secretary is also responsible for ensuring that all announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

To assist the Company Secretary to fulfil the Company's disclosure requirements, all business unit managers are responsible for immediately communicating to the Company Secretary any possible continuous disclosure matter concerning their business unit. The manager of each business unit is required to promptly respond to requests from the Company Secretary for further information concerning possible continuous disclosure matters.

The Company Secretary's role includes:

- overseeing compliance with the continuous disclosure requirements in the ASX Listing Rules;
- overseeing and coordinating information disclosure to the ASX, shareholders, analysts, brokers, the media and the public; and
- advising Directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Price sensitive information is publicly released through the ASX before disclosing it to analysts or others outside the Company. Further dissemination to investors through the ASX website and other information providers is also managed through the ASX.

The Company's Continuous Disclosure policy is posted on the Company's web site at the Corporate Governance Section.

The Company complies with Recommendation 5.1.

Council Recommendation 5.2: A listed entity should ensure its Board receives copies of all market announcements promptly after they have been made.

In accordance with the Company's Continuous Disclosure Policy, all members of the Board are provided with material market announcements promptly after they have been made. This information is also disseminated to all staff.

The Company complies with Recommendation 5.2

Council Recommendation 5.3: A listed entity that gives a new or substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation being undertaken.

The Company ensures that all substantive investor or analyst presentations are firstly released on the ASX Market Announcements Platform prior to any presentation being made to select investor audiences.

The Company complies with Recommendation 5.3

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Council Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

The Company aims to ensure that investors are kept informed of all major developments affecting the state of affairs of the Company and its governance regime via its website. Information currently available to investors through the Company's website, which has a dedicated investor relations section, includes the following:

- the names and brief biographical information of Directors and senior executives;
- the Company Constitution, Board/Committee Charters and corporate governance polices;
- the Annual Report and the Interim Report;
- disclosures made to the Australian Securities Exchange;
- notices and explanatory memoranda of annual and extraordinary general meetings; and
- regular newsletters or market updates to security holders where appropriate.

The Company complies with Recommendation 6.1.

Council Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communications with investors.

The Company recognises the importance of effective communications with investors and recently introduced a new Investor Relation program to facilitate enhanced communication with both security holders and investors. The Group Chief Executive Officer, Mr. Scott Basham has responsibility for managing this program. To facilitate the effective communication with investors, the Company is committed to:

- communicating effectively with investors and security holders through releases to the market via ASX, the Company's website and information mailed to security holders and the general meetings of the Company; and
- providing investors and security holders with ready access to balanced and relevant information about the Company and corporate proposals.

The Company website also includes a feedback mechanism and an option for investors and security holders to register their email address for direct email updates of Company matters.

The Company complies with Recommendation 6.2.

Council Recommendation 6.3: A listed entity should disclose how it facilitates participation at meetings of security holders.

The Company encourages full participation of security holders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to security holders as single resolutions at general meetings. In order to make it easy for security holders to participate in general meetings of the Company, a direct voting facility has been put in place so as to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy.

The Company complies with Recommendation 6.3.

Council Recommendation 6.4: A listed entity should ensure that all substantive resolutions at a meeting of security holders security holders are decided by a poll rather than by a show of hands

The Company encourages all security holders to exercise their option of communicating electronically during the conduct of general meetings of the Company. Due to previous COVID-19 constraints as imposed by Government authorities in 2020-2022, the Company arranged for all security holders to vote on all resolutions by electronic polling as opposed to a show of hands process. Given the success of this process, the same arrangements will be put in place for the 2023 AGM of the Company.

The Company complies with Recommendation 6.4.

Council Recommendation 6.5: A listed entity should give security holders the options to receive communications from, and send communications to, the entity and its security registry electronically.

The Company encourages all security holders to exercise their option of receiving communications electronically from the Company and its security registry. This allows for the dissemination of Company information to security holders in a timely and cost effective manner. The Company in conjunction with its contracted security registry routinely issues newsletters, notices and financial reports electronically to those security holders that have registered for this service. The Company has developed formal policy for promoting electronic communication with shareholders.

The Company complies with Recommendation 6.5.

PRINCIPLE 7: RECOGNISING AND MANAGING RISK

Council Recommendation 7.1: The Board of a listed entity should have a committee to oversight material business risks and disclose the charter and policies of such a committee.

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for oversighting, assessing and managing risk. The Board has delegated certain responsibilities in these matters to the Risk Management Committee. In compliance with the Board's approach, the Company has established specific policies and procedures to identify, assess and manage critical areas of financial and operating risk.

The Company's Risk Management policy is available on the Company's website at the Corporate Governance Section.

he Company complies with Recommendation 7.1.

Council Recommendation 7.2: The Board or a committee of the Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board and subsequently disclose the findings of the review.

The Board has delegated the responsibilities of conducting an annual review of the entity's risk management to the Risk Management Committee. All such reviews are conducted in accordance with established risk management policy and take into account the formal Management Statement as provided by the Group Chief Executive Officer and the Group Chief Financial Officer on an annual basis.

Management Statement

The Group Chief Executive Officer and the Group Chief Financial Officer are required to provide a signed Management Statement to the Board on an annual basis with regard to the risk management and internal control systems of the Company. This statement requires the Group Chief Executive Officer and the Group Chief Financial Officer to confirm or declare otherwise:

- that the risk management and internal compliance and control systems in all material respects implements the policies adopted by the Directors;
- that the risk management and internal compliance and control systems to the extent they relate to material business risks are operating effectively and efficiently in all material respects, based on the risk management framework adopted by the Company; and
- that nothing has come to their attention that would indicate any material change to the statements as made in relation to risk management and compliance.

On 29 September 2023, the Group Chief Executive Officer and the Chief Financial Officer provided the Board with a written assurance that the risk management and internal compliance and control systems were operating efficiently and effectively in all material respects. Their statement has assured the Board that risk management and internal compliance and control systems are sound.

The Company complies with Recommendation 7.2.

Council Recommendation 7.3: A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs.

The Company has established an internal audit function that applies a systematic and disciplined approach to evaluating and continually improving the effectiveness of quality systems covering risk management and internal control measures. All internal audit functions are conducted throughout the year on a program authorised by the Group Chief Executive Officer. Findings and observations from internal audits are reported to the Group Chief Executive Officer and Company Secretary for subsequent corporate and Board action as required. Internal audits performed by the Company are subject to an annual quality systems assurance review by an external auditor. Failure to meet the requisite audit standards could result in a loss of quality systems accreditation by the Company.

The Company complies with Recommendation 7.3.

Council Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and how it manages or intends to manage those risks.

The Company manages material exposure concerns associated with economic, environmental and social sustainability risks as part of its overall risk management strategies as defined in relevant risk policy and procedures. In the course of conducting its business as a listed entity and recognising the legitimate interests of stakeholders, the Company also utilises policy contained within its Code of Conduct Policy to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include security holders, Directors, employees, customers, government authorities, creditors and the community as whole. The Company's Code of Conduct gives guidance on the following.

- **Ethical Standards:** All Directors, senior executives and employees are expected to act with the utmost honesty and integrity, striving at all times to enhance the reputation and performance of the Company.
- **Responsibilities to security holders and the financial community:** The Company complies with the spirit as well as the letter of all laws and regulations that govern business operations. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.
- **Responsibilities to Clients, Customers and Consumers:** Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients and customers. The Company for its part is committed to providing clients, customers with fair value.
- **Obligations Relative to Fair Trading and Dealing:** The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages it employees to strive to do the same.

- **Responsibilities to the Community:** As part of the community the Company:
  - is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
  - encourages all employees to engage in activities beneficial to their local community.
- **How the Company Complies with Legislation:** Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

The Company has developed a formal policy for recognising and managing risk, this policy is publicly available and published on the Company's website.

The Company complies with Recommendation 7.4

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Council Recommendation 8.1: The Board of a listed entity should have a Remuneration Committee and disclose the charter of the committee.

Remuneration Committee

The role of the Committee is to review and make recommendations to the Board on remuneration packages for Directors, Company Secretary, Group Chief Executive Officer, Group Chief Financial Officer, and other senior executives. In addition, the committee has an objective to ensure that the Company maintains a system of human resource management practices that recognises the Company's staff as an important asset of the Company and that human resource practices meet legislative requirements for current and future business needs. This role also includes responsibility for share option schemes, incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract suitably qualified and experienced directors and senior executives. The Committee may obtain independent advice on the appropriateness of remuneration packages.

Composition

The Human Resource and Remuneration Committee currently consists of two members. Mr. Smethurst is the current Chair. The details of the member's qualifications may be found in their individual Director profiles published on the Company's website.

The Company complies with Recommendation 8.1

Council Recommendation 8.2: A listed entity should separately disclose its policies regarding the remuneration Non-Executive Directors and the remuneration of Executive Directors and Senior Executives.

Remuneration Practice

The Board has determined that Non-Executive Directors will be remunerated differently from Executive Directors and Senior Executives in the following ways:

Remuneration of Non-Executive Directors

Non-Executive Directors are remunerated by fixed annual fees, superannuation, and at various times may also be remunerated at agreed hourly rates, for additional time expended in the performance of authorised tasks that are in addition to their normal Director functions.

The level of annual Directors' fees is reviewed by the Human Resources and Remuneration Committee, taking into account a number of factors, including the range of Directors' fees paid in the market, and the Company's costs and operating performance. Non-executive Directors will receive fees in the form of cash fees and statutory superannuation. The maximum total for annual fees for Directors is approved from time to time by security holders in a general meeting. This is currently set at $500,000 per annum as approved by security holders on 29 November 2019.

Non-Executive Directors may also, in view of the Company's size and resources, from time-to-time be issued options as part of their remuneration in place of a higher cash fee. Options would be issued after consideration by the Human Resource and Remuneration Committee and the Board and subject to security holder approval.

Executive Directors and Senior Executives

Under the Company's constitution, remuneration of Executive Directors, subject to other provisions in any contract between these executives and the Company, may be by way of fixed salary, performance based bonus or participation in the profits of the Company but may not be by way of commission on or percentage of operating revenue. Other senior executives, including the Group Chief Executive Officer, Group Chief Financial Officer and the Company Secretary may be remunerated by fixed salary and performance based bonuses. Remuneration packages will generally be set to be competitive to both retain and attract experienced executives to the Company.

Where packages comprise a fixed element and variable incentive components, the variable components will depend on Company and personal performance. Short term incentives may include annual cash incentives on meeting specific profit and performance criteria that have been agreed in plans set with the Group Chief Executive Officer and the Board. Criteria to be met may include Company and or business unit profit performance and personal Key Performance Indicators. The amount of the incentive will depend upon the extent that the measure is exceeded. These conditions help to ensure that the short-term incentives are aligned with the interests of security holders in the current period. The total cost of Directors and senior executive remuneration packages for FY 2023, including the fair value of options, is listed in the Directors Report and Financial Statements of the 2023 XTEK Annual Report.

The Company complies with Recommendation 8.2

Council Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should have and disclose policy on participation in such a scheme.

The Company has approved equity-based incentive schemes in place to remunerate senior executives and staff. The Board has determined that all approved issues of securities made to employees of the Company under equity-based incentive schemes are disclosed to security holders and investors as part of its continuous disclosure obligations.

Policy pertaining to participation in equity-based incentive schemes by employees is contained within the Human Resources and Remuneration Committee Policy, this policy is publicly available and published on the Company's website.

The Company complies with Recommendation 8.3.

Corporate Directory

Directors

Mr. Mark Stevens (Appointed 23 February 2022 – Chairman from that date)

Mr. Christopher Fullerton (Appointed 24 April 2018)

Mr. Ben Harrison (Appointed 23 February 2022)

Ms. Adelaide McDonald (Appointed 24 August 2022)

Hon. Christopher Pyne (Appointed 30 November 2020)

Mr. Mark Smethurst (Appointed 29 April 2021)

Secretary

Lawrence Gardiner (Appointed 17 August 2004)

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Auditor

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Equinox Building 4, Level 2, 70 Kent Street

DEAKIN ACT 2600 Australia

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

Abbotsford VIC 3067 Australia

Solicitors

Minter Ellison

Collins Arch
447 Collins Street
Melbourne VIC 3000 Australia

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