

ACTIVEPORT GROUP LTD

(Formerly VServ Federation Ltd)

AND CONTROLLED ENTITIES

ABN 24 636 569 634

Financial Report - 30 June 2021

ACTIVEPORT GROUP LTD
AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the “consolidated entity” or “Group”) consisting of ActivePort Group Ltd (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 2021.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

P Christie (appointed 2 October 2019)
K Nejaim (appointed 20 May 2021)
C Daly (appointed 18 November 2019)
K Soares (appointed 28 September 2021)

On 20 October 2020, Mr Karim Nejaim was appointed Chief Executive Officer of the Company.

The information appearing on pages 2 to 8 forms part of the Directors' Report for the financial year ended 30 June 2021 and is to be read in conjunction with the following information. Directors were in office for this entire period unless otherwise stated.

As at the date of this report, the interests of the Directors in the securities of ActivePort Group Ltd were:

Director	Number of Ordinary Shares	Number of Performance Rights
P Christie	43,568,260	3,061,600
K Nejaim	906,563	10,715,600
C Daly	1,842,660	459,240
K Soares	8,703,125	-
	<u>55,020,608</u>	<u>14,236,440</u>

Principal Activities

The principal activity of ActivePort Group Limited and the entities it controlled for the financial year ended 30 June 2021 was information technology related business involving unique edge to cloud integrated service. The Company's core asset, the ActivePort software, is used to orchestrate network connectivity from the “Virtual Edge” of the network at a customer's premises to data and Cloud services.

Dividends

No dividends have been declared or paid to shareholders during the year and at the date of this report.

Operating and financial review

Group overview

The Company was established in 2019. On 20 November 2020, the Company changed its name from Vserv Federation Ltd to ActivePort Group Ltd.

On 20 October 2020, Mr Karim Nejaim was appointed Chief Executive Officer of the Company.

On 20 October 2020, the Company issued 220,000 ordinary shares for \$0.50 each.

On 20 October 2020, the Company issued 630,000 unlisted share options pursuant to commission agreements for capital raising completed during the year, comprising 126,000 options exercisable at \$1.25 each and expiring on

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31 October 2022, 378,000 options exercisable at \$1.50 each and expiring on 31 October 2023 and 126,000 options exercisable at \$1.75 each and expiring on 31 October 2024. These options were valued at \$59,451.

On 4 November 2020, the Company signed a Binding Term Sheet with Bridge Street Capital and initiated a Pre-IPO capital raising for a raise in the order of \$10m to \$12m which was contingent on the completion of certain legal agreements to secure the copyright to the ActivePort software ("Raising").

During December 2020, the Company initiated a Pre-IPO capital raising for a minimum of \$1,000,000 and which was contingent on the completion of certain legal agreements to secure the copyright to the ActivePort software ("Raising"). See note 17 for further details of the Pre-IPO shares issued.

On 22 January 2021, the Company acquired 100% of the issued capital of ActivePort Pty Ltd. Consideration for the acquisition was the issue of 8,443,708 ActivePort Group Ltd ordinary shares (consideration shares). The value of the consideration shares is \$6,754,966.

On 1 February 2021, the Company issued 2,485,500 ordinary shares for \$0.80 each.

On 26 February 2021, the Company issued 55,000 ordinary shares for \$0.80 each.

On 1 April 2021, shareholders approved a 5 for 1 share split, resulting in the conversion of 20,284,208 shares to 101,421,040 shares on issue.

Following this share split, a further 11,637,250 shares and 150,000 shares were issued in May 2021 and June 2021 respectively, as a continuation of the Pre-IPO capital raising.

The Group continued to incur operating losses as a result of the focus on development activities and progressing its admission to the Official List of the Group on the ASX.

Business strategies

The Group is focused on developing its unique SD-WAN orchestration system for data networks.

Operating results for the year

	2021	2020	Change
	\$	\$	%
Revenue	425,638	-	n/a
Net loss for the year	(2,679,934)	(558,566)	380%

Significant Changes in the State of Affairs

Total equity increased from a deficit of \$26,838 at 30 June 2020 to a surplus \$7,770,939 at 30 June 2021.

Significant events subsequent to reporting period

On 28 July 2021, the Group issued a total of 1,869,188 shares of \$ 0.16 each to directors as payments in lieu of directors fees payable totalling \$179,020. This issuance of shares resulting in the increase of directors' interest in the Group are set out below:

- 353,250 shares issued to Peter Christie totalling \$56,520
- 609,375 shares issued to Chris Daly totalling \$97,500, and
- 906,563 shares issued to Karim Nejaim totalling \$145,050

On 9 August 2021, the Company issued 39,287,515 ordinary shares in the Company as consideration for the acquisition of 100% of Global Edge Networks Limited ("Global Edge").

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On 13 August 2021, the Company issued 7,118,220 Class A Performance Rights, 2,372,740 Class B Performance Rights, 2,372,740 Class C Performance Rights, 7,118,220 Class D Performance Rights, 2,372,740 Class E Performance Rights and 2,372,740 Class F Performance Rights to Directors and selected personnel of the Company and its subsidiaries.

On 13 August 2021, the Company lodged a Prospectus for an offer of between 50,000,000 shares and 75,000,000 shares at an issue price of \$0.20 per share to raise a minimum of \$10,000,000 and a maximum of \$15,000,000 ("Offer"). The Company further lodged a Supplementary Prospectus on 24 August 2021, a Second Supplementary Prospectus on 3 September 2021 and a Third Supplementary Prospectus on 14 September 2021.

On 24 September 2021, the Company received a conditional approval letter from ASX Limited ("ASX") detailing conditions to be satisfied for admission of the Company to the Official List of ASX.

On 27 September 2021, the Offer closed, and was oversubscribed, raising \$12,000,000, and the Company issued 60,000,000 ordinary shares at \$0.20 each. Pursuant to the Offer, the Company issued 15,625,000 ordinary shares in the Company as consideration for the acquisition of 100% of Vizstone Pty Ltd ("Vizstone") and issued 17,500,000 ordinary shares in the Company as consideration for the acquisition of 100% of Starboard IT Pty Ltd ("Starboard"). The Company also has an obligation to issue additional ordinary shares as deferred consideration pursuant to the acquisition of Vizstone and Starboard, subject to those companies meeting certain hurdles.

On 27 September 2021, the Company issued 9,811,475 options exercisable at \$0.40 each and expiring on 30 September 2024 to nominees of Bridge Street Capital Partners as part of the fee for the capital raising pursuant to the Offer.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The ongoing situation and its impact on the company is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Directors and Key Management Personnel

Peter Christie (Non-Executive Chairman)

Peter is an IT industry expert with 30 years of experience across the full stack of information technology from enterprise applications down through middleware, servers, operating systems, networks and data centres. Peter began his career as a software engineer in the banking sector and has held business development and solution architecture positions with many global technology corporations including Unisys, Informix (IBM), Logica, ABB, Tibco and Orange.

Peter successfully formed and listed Australia's first modular data centre operator, The Data Exchange Network (DXN) on the ASX and as CEO, delivered and certified a world-first mixed Tier-III and Tier-IV engineering solution for low-cost, scalable data centre construction.

Peter has extensive experience in capital raising, IPO's and senior management of listed technology companies. He has a Bachelor degree in Economics and Computer Science from Flinders University. Peter is also non-executive Chairman of Radian Arc Pty Ltd.

Securities held or deemed to be interested in by Mr Christie at the date of this report – 43,568,260 fully paid ordinary shares and 3,061,600 performance rights.

Directorships of other ASX listed companies in the 3 years prior to the end of the financial year: NEXION Group Ltd (ASX: NNG).

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Karim Nejaim (Managing Director and Chief Executive Officer)

Karim has spent the last 25 years in telecommunications, most recently Telstra, where he was Executive Director - Product Engineering until June 2020 and previously held positions of Director Global Enterprise Product Engineering and Director Network Services and Facilities. Prior to Telstra, Karim held several senior executive roles at Optus and the broader SingTel group, in particular Group Vice President, IP Core Engineering, Vice President, Converged Services Engineering and Head of Strategy and Planning for the Networks Division.

Securities held or deemed to be interested in by Mr Nejaim at the date of this report – 906,563 fully paid ordinary shares and 10,715,600 performance rights.

Directorships of other ASX listed companies in the 3 years prior to the end of the financial year: None

Chris Daly (Non-executive Director)

Chris has 30 years of management and supervisory experience in businesses operating in the contracting, fabrication, sales, equipment rental, mining and construction sectors.

Chris founded Dewatering Services Australia (DSA) in 2003, was the Managing Director and grew the company into a multifaceted mining services provider. DSA was sold to Resource Equipment Limited in 2011, where Chris continued to expand the business nationally as the Chief Executive of the Pipelines Division.

Chris has extensive experience in managing businesses with a keen focus on financial management, job costing, business processes and safety system development including Australian Standards accreditation. Chris has a strong background in design, estimating and management of infrastructure installation projects and more recently in development and construction of multi-level commercial and domestic buildings.

Securities held or deemed to be interested in by Mr Daly at the date of this report – 1,842,660 fully paid ordinary shares and 459,240 performance rights.

Directorships of other ASX listed companies in the 3 years prior to the end of the financial year: NEXION Group Ltd (ASX: NNG).

Kathryn Soares (Non-executive Director)

Kathryn is an information technology business owner and manager with 30 years of experience in delivering ICT solutions across multiple industry sectors.

Kathryn started her career with Platinum Technology in Chicago (later CA technologies) before moving to Sun Microsystems in Melbourne. Kathryn's various roles included technical delivery, pre-sales engineer, project management and later Pre-Sales Manager. Kathryn then accepted a role within Siemens as WA Branch Manager going on to work within the local ICT market. In 2009, Kathryn established Vizstone, a Perth based ICT provider looking after the Energy Market.

Kathryn has a Masters in Digital Communications from Monash University and is a champion for Women in STEM.

Securities held or deemed to be interested in by Ms Soares at the date of this report – 8,703,125 fully paid ordinary shares.

Directorships of other ASX listed companies in the 3 years prior to the end of the financial year: None

Jack Toby Company Secretary

Jack has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations over the last 30 years. Jack is a Fellow Member of the Institute of Chartered

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Accountants Australia and New Zealand and Fellow Member of the Institute of Chartered Accountants in England and Wales.

Mark Middleton (Chief Technical Officer)

The architect of the ActivePort Software and founder of ActivePort Group, Mark has a 34-year career as a technologist across software development, data centre infrastructure development, network engineering and wide area networks and software engineering.

Mark established Rescue Technology and Acure which he sold to Amcom (now Vocus). Mark has a degree in Electronic Engineering and Digital Communications from Monash.

Securities held or deemed to be interested in by Mr Middleton at the date of this report – 17,942,880 fully paid ordinary shares and 7,654,000 performance rights.

Robert Molkenthin (Chief Financial Officer)

Robert brings over 25 years of corporate finance experience from senior CFO positions across Australia, Europe and the USA. He has invaluable public company experience, including raising capital, completing IPOs and managing ASX compliance. His track record also includes building international businesses and operating within a globally distributed executive team.

Securities held or deemed to be interested in by Mr Molkenthin at the date of this report – 25,000 fully paid ordinary shares and 1,530,800 performance rights.

Steven Norris (Head of Global Sales)

With a career spanning 26-years in sales, marketing and product management in IT and telcos like TPG Telecom, Netcomm and Unitel, Steven brings a wealth of experience and knowledge to ActivePort.

Steven's experience spans multi-channel sales including Direct, Wholesale and Dealer in the Systems Integration, Hardware Distribution and Telecommunications sectors.

Simon Love (Global Head Infrastructure)

Simon began his career as a Transmission Engineer 28 years ago and has built a career in leadership roles including VP Fixed and Satellite Services, GM Technology Strategy & Planning and Director of Transmission & Access Engineering for Optus.

Simon joined ActivePort from his role as General Manager, Fixed Networks for Visionstream. Simon has a Bachelor of Applied Science, Physics, from the University of Technology, Sydney.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meetings³
Number of meetings held:	16
Number of meetings attended:	
Mr P Christie	16
Mr C Daly	16
Mr S Korchinski ¹	12
Mr K Nejaim ²	3

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Notes:

¹ – Resigned 20 May 2021

² – Appointed 20 May 2021

³ – includes circular resolutions

Audit Committee Membership

As at the date of this report, the Company does not have an audit committee.

Likely Developments and Expected Results

The Company is actively working to enhance its existing products and develop new products to assist in strengthening its revenue base in 2022. The marketing campaigns in Australia, the Middle East, Asia and North America are continuing and are showing positive results.

Environmental Issues

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Company.

Indemnification and Insurance of Directors

The Company has entered into an Indemnity, Insurance and Access Deed with each Director and Officer.

Pursuant to the Deed, the Director/Officer is indemnified by the Company against any liability incurred in that capacity as an officer of the Company to the maximum extent permitted by law subject to certain exclusions.

The Company must keep a complete set of company documents until the later of:

- the date which is seven years after the Director/Officer ceases to be an officer of the Company; and
- the date after a final judgment or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director/Officer is involved as a party, witness or otherwise because the Director is or was an officer of the Company ("Relevant Proceedings").

The Director has the right to inspect and/or copy a company document in connection with Relevant Proceedings during the period referred to above.

Subject to the next sentence, the Company must maintain an insurance policy insuring the Director/Officer against liability as a director and officer of the Company while the Director/Officer is an officer of the Company and until the later of:

- the date which is seven years after the Director/Officer ceases to be an officer of the Company; and
- the date any Relevant Proceedings have been finally resolved.

Indemnification of Auditors

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.

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Non-audit Services

An Independent Assurance Report was prepared by Nexia Perth Corporate Finance Pty Ltd, a related company of the Company's auditors, Nexia Perth Audit Services Pty Ltd. This report was prepared as part of the Prospectus.

	2021 \$	2020 \$
Non-audit services		
Investigating Accountant's Report	15,000	-
Taxation services	4,500	-
Total non-audit services	<u>19,500</u>	<u>-</u>

The board is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 46.

Signed in accordance with a resolution of the Board of Directors.



Peter Christie
Chairman

Perth, 16 October 2021

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**
FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	CONSOLIDATED Year ended 2021 \$	Period ended 2020 \$
Revenue			
Sales of goods and services	5.1	425,638	-
Cost of goods sold		(69,894)	-
Gross profit		355,744	-
Other income	5.2	24,928	74,784
Distribution and marketing expenses		(6,414)	(3,356)
Research and development expenses		(34,920)	-
Administration expenses	5.4	(514,421)	(61,701)
Other expenses		(47,764)	(1,834)
Employee benefits expense	5.3	(2,377,868)	(561,253)
Depreciation and amortisation		(21,096)	(5,225)
Operating loss		(2,621,811)	(558,585)
Finance income		5,723	19
Finance costs		(63,846)	-
Loss before income tax expense		(2,679,934)	(558,566)
Income tax benefit	6	-	-
Net loss for the year / period		(2,679,934)	(558,566)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency gain / (loss)		-	-
Total other comprehensive income		-	-
Total comprehensive income for the year / period		(2,679,934)	(558,566)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Consolidated Notes to the Financial Statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		CONSOLIDATED	
	NOTES	2021	2020
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	17(b)	986,989	131,899
Trade and other receivables	9	813,739	35,454
TOTAL CURRENT ASSETS		1,800,728	167,353
NON-CURRENT ASSETS			
Property, plant and equipment	10	200,862	-
Right of Use Asset		52,476	-
Goodwill	20	8,744,589	-
Financial assets at amortised cost	11	240,000	-
TOTAL NON-CURRENT ASSETS		9,237,927	-
TOTAL ASSETS		11,038,655	167,353
CURRENT LIABILITIES			
Trade and other payables	12	1,276,069	184,178
Borrowings	13	246,666	-
Lease liabilities	21	26,021	-
Provisions	14	69,074	10,013
TOTAL CURRENT LIABILITIES		1,617,830	194,191
NON-CURRENT LIABILITIES			
Borrowings	13	1,622,815	-
Lease liabilities		27,071	-
TOTAL NON-CURRENT LIABILITIES		1,649,886	-
TOTAL LIABILITIES		3,267,716	194,191
NET ASSETS / (LIABILITIES)		7,770,939	(26,838)
EQUITY			
Issued capital	15	10,949,988	531,728
Reserves	16	59,451	-
Accumulated losses		(3,238,500)	(558,566)
TOTAL EQUITY / (DEFICIENCY)		7,770,939	(26,838)

The Consolidated Statement of Financial Position should be read in conjunction with the Consolidated Notes to the Financial Statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

CONSOLIDATED ENTITY	Issued capital	Options reserve	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 30 June 2019	-	-	-	-
Loss for the period	-	-	(558,566)	(558,566)
Total Comprehensive loss for the period	-	-	(558,566)	(558,566)
Transactions with owners in their capacity as owners				
Issue of shares	640,078	-	-	640,078
Share issue expenses	(108,350)	-	-	(108,350)
Balance at 30 June 2020	531,728	-	(558,566)	(26,838)
Loss for the year	-	-	(2,679,934)	(2,679,934)
Total Comprehensive loss for the year	531,728	-	(3,238,500)	(2,706,772)
Transactions with owners in their capacity as owners				
Issue of shares	10,783,326	-	-	10,783,326
Issue of options	-	59,451	-	59,451
Share issue expenses	(365,066)	-	-	(365,066)
Balance at 30 June 2021	10,949,988	59,451	(3,238,500)	7,770,939

The Consolidated Statement of Changes in Equity should be read in conjunction with the Consolidated Notes to the Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	CONSOLIDATED Year ended 2021 \$	Period ended 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		175,542	39,330
Payments to suppliers and employees		(2,540,245)	(433,953)
Interest and lease charges paid		(3,379)	-
Interest received		74	19
Government grant received		24,928	-
Net cash flows used in operating activities	17(a)	(2,343,080)	(394,604)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(211,785)	(5,225)
Loans to other entities		(240,000)	-
Cash acquired on business combination	20	2,450	-
Net cash flows used in investing activities		(449,335)	(5,225)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(60,000)	-
Proceeds from issue of shares		3,722,745	531,728
Lease payment		(15,240)	-
Net cash flows generated from financing activities		3,647,505	531,728
Net (decrease) / increase in cash and cash equivalents held		855,090	131,899
Cash and cash equivalents at the beginning of the year / period		131,899	-
Cash and cash equivalents at the end of the year / period	17(b)	986,989	131,899

The Consolidated Statement of Cash Flows should be read in conjunction with the Consolidated Notes to the Financial Statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. Corporate information

ActivePort Group Ltd (the “Company”) is a company limited by shares incorporated in Australia. The Company’s registered office is Level 28/140 St Georges Terrace, Perth WA 6000.

The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the “consolidated entity” or “Group”). The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2. Significant accounting policies

a. Statement of compliance

This financial report is a general-purpose financial report which complies with Australian Accounting Standards (AASBs) (including Australian Interpretations) as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* as appropriate for for-profit oriented entities. The financial report also complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors, on 16 October 2021. The directors have the power to amend and reissue the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

Going concern

The Group reported a net asset position of \$7,770,939 (2020: net liability position of \$26,838) and net current assets of \$182,898 (2020: net current liabilities of - \$26,838) as at 30 June 2021 and incurred a loss of \$2,679,934 (2020: \$558,566) and net operating cash outflow of \$2,343,080 (2020: \$394,604) for the year ended 30 June 2021.

The Group’s ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- delivery of existing and new products through the Company’s distribution network to generate sales revenues and positive cash flows;
- the ability of the Company to raise additional funding; and
- the successful completion of the capital raising and listing on the ASX detailed in the subsequent events note at note 25.

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuity of normal business and economic activities and the realisation of assets and discharge of liabilities in the normal course of business. In arriving at this position, in the opinion of the Directors the Company will based on varying cash flow forecasts have access to sufficient funds to meet administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Functional and presentation currency

The financial report is presented in Australian dollars, which is the functional currency and the presentation currency of the Company and its Australian subsidiaries.

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(c) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is currently necessary to Company accounting policies.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ActivePort Group Ltd ('Company' or 'Parent Entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. ActivePort Group Ltd and its subsidiaries together are referred to in these financial statements as the 'Consolidated entity' or 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed in the period the costs are incurred.

Where equity instruments are issued in a business combination, the fair value of the instruments is their market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

At the acquisition date, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values.

The excess of consideration transferred over the net fair value of the Group's share of the identifiable net assets acquired, is recognised as goodwill. If the consideration transferred for the acquisition is less than the Group's share of the net fair value of the identifiable assets of the subsidiary, the difference is recognised as a gain in the profit and loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value, as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with AASB 9 *Financial Instruments*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquiree prior to the acquisition date that had previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date.

Common-control transactions

A business combination involving entities or businesses under common-control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Where an entity within the Group acquires an entity under common-control, the acquirer consolidates the book value of the acquired entity's assets and liabilities from the date of acquisition. The consolidated financial statements of the Group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets/(liabilities) of the acquired entity are taken to the common control reserve within other equity.

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(f) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

The Company is operating in one segment, being the provision of SD-WAN integration services.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

(g) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the reporting date. All exchange differences in the financial report are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(h) 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.

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.

Interest income

Interest income 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.

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Grant income

Cash flow boost incentive and job-keeper payments from the government are recognised when it is received or when the right to receive payment is established.

(i) Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by 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 apply 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 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 entity's which intend to settle simultaneously.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- where the GST on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with amounts of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

(k) Current and non-current classification

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

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classification. An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period. All other assets are classified as non-current.

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

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

(l) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity date of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing liabilities in current liabilities on the statement of financial position.

(m) 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.

(n) 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 Group 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 Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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Impairment of financial assets

The Group 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 Group'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 measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Recognition and de-recognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

(o) Property, plant and equipment

Recognition

Plant and equipment are carried at cost, less accumulated depreciation/amortisation and any impairment in value. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation and amortisation

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

- Plant and Equipment: 3 years
- Engineering Equipment and Software: 3 years
- Furniture and Office Equipment: 3 years

The assets' residual values, useful lives and amortisation method are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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(p) 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 Group 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.

(q) 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 Group'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.

(r) Impairment of non-financial assets other than goodwill

Goodwill and 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 assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At each reporting date, management assess whether there is any indication that an asset may be impaired, where an indicator of impairment exists, management makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less cost to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

(s) Intangibles

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be

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impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

(t) Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(v) Borrowing costs

Borrowing costs are recognised as an expense when incurred, except where they are directly attributable to the acquisition or construction of qualifying assets (i.e., an asset that necessarily takes a substantial period of time to get ready for its intended use or sale), in which case they are capitalised as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Company does not currently hold qualifying assets.

(w) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(x) Employee leave benefits

Wages, salaries, annual leave and non-monetary benefits

Provision is made for the employee benefits accumulated as a result of the employee rendering services up to the reporting date. These benefits including on costs due to be settled within one year, together with benefits arising from wages and salaries, annual leave and non-monetary benefits which will be settled after one year, are measured at their nominal amounts based on remuneration rates which are due to be paid when the liability is settled.

Long service leave

Long service leave including on costs, payable later than one year have been measured at the present value of estimated future cash outflows to be made for those benefits 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 currencies that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

The Company contributes to various superannuation plans in accordance with and at rates set down by law. Some employees contribute to these plans at differing percentages of their salaries.

The Company's contributions and costs are charged as an expense as incurred.

(y) Share based payment transactions

The Company provides incentives to the key management personnel (KMP), consultants and brokers of the Company in the form of share based payment transactions, whereby KMP render services in exchange for shares or rights over shares ("equity settled transactions").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. An external valuer using Black Scholes model determines the fair value, which takes into account the factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share, the expected life of the option, and any barriers associated with vesting.

The fair value of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the option ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting reflects:

- (a) the grant date fair value of the award,
- (b) the extent to which the vesting period has expired, and
- (c) the number of options that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition.

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Where the terms of an equity settled option are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. However, if a new option is substituted for the cancelled option and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as if they were a modification of the original option, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(z) 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.

(aa) Significant accounting estimates, assumptions and judgements

(a) 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 a material 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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates.

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

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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.

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.

	2021	2020
	\$	\$
5. Revenue and expenses		
5.1 Revenue from contracts with customers		
Sale of goods	370,585	-
Rendering of services	55,053	-
	425,638	-
5.2 Other income		
Government grants – Cash Boost stimulus	24,928	74,784
Sundry income	-	-
	24,928	74,784
5.3 Employee benefits expense		
Salaries and wages	2,185,149	517,758
Superannuation expense	64,468	28,802
Other employment expense	128,251	14,693
	2,377,868	561,253
5.4 Administration expense		
Professional fees	348,488	53,066
Expected credit losses	95,343	-
Occupancy	36,610	1,624
Other administration expenses	33,980	7,011
	514,421	61,701
6. Income tax	2021	2020
	\$	\$
(a) Numerical reconciliation between aggregate tax credit recognised in the income statement and tax expense calculated per the statutory income tax rate		
Loss before income tax expense	(2,679,934)	(558,566)
Income tax calculated at statutory tax rate of 26.0% (2020: 27.5%)	(696,783)	(153,606)
Non-deductible expenses	74	-
Non-assessable income	(6,481)	-
Amount recognized in current year in respect of current tax of previous years	(313,507)	(13,588)
Effect of amounts that would be recognised as deferred tax assets in the current year	2,485	45,951
Effect of temporary differences that would be recognised directly in equity	(115,449)	-
Impact from change in tax rate on unrecognised deferred tax assets	41,914	-
Tax losses and temporary differences not recognised	1,087,747	121,243
Aggregate income tax benefit	-	-

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The franking account balance at year end was \$Nil (2020: \$Nil)

(b) Unrecognised temporary differences

At 30 June 2021, there are no unrecognised temporary differences associated with the Company's investments in subsidiaries as the Company has no liability for additional taxation should unremitted earnings be remitted (2020: \$Nil).

(c) Deferred tax assets and liabilities

At 30 June 2021, the Company has unused tax losses of \$2,080,845 (2020: \$440,882) available for offset against future taxable profits. Such losses may be carried forward indefinitely subject to meeting relevant statutory tests.

A net deferred tax asset of \$1,062,377 (2020: \$Nil) arises from temporary differences but has not been recognised due to the unpredictability of future profit streams. Deferred income tax at 30 June relates to the following:

	2021 \$	2020 \$
<i>(i) Deferred tax assets at 26% (2020: 27.5%)</i>		
Provisions and accruals	139,624	2,754
Lease liabilities	13,273	-
Tax losses carried forward	821,660	121,243
Other future deductions	87,820	21,716
Gross deferred tax assets	1,062,377	145,713
Deferred tax asset not recognised	(1,062,377)	(145,713)
	-	-

Deferred tax assets are only recognised to the extent that the recoupment is probable.

	2021 \$	2020 \$
<i>(ii) Deferred tax liabilities at 26% (2020: 27.5%)</i>		
Trade and other receivables	1,412	-
Other adjustments	-	24,470
Right of Use asset	13,119	-
Gross deferred tax liabilities	14,531	24,470
Deferred tax liabilities not recognised	(14,531)	(24,470)
	-	-

Change in Corporate Tax rate

There has been a legislated change in the corporate tax rate that will apply to future income years. The impact of this reduction in the corporate tax rate has been reflected in the unrecognised deferred tax positions and the *prima facie* income tax reconciliation above.

8. Remuneration of auditors

	2021 \$	2020 \$
Auditors of the Company:		
<i>Audit and review of the financial report</i>		
Nexia Perth Audit Services Pty Ltd	18,000	-
Stantons International Audit and Consulting Pty Ltd	-	5,000
<i>Other services</i>		
Investigating Accountant's Report	15,000	-
Taxation services	4,500	-
Total remuneration of auditors	37,500	5,000

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	2021 \$	2020 \$
9. Trade and other receivables		
Trade receivables (note a)	410,075	-
Other receivables (note b)	160,561	35,454
Prepayments	236,503	-
Deposits – at call	6,600	-
	813,739	35,454

(a) Expected credit losses

Trade receivables are non- interest bearing and, where provided, are generally on 0-90 day terms. Expected credit losses are recognised when there is objective evidence that an individual trade receivable is impaired.

The ageing analysis of trade receivables are as follows and includes an allowance for doubtful debts of \$95,343 during this financial year:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 \$	2020 \$	2021 \$	2020 \$
Neither past due nor impaired	-%	-	389,994	-	-	-
Less than 1 month past due	74%	-	4,744	-	3,514	-
1 to 3 months past due	74%	-	14,230	-	10,539	-
Over 3 months past due	84%	-	96,450	-	81,290	-
			505,418	-	95,343	-

(b) Other receivables

Other receivables represent government grants receivable to support the group during the COVID-19 pandemic, as well as trade deposits, which represent payments to suppliers with no history of unsatisfactory product quality or delivery default, and interest income on loan to Vizstone Pty Ltd.

(c) Fair value and credit risk

Due to the short-term nature of the receivables, their carrying value is assumed to approximate their fair value.

(d) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure is disclosed in note 24.

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10. Property, plant & equipment

	Plant and Equipment	Software	Office Furniture and Equipment	Total
Period ended 30 June 2020	\$	\$	\$	\$
Opening net book amount	-	-	-	-
Additions	-	-	5,225	5,225
Depreciation charge	-	-	(5,225)	(5,225)
Closing net book amount	-	-	-	-
At 30 June 2020				
Cost	-	-	5,225	5,225
Accumulated depreciation	-	-	(5,225)	(5,225)
Net book amount	-	-	-	-
Year ended 30 June 2021				
Opening net book amount				
Additions	105,650	99,837	6,297	211,784
Acquired	-	-	-	-
Depreciation charge	(4,625)	-	(6,297)	(10,922)
Closing net book amount	101,025	99,837	-	200,862
At 30 June 2021				
Cost	105,650	99,837	6,297	211,784
Accumulated depreciation	(4,625)	-	(6,297)	(10,922)
Net book amount	101,025	99,837	-	200,862

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11. Financial asset at amortised cost

On 4 February 2021, the Company provided a loan of \$240,000 to Vizstone Pty Ltd, a company that became a 100% subsidiary subsequent to year end (see note 23). The loan is secured, repayable on or before 31 December 2022 and accrues interest at 6% per annum.

	2021 \$	2020 \$
12. Trade and other payables		
Trade payables	613,476	7,356
PAYG withholding payable	132,196	-
Superannuation payable	90,607	3,612
Other payables and accruals	439,790	173,210
	<u>1,276,069</u>	<u>184,178</u>

Trade payables are non-interest bearing and are predominately settled on 30 to 60 day terms.

	2021 \$	2020 \$
13. Borrowings		
Current		
Short term loans (note a)	246,666	-
	<u>246,666</u>	<u>-</u>
Non-current		
Long term loans (note a)	1,622,815	-
	<u>1,622,815</u>	<u>-</u>

(a) Loans comprise:

	2021 \$	2020 \$
Current		
Loan Glenn & Marilyn Farrow	246,666	-
	<u>246,666</u>	<u>-</u>
Non-current		
Loan Mark Middleton ¹	351,116	-
Loan Grant Farrow ¹	67,826	-
Loan Acurix Networks Pty Ltd ¹	1,203,873	-
	<u>1,622,815</u>	<u>-</u>

1 – These loans arose following the acquisition of ActivePort Pty Ltd in January 2021, incur interest at 6% per annum, and are considered related parties. Refer note 19 below.

	2021 \$	2020 \$
14. Provisions		
Provision for annual leave	69,074	10,013
	<u>69,074</u>	<u>10,013</u>

15. Issued capital

	2021 \$	2020 \$
Paid up capital – ordinary shares (note a)	11,423,202	640,078
Capital raising costs capitalised	(473,214)	(108,350)
	<u>10,949,988</u>	<u>531,728</u>

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(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid shares have no par value. There are no externally imposed capital requirements.

Voting at meetings is now conducted via a poll. Every member present at a meeting in person or by proxy shall have one vote.

The following issues of ordinary shares and options have occurred since incorporation.

<u>Date</u>	<u>Ordinary Shares</u>	<u>\$</u>	
2 October 2019	7,800,000	\$0.00001 each	Shares issued on incorporation
6 February 2020	1,280,000	\$0.50 each	Seed capital placement
Shares on issue at 30 June 2020	9,080,000		
Shares on issue at 1 July 2020	9,080,000		
20 October 2020	220,000	\$0.50 each	
22 January 2021 ¹	8,443,708	\$0.80 each	
1 February 2021	2,485,500	\$0.80 each	Pre-IPO capital raise
26 February 2021	55,000	\$0.80 each	Pre-IPO capital raise
1 April 2021²	20,284,208	Shares on issue before 5 for 1 share split	
1 April 2021²	101,421,040	Shares on issue after 5 for 1 share split	
May 2021	11,637,250	\$0.16 each	Pre-IPO capital raise
June 2021	150,000	\$0.16 each	Pre-IPO capital raise
Shares on issue 30 June 2021	113,208,290		

Notes:

¹ – Shares issued pursuant to the acquisition of 100% of the issued share capital of ActivePort Pty Ltd. The value of the consideration shares was \$6,754,966.

² – On 1 April 2021, the Company received shareholder approval for a 5 for 1 share split of its issued share capital. This resulted in every 1 share on issue (20,284,208) being subdivided into 5 new shares (101,421,040).

(b) Share Options

<u>Date</u>	<u>Options</u>	<u>Exercise price \$</u>	<u>Expiry</u>
20 October 2020 ¹	126,000	\$1.25 each	31 October 2022
20 October 2020 ¹	378,000	\$1.50 each	31 October 2023
20 October 2020 ¹	126,000	\$1.75 each	31 October 2024
1 April 2021²	630,000	Option on issue before 5 for 1 securities split	
1 April 2021²	3,150,000	Option on issue after 5 for 1 securities split	
	630,000	\$0.25 each	31 October 2022
	1,890,000	\$0.30 each	31 October 2023
	630,000	\$0.35 each	31 October 2024
Options on issue 30 June 2021	3,150,000		

Note:

¹ - These options were valued at \$59,451.

² - On 1 April 2021, the Company received shareholder approval for a 5 for 1 share split of its issued share capital. This resulted in every 1 option on issue (630,000) being subdivided into 5 new options (3,150,000).

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16. Reserves

(a) Share option/performance rights reserve

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to management and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments.

(b) Share based payments

On 20 October 2020, the Company issued 630,000 unlisted share options pursuant to commission agreements for capital raising completed during the current period, comprising 126,000 options exercisable at \$1.25 each and expiring on 31 October 2022, 378,000 options exercisable at \$1.50 each and expiring on 31 October 2023 and 126,000 options exercisable at \$1.75 each and expiring on 31 October 2024. These options were valued at \$59,451. See below:

Options on Issue	Number	\$	Weighted average exercise price
At 1 July 2020	-	-	-
Options exercised	-	-	-
Options issued	630,000	59,451	\$1.50

On 20 October 2020, the Group engaged the services of Bell Potter Nominees Ltd <BB Nominees A/C> and Castray Capital Pty Ltd as broker to manage a pre-IPO Placement. The Group agreed to issue the following options pursuant to commission arrangements for Capital Raising

Options on Issue	Options exercisable on 31 October 2022 at \$1.25 each	Options exercisable on 31 October 2023 at \$1.50 each	Options exercisable on 31 October 2024 at \$1.75 each	Total
Castray Capital Pty Ltd	22,000	66,000	22,000	110,000
Bell Potter Nominees Ltd <BB Nominees A/C>	104,000	312,000	104,000	520,000
Options issued (note 14 (b) above)	126,000	378,000	126,000	630,000

The options have been valued totalling \$59,451 based on the valuation provided by Stantons International Securities with methodology as provided below:

The fair value of share-based payments is valued using a technique to indicate that the price of those equity instruments would have been on the grant date in an arm's length transaction between knowledgeable, willing parties in accordance with *AASB 2 Share Based Payments*. The Black Scholes option valuation methodology was used with the expectation that the majority of the Options will be exercised towards the end of their term, and therefore a European option pricing model was considered appropriate. As the Group is an unlisted company and therefore its shares do not have a quoted spot price.

The Company issued 220,000 ordinary shares at an issue price of \$0.50 on 20 October 2020, and \$0.50 was used as the spot price for the valuation purpose accordingly.

The 2-year, 3-year and 4-year Australian government bond rates as at 20 October 2020 was used as a proxy for the risk-free rates for the Tranche 1 Options, Tranche 2 Options and Tranche 3 Options, respectively, being approximately 0.125%, 0.13% and 0.20%.

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Under the assumptions of the Black Scholes model, the risk-free rate should be a continuously compounded rate, and the quoted bond rate was accordingly converted to 0.1251%, 0.1301%, and 0.2002%.

As an unlisted company, the Group had no share price data with which to calculate a historical volatility. With regard to AASB 2 the expected volatility of the Group is based on the historical volatilities of similar listed entities over a time period commensurate with the term of the Options.

A group of comparable companies operating in the internet services and infrastructure industry that are listed on the Australian Securities Exchange was selected. The average historical annualised volatility of shares of the selected group of comparable companies for the two-year, three year and four-year periods to 20 October 2020, based on daily closing prices, was 72.10%, 66.32% and 65.94%, respectively. Accordingly, 70% was used as the estimated expected volatility factor in the Black Scholes model valuations.

No dividends are assumed will be declared or paid by the Company during the term of the Options.

No other options or performance rights were issued as share based payments in the current or previous financial year. Refer to the subsequent events note 24 for performance rights issued to certain Directors and certain key management personnel after the end of the current reporting period.

	2021 \$	2020 \$
17. Statement of cash flows reconciliation		
(a) Reconciliation of cash flows from operating activities to operating loss after income tax		
Operating loss after income tax	(2,679,934)	(558,568)
Add non-cash items:		
Depreciation and amortisation	21,096	5,225
Foreign exchange movement	(5,528)	2
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	(453,095)	-
Increase / (decrease) in trade and other payables	724,958	148,724
Increase / (decrease) in provisions	49,423	10,013
Net cash flows used in operating activities	<u>(2,343,080)</u>	<u>(394,604)</u>
(b) Reconciliation of cash and cash equivalents to cash flow statement of cash flow		
For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	<u>986,989</u>	<u>131,899</u>

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18. Parent entity information

(a) Information relating to ActivePort Group Ltd

	2021 \$	2020 \$
Current assets	2,246,918	167,353
Total assets	<u>9,299,637</u>	<u>167,353</u>
Current liabilities	1,100,525	194,191
Total liabilities	<u>1,100,525</u>	<u>194,191</u>
Contributed equity	10,949,988	531,728
Share option reserve	59,451	-
Accumulated losses	(2,810,327)	(558,566)
Total shareholders' equity	<u>8,199,112</u>	<u>(26,838)</u>
Loss for the parent entity	2,251,761	558,566
Total comprehensive loss of the parent entity	<u>2,251,761</u>	<u>558,566</u>

(b) Commitments

Commitments of the Company as at reporting date are disclosed in note 22 to the financial statements.

19. Related party disclosures

Key management personnel compensation

The key management personnel compensation is as follows:

	2021 \$	2020 \$
Short-term employee benefits	1,272,101	197,100
Total	<u>1,272,101</u>	<u>197,100</u>

Subsidiaries

The financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	% Ownership interest	
		2021	2020
ActivePort Pty Ltd	Australia	100	-

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related Party	Purchases from Related Party \$	Sales to Related Party \$
	2021	
Subsidiary		
ActivePort Pty Ltd	170,109	-

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	Intercompany loans payable \$	Intercompany loans receivable \$
<i>Subsidiary</i> ActivePort Pty Ltd.	2021 497,715	-

This will not impact on the consolidated financial position or performance. Intercompany loans are eliminated on consolidation.

The ultimate parent.

ActivePort Group Ltd is the ultimate parent, based and listed in Australia.

Subsidiary

This became a wholly-owned subsidiary on 22 January 2021, with the exchange of shares in the parent entity, ActivePort Group Ltd.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2021	2020
<i>Purchases of goods and services:</i>	\$	\$
Payment for services to Acurix Networks Pty Ltd (a related entity of Mark Middleton).	27,610	-

	Consolidated 2021	2020
<i>Sales of goods and services:</i>	\$	\$
Services provided to Radian Arc Limited (a director-related entity of Peter Christie).	380,851	-

Receivable from and payable to related parties:

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2021	2020
<i>Current receivable:</i>	\$	\$
Services provided to Radian Arc Limited (a director-related entity of Peter Christie).	380,851	-

	Consolidated 2021	2020
<i>Current payables:</i>	\$	\$
Trade payables to Acurix Networks Pty Ltd (a related entity of Mark Middleton).	12,433	-

All transactions with related parties were conducted on a commercial basis and on arms-length terms.

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20. Business combinations

On 22 January 2021, ActivePort Group Ltd issued 8,443,708 ordinary shares as consideration of \$6,754,966 for the acquisition of 100% of the ordinary shares of ActivePort Pty Ltd. The goodwill of \$8,744,589 represents the expected synergies from merging this business with the SD-WAN Orchestration business of ActivePort Group Ltd. The acquired business contributed revenues of \$55,053 and loss after tax of \$428,171 to the consolidated entity for the period from 22 January 2021 to 30 June 2021. If the acquisition had occurred on 1 July 2020, the full year contributions would have been revenues of 374,082 and loss after tax of \$499,624. The values identified in relation to the acquisition of ActivePort Pty Ltd are final as at 30 June 2021.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	2,450
Trade and other receivables	276,452
Right of use asset	19,876
Trade and other payables	(379,593)
Provisions	(9,638)
Borrowings	(1,899,170)
Net assets acquired	(1,989,623)
Goodwill	8,744,589
Acquisition-date fair value of the total consideration transferred	<u>6,754,966</u>
Representing:	
Shares issued as a consideration	<u>6,754,966</u>
Acquisition costs expensed to profit or loss	-
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	-
Less: cash and cash equivalents	-
Less: payments made in prior periods	-
Net cash used	<u>-</u>

The fair values of the entity's assets and liabilities have been measured provisionally. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustment to the amounts above, the accounting for the acquisition will be revised.

21. Lease liabilities

The Company leases certain plant and equipment under leases expiring from 1 to 5 years. At the end of the lease terms the Company owns the equipment outright or has the option to purchase the equipment for the residual amount owing. The Company's obligations under leases are secured by the lessors' title to the leased assets.

	2021 \$	2020 \$
Within one year	26,021	-
After one year but not more than five years	27,071	-
Total minimum lease payments	53,092	-
Less: amounts representing finance charges	(5,275)	-
Present value of minimum lease payments	<u>47,817</u>	

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Included in the financial statements as:

Current interest-bearing liabilities (note 15)	26,021	-
Non-current interest-bearing liabilities (note 15)	27,071	-
	53,092	

The average effective interest rate on lease liabilities approximated 6% (2020:6%) per annum in the year. The carrying value of leased plant and equipment as at 30 June 2021 was \$53,092 (2020: \$Nil).

22. Capital commitments

As at 30 June 2021 and 2020, the Company did not have any outstanding capital commitments in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements.

23. Contingent liabilities

There are no significant contingent liabilities as at 30 June 2021 (2020:Nil).

24. Financial risk management

The Group's and the Company's principal financial instruments comprise receivables, payables, interest bearing borrowings and overdrafts, cash and short-term deposits.

Exposure to credit risk, liquidity risk, interest rate risk and currency risk arises in the normal course of the Group's and the Company's business.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security. Debt borrowings are driven by balancing cash, short term borrowings and longer term capital financing of the business.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of each financial asset in the statement of financial position after deducting any expected credit losses.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 0 to 30 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 10.

(b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit lines. The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis and monitoring compliance with lending covenants on an ongoing basis.

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The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

Year ended 30 June 2021	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years
	\$	\$	\$	\$	\$
Trade and other payables	1,053,266	1,053,266	1,053,266	-	-
Lease liabilities	53,092	58,367	29,205	20,927	8,235
Short term loans	246,666	246,666	246,666	-	-
Long term loans	1,622,815	1,622,815	594,752	594,752	433,310
	<u>2,975,839</u>	<u>2,981,114</u>	<u>1,923,889</u>	<u>615,679</u>	<u>441,545</u>
Period ended 30 June 2020	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years
	\$	\$	\$	\$	\$
Trade and other payables	180,566	180,566	180,566	-	-
	<u>180,566</u>	<u>180,566</u>	<u>180,566</u>	<u>-</u>	<u>-</u>

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing financial assets and financial liabilities. Financial instruments issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's policy is to manage the borrowing structure to match the nature of funding needs and acknowledges that fair value exposure from the Group's fixed rate financial liability is a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. At the reporting date, the interest rate profile of the carrying value of the Group's interest bearing financial assets and liabilities are set out in the following tables:

Year ended 30 June 2021	Floating interest rate	Fixed interest rate	Total
	\$	\$	\$
Financial assets			
Cash and cash equivalents	986,989	-	986,989
Financial asset at amortised cost	-	240,000	240,000
	<u>986,989</u>	<u>240,000</u>	<u>1,226,989</u>
Financial liabilities			
Lease liabilities	-	53,092	53,092
Short term loan	-	246,666	246,666
Long term loans	-	1,622,815	1,622,815
	<u>-</u>	<u>1,922,573</u>	<u>1,922,573</u>
Net exposure	<u>986,989</u>	<u>(1,682,573)</u>	<u>(695,584)</u>
Period ended 30 June 2020	Floating interest rate	Fixed interest rate	Total
	\$	\$	\$
Financial assets			
Cash and cash equivalents	131,899	-	131,899
	<u>131,899</u>	<u>-</u>	<u>131,899</u>
Financial liabilities			
Net exposure	<u>-</u>	<u>-</u>	<u>-</u>
	<u>131,899</u>	<u>-</u>	<u>131,899</u>

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The interest rates and terms of repayment of the Group's borrowings are disclosed in note 13 to the financial statements.

Cash flow sensitivity analysis for floating rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased net loss and accumulated losses by \$9,870 (2020: \$1,319). A decrease of 100 basis points in interest rates will have the same amount but opposite financial effect on net loss and accumulated losses.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date based on historical market trend. The analysis is performed on the same basis for 2020. There would be no impact on equity.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States dollars. Currently, the Group does not have a policy to manage the currency risk arising from sales and purchases.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any currency risk associated with the Group's borrowings.

The following table details the Group's exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2021	2020
	US Dollars	US Dollars
Trade and other receivables	207,500	-
Cash and cash equivalents	-	-
Trade and other payables	(25,439)	-
Overall net exposure	<u>182,061</u>	<u>-</u>

The Group had net assets denominated in foreign currencies of \$242,578 (assets of \$276,473 less liabilities of \$33,895) as at 30 June 2021 (2020: \$Nil). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2020: weakened by 10%/strengthened by 10%) against these foreign currency with all other variables held constant, the Group's loss before tax for the year would have been \$26,953 higher/\$22,053 lower (2020: \$Nil lower/\$Nil higher) and equity would have been \$26,953 higher/\$22,053 lower (2020: \$Nil lower/\$Nil higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2021 was \$198 (2020: gain of \$Nil).

(e) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2021 and 2020.

The carrying value of trade and other receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial

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instruments, as detailed in note 13. The directors consider that the change in interest rates will not cause a significant impact on the fair values of the financial liabilities.

No financial instruments are carried at fair value.

25. Events subsequent to reporting period

In the interval between the end of the year and the date of this report, in the opinion of the Directors of the Company, no item, transaction or event of a material and unusual matter has occurred which is likely to significantly affect the operations of the Consolidated Entity, the results of these operations, or the state of affairs of the Company, in future financial years, other than as set out below:

On 28 July 2021, the Group issued a total of 1,869,188 shares of \$ 0.16 each to directors as payments in lieu of directors fees payable totalling \$299,070. This issuance of shares resulting in the increase of directors interest in the Group are set out below:

- 353,250 shares issued to Peter Christie totalling \$56,520
- 609,375 shares issued to Chris Daly totalling \$97,500, and
- 906,563 shares issued to Karim Nejaim totalling \$145,050

On 9 August 2021, the Company issued 39,287,515 ordinary shares in the Company as consideration for the acquisition of 100% of Global Edge Networks Limited (“Global Edge”).

On 13 August 2021, ActivePort Group Ltd (the “Company”) issued 7,118,220 Class A Performance Rights, 2,372,740 Class B Performance Rights, 2,372,740 Class C Performance Rights, 7,118,220 Class D Performance Rights, 2,372,740 Class E Performance Rights and 2,372,740 Class F Performance Rights (together “Performance Rights”). All Class A, B and C Performance Rights expire on 31 October 2022 and all Class D, E and F Performance Rights expire on 31 October 2023. On vesting, each Performance Right converts into one ordinary share in the Company.

Summarised terms of the Performance Rights noted above are:

Classes A to F Performance Rights

The Performance Rights shall vest, subject to the Vesting Calculation, when the following vesting conditions have been achieved:

- **Class A Performance Rights:** the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2022 of at least 135% of the total ActivePort consolidated revenue for the previous financial year (**FY22 Deadline**);
- **Class B Performance Rights:** the vesting condition for some or all of the Class A Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 30% of the value of the Total Pro-forma Revenue counted towards the Class A Performance Rights Vesting Condition;
- **Class C Performance Rights:** the vesting condition for some or all of the Class A Performance Rights is achieved and at least 25% of the Class B contracted recurring revenue is derived directly from use of ActivePort software;
- **Class D Performance Rights:** the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2023 of at least 135% of the total ActivePort consolidated revenue for the financial year ending on 30 June 2022 (**FY23 Deadline**);
- **Class E Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 50% of the

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value of the Total Pro-forma Revenue counted towards the Class D Performance Rights Vesting Condition; and

- **Class F Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and at least 30% of the Class E contracted recurring revenue is derived directly from use of ActivePort software,

(each a **Vesting Condition**).

Where the Total Pro-forma Revenue achieved by the FY22 and FY23 Deadlines as a percentage of the respective comparison revenue target is:

- less than 135% of the previous financial year's total reported revenue - no Performance Rights will vest; or
- 135% or more of the previous financial year's total reported revenue, then such proportion (limited to a maximum of 100%) of the Class A and Class D Performance Rights will vest pro-rata to the amount by which the Total Pro-forma Revenue achieved exceeds 135% of the total ActivePort consolidated revenue for the previous financial year, as a percentage of 135% of the total ActivePort consolidated revenue for the previous financial year. For the purposes of the calculation pursuant to this paragraph; the Total Pro-forma Revenue applied to the Class A Performance Rights Vesting Condition and vesting conditions that are dependent of the Class A vesting condition, is limited to a maximum of \$30,000,000; the Total Pro-forma Revenue applied to the Class D Performance Rights Vesting Condition and vesting conditions that are dependent of the Class D vesting condition, is limited to a maximum of \$75,000,000 (**Vesting Calculation**).

Total Pro-forma Revenue for a financial year means the total consolidated revenue for that financial year of ActivePort Group Ltd plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

The Performance Rights do not give the holder a legal or beneficial interest in ordinary fully paid shares in the Company until those Performance Rights vest. Prior to vesting, Performance Rights do not carry a right to vote or receive dividends. When the Performance Rights have vested, ordinary fully paid shares will be allocated, and these shares will rank equally with existing Company shares. Any Performance Rights not vested before their expiry date will lapse.

The Performance Rights have remained on issue since their date of issue. No Performance Rights have been vested, converted or cancelled since their date of issue. None of the Performance Rights vesting conditions have been met since their date of issue.

On 13 August 2021, the Company lodged a Prospectus for an offer of between 50,000,000 shares and 75,000,000 shares at an issue price of \$0.20 per share to raise a minimum of \$10,000,000 and a maximum of \$15,000,000 ("Offer"). The Company further lodged a Supplementary Prospectus on 24 August 2021, a Second Supplementary Prospectus on 3 September 2021 and a Third Supplementary Prospectus on 14 September 2021.

On 24 September 2021, the Company received a conditional approval letter from ASX Limited ("ASX") detailing conditions to be satisfied for admission of the Company to the Official List of ASX.

On 27 September 2021, the Offer closed, and was oversubscribed, raising \$12,000,000, and the Company issued 60,000,000 ordinary shares at \$0.20 each. Pursuant to the Offer, the Company issued 15,625,000 ordinary shares in the Company as consideration for the acquisition of 100% of Vizstone Pty Ltd ("Vizstone") and issued 17,500,000 ordinary shares in the Company as consideration for the acquisition of 100% of Starboard IT Pty Ltd ("Starboard"). The Company also has an obligation to issue additional ordinary shares as deferred consideration pursuant to the acquisition of Vizstone and Starboard, subject to those companies meeting certain hurdles.

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On 27 September 2021, the Company issued 9,811,475 options exercisable at \$0.40 each and expiring on 30 September 2024 to nominees of Bridge Street Capital Partners as part of the fee for the capital raising pursuant to the Offer.

Acquisitions

Summarised terms of the acquisitions of Starboard and Vizstone noted above are:

The consideration for the acquisitions of Starboard and Vizstone includes various tranches of ordinary shares in ActivePort which will be issued on completion ("Initial Consideration") and based on the financial performance in FY21, FY22 and FY23 of each company ("Deferred Consideration Shares"). The shares will be issued to the vendors of Starboard and Vizstone (collectively "the Vendors").

The Acquisitions include the proposed issue of performance securities which could convert into aggregate shares greater than 10% of the issued share capital.

The Starboard Acquisition

Starboard IT Pty Ltd is an Australian company established approximately 5 years ago and based in Sydney, providing services across NSW and Victoria. Starboard specialises in the implementation, support and security of IT network and server infrastructure, virtualisation, and cloud technologies, positioning them to deliver ActivePort to a wide range of organisations.

The customer base covers a broad range of verticals with a particular focus on the financial services market as well as transport, government and non-profit organisations, with Starboard servicing businesses ranging from start-ups to ASX200 listed multi-nationals.

The Company has agreed to acquire 100% of the fully paid ordinary shares in the capital of Starboard free from encumbrances.

The consideration payable by the Company for the Starboard Acquisition comprises fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- The issue of 17,500,000 ordinary ActivePort shares on completion. – **Starboard Initial Consideration;**
- The number of ActivePort shares, with a deemed issue price of \$0.20, equivalent to 1x revenue valuation for any revenue invoiced in FY21 by Starboard which exceeds \$3,500,000 – **Starboard Tranche 1 Consideration**
- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Starboard Tranche 2 Consideration**

$$\frac{(\text{Starboard's FY22 revenue} - (\text{Starboard's FY21 revenue} \times 1.1)) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and \$0.08}}$$

- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company's 3-month VWAP (April to June 2023); and
 - \$0.08 – **Starboard Tranche 3 Consideration,**
(together "the Starboard Consideration")

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche 1, 2, and/or 3 Consideration in cash.

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The Vizstone Acquisition

Vizstone Pty Ltd is an Information and Communications Technology (ICT) solutions provider which specialises in providing cloud, security and information technology infrastructure services. Vizstone was registered in 2009 and is based in Perth, Western Australia.

Vizstone currently service various industries across the Asia Pacific markets including mining, oil and gas, corporate, education, government and not-for-profit. Vizstone also services Floating Production Storage and Offloading installations off the coastlines of Western Australia, Victoria, Thailand, Singapore, Vietnam, Brazil, Africa and Malaysia.

The Company has agreed to acquire 100% of the fully paid ordinary shares of Vizstone free from encumbrances.

The consideration payable by the Company for the Vizstone Acquisition comprises fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- 15,625,000 ordinary ActivePort shares on completion – **Vizstone Initial Consideration**
- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Vizstone Tranche 1 Consideration:**

$$\frac{(\text{Vizstone's FY22 revenue} - (\text{Vizstone's FY21 revenue} \times 1.1)) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and \$0.08}}$$

- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company's 3-month VWAP (April to June 2023); and
 - \$0.08 – **Vizstone's Tranche 2 Consideration**,
(together "the Vizstone Consideration")

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche 1 and/or 2, Vizstone Consideration in cash.

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DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of ActivePort Group Ltd, I state that:

1. In the opinion of the directors:
 - a. The financial statements, notes and the Remuneration Report in the Directors' Report designated as audited are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
 - (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
 - b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and
 - c. subject to note 2(b) to the financial statements, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
 - d. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.



Peter Christie
Chairman
Perth, 16 October 2021

ACTIVEPORT GROUP LTD
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CORPORATE INFORMATION

ABN: 24 636 569 634

Directors

P Christie, Chairman (appointed 2 October 2019)

K Nejaim (appointed 20 May 2021)

C Daly (appointed 18 November 2019)

K Soares (appointed 28 September 2021)

S Korchinski (resigned 20 May 2021)

Secretary

J Toby

Registered Office

Level 28, 140 St Georges Terrace

Perth WA 6000

T: +61 8 9278 2690

Principal Place of Business

Unit 5/348 Victoria Road

Malaga WA 6090

Share Register

Computershare Investor Services Pty Limited

172 St Georges Terrace

Perth WA 6000

Bankers

Westpac Bank

130 Rokeby Road

Subiaco WA 6008

Auditors

Nexia Perth Audit Services Pty Ltd

Level 3, 88 William Street

Perth WA 6000

Solicitors

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

Perth WA 6000

Independent Auditor's Report to the Members of ActivePort Group Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ActivePort Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other 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 2021 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 Company in accordance with the auditor independence requirements and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the year ended 30 June 2021 but does not include the financial report and our 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.

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 Group's ability 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 Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

16 October 2021
Perth, Western Australia

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the Directors of ActivePort Group Ltd,

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2021 there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

16 October 2021
Perth, Western Australia