



ANNUAL REPORT FY22

ABOUT US

ActivePort Group Limited (ASX:ATV) is an Australian software company delivering network management and orchestration solutions (MANO) for 3 broad markets; telecommunication, IT and Managed Service Providers, and enterprise.

ActivePort's software solutions play an important role in helping our customers, and in-turn their customers, deliver

outstanding results. Our software streamlines complex technology services, enhances productivity, lowers costs, and creates new revenue streams.

ActivePort Group Limited consists of ActivePort Infrastructure Pty Ltd, Global Edge, Future Broadband, Vizstone Pty Ltd, and Starboard IT.

GLOBALEDGE

 **Starboard IT**
There when you need

Vizstone

FUTURE
Broadband

VISION & VALUES

Vision

Global, seamless, instant edge connectivity without borders, without constraints

Software defined networking means more to customers than expensive hardware, locked-in technology, long implementation times, and a jagged edge. Our **SD-WAN** and **Orchestration** software is the integral link to connecting the edge, enabling greater productivity, extensive functionality, comprehensive integration, and a truly global reach.

Values

We disrupt - with innovative solutions

Keep it simple - we simplify complexity

We act with integrity - we do the right thing with our words and our actions

Respect all relationships - we treat people fairly. Our dealings are part of leaving legacies

We listen - we give value to another's words and ideas. Listening to understand – not just to respond

Our team of people make us successful and are the heart of our business. Their innovations, curiosity, and desire to challenge norms, helps grow our business and enables our long-term strategy. We challenge and grow our company through our values to build world-leading software.

PURPOSE

We create unique, state-of-the art software redefining virtual networking at the edge and empower businesses to take full advantage of their technology.

At the heart of what we do and who we are is the ability to redefine, improve and challenge the global cloud and networking norms.

GROUP BUSINESS HIGHLIGHTS



TOTAL
REVENUE

12.75M*

UP 53.6% YoY



MONTHLY
RECURRING REVENUE

439k



ATV SOFTWARE
REVENUE

860k

UP 305% H1 v H2



POPs

77



CUSTOMERS

198



COUNTRIES

19

*FY22 ActivePort Group consolidated revenue plus pre-acquisition revenue of subsidiaries for the full financial year.

CHAIRMAN & CEO'S MESSAGE

Dear Shareholder,

First and foremost, let us thank you for supporting and believing in ActivePort's success in FY22. ActivePort Group has been listed for just on 12 months, and we have made huge inroads delivering our strategy and proving the value of our software in the global marketplace.

As a global technology company, ActivePort Group set out to grow its software revenue via channel sales, enterprise direct sales and self-service. We are pleased to report success on all three fronts with new implementations and rollouts across key vertical markets including telecommunications, retail, banking, and utilities in Southeast Asia, India, Africa, and Australia.

In FY22, ActivePort Group consolidated revenue plus pre-acquisition revenue of subsidiaries for the full financial year is \$12.75M, up 53.6% on FY21.

Comparing the first to the second half of the year, software sales grew 305% to a total of \$0.86M for the year and with an increasing pipeline into FY23, we expect this momentum to continue.

We have experienced a surge in demand from our customers and across the global market for our orchestration and networking software as valuable investment for their businesses. As we have said many times, technology isn't great until a customer says it is. More and more, our customers are generating value for their businesses with ActivePort software, helping them drive the digital transformation of network management and automation, reducing their operational costs and improving customer satisfaction.

We have seen notable success in Africa with contracts with the national power provider in Mozambique, three banks in other parts of Africa and a large pipeline of opportunities. This is born from the capability of our software to take away the complexity of building networks and integrating technology in a continent of fragmented network capability and inconsistent internet services.

Our growing business in India is also a highlight of the last year. For Lightstorm, an upcoming telecommunications company, we are at the heart of their revenue generating and customer self-service systems. Lightstorm's customer portal is founded on ActivePort software and as Lightstorm grows across Asia with rollouts planned in Indonesia and several other countries, our software revenue will also grow.

We are also advancing the global deployment of Radian Arc's edge compute capability delivering their cloud gaming platform powered by our software into South and North America, Europe, Middle East, and Asia. Our agreement with Radian Arc demonstrates the versatility of our software and the cutting-edge performance at the forefront of cloud technology.



"our customers are generating value for their businesses with ActivePort software, helping them drive the digital transformation of network management and automation"

ActivePort Group's total revenue is strengthened by our managed services businesses that are growing rapidly (48% YoY) and making a positive contribution to our bottom line. Our subsidiaries in Australia, Starboard IT, Vizstone and most recently, Future Broadband, have each had a strong year and new customer wins, growing revenue and strong profit margins.

Starboard IT continues to grow revenue via professional services and technology sales, whilst Vizstone has focussed on hardware sales and computer networking services. Future Broadband is key to ActivePort Group delivering automation and last mile services via telecommunication partners in Australia and overseas via their innovative software.

As we enter the next year, we are shifting from "start up" to "scale up". We plan to expand ActivePort Group offices into India, Africa and Middle East and continue to grow new and existing partnerships in Asia, Europe, and North America.

All of this requires a laser focus on execution and delivery globally and continuing to drive a culture focussed on high quality customer experience and a camaraderie driven from changing the market in which we operate for the better.

Finally, we would like to say thank you to our entire team for their hard work, dedication, and belief in the success of ActivePort Group. It is your efforts to help and support our customers and partners that makes ActivePort Group successful.

On behalf of the ActivePort Group team, we thank you for your continued support.



Peter Christie
Chairman



Karim Nejaim
Managing Director /
Chief Executive Officer

ActivePort Group Ltd and Controlled Entities

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General information

The financial statements cover ActivePort Group Ltd as a Group consisting of ActivePort Group Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is ActivePort Group Ltd's functional and presentation currency.

ActivePort Group Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suit 3 Level 4
46 Colin Street
West Perth WA 6005

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 September 2022. The directors have the power to amend and reissue the financial statements.

ActivePort Group Ltd and Controlled Entities
Directors' report
30 June 2022

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "Group") consisting of ActivePort Group Ltd (referred to hereafter as the "Company", "ATV" or "parent entity") and the entities it controlled at the end of, or during the year ended 30 June 2022.

Directors

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

P Christie
K Nejaim
C Daly
K Soares

(Appointed 28 September 2021)

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

Directors	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 the Group for the financial year ended 30 June 2022 was information technology related business involving unique edge to cloud integrated service. The Group'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.

Financial position

The Group reported a net asset position of \$28,083,908 (2021: \$7,770,939) and net current assets of \$1,567,120 (2021: of \$182,898) as at 30 June 2022 and incurred a loss of \$ 6,676,170 (2021: \$ 2,679,934) and net operating cash outflow of \$7,766,962 (2021: \$ 2,343,080) for the year ended 30 June 2022.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds as necessary as disclosed in note 1 to the financial statements.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

ATV operating environment and risk

In our October 2021 Prospectus, ATV Group communicated our operational and financial risks across several categories. We consistently ensure we understand and monitor our risks to mitigate negative impacts whilst capitalising on opportunities to deliver value to customers and shareholders. Our stated risks, mitigations and how we have performed are outlined in the chart below.

In the year ended 30 June 2022, our business drivers were focused on:

ActivePort Group Ltd and Controlled Entities
Directors' report
30 June 2022

People- attracting, developing, and retaining highly skilled, diverse and engaged talent and building a community where people can truly be themselves.

Finance- build a robust financial position from which to scale business operations and new growth opportunities.

Systems and processes- strengthen our ways of working, data, and customer systems to manage business risks and build for our future.

Customers- provide unique software technology solutions for customers focusing on consistent delivery and excellent customer experience.

Managing our limited history

Throughout the year ended 30 June 2022, we set out to build a solid foundation of principles and practices within our people, our capabilities, and our Board to establish and scale the business.

- *People-* we have a strong focus on hiring skilled and experienced administration, sales, engineering, and operational staff and effectively managing performance.
- *Systems and processes-* our Board meets weekly on operational issues and key areas of focus for management.
- *Finance-* we operate a highly structure and rigorous cash and expense approval and management process.

Contractual and customer risk

Maintaining performance against contracts and retaining customers is essential to the ongoing ability of the Group to remain a going concern. The Group enters into long term contracts to rent use of its information technology infrastructure to customers. This recurring revenue is fundamental to the ongoing ability for the Group to generate revenue. Whilst our contracts typically have 5-year terms, customers can terminate for a range of reasons including non-performance and breach.

Customer - in the year ended 30 June 2022, our customer feedback and rapid uplift in our sales pipeline has increased our market presence and on-going business with existing customers. This has generated a strong customer base and pipeline within several countries including Australia, India, Malaysia, Indonesia, Canada, USA, and Africa.

Systems and processes and customer- we continue to build upon and advance our strong delivery capability and project management with key customer stakeholders and partners, keeping regular communication and cadence on projects and technology updates.

Supplier relationships

The Group is dependent on ongoing mutually beneficial relationships with key suppliers. Termination or failure to renew agreements with such suppliers could impact on the provision of services by the Group, which would have a material adverse effect on the Group's operations and financial position.

Systems and processes - on the back of building strong relationships with key suppliers we have seen revenue growth in both services and software, despite industry wide supply chain issues and the ongoing impacts of COVID-19. Supplier management is a top priority for both management and the Board for the longer term and there is CEO/Chairman engagement on a regular basis with key partners and suppliers.

Privacy and data

Collection risk and cyber security

ATV software is built with security management and management of cyber threat as a core part of our design capability. Our software can detect and managing cyber threats as a base part of the software design. There is risk that the Group's procedures and systems may not stop or detect cyberattacks, data theft and hacking from obtaining unauthorised access to confidential data collected by the Group. We continually monitor, update and track our systems and processes to mitigate this risk.

Technological developments

The ATV Chief Technology Officer and senior management meet weekly to review the technology roadmap and validate this against competition and market requirements via the sales and product teams. This process enables the team to adapt to technological changes and subsequently the risk of any adverse effect on the Group's business, operating results, and financial position.

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In the year ended 30 June 2022, our customers and demand for our product validated the technical capability of ActivePort software. There is minimal direct competition in the Orchestration market, and we have proven the value of our product in the SD-WAN market.

The ATV Chief Technology Officer and Senior Management meet weekly to review the technology roadmap and validate this against competition and market requirements via the sales and product teams.

Protection of intellectual property rights

The commercial value of the Group's intellectual property assets is dependent on any relevant legal protections.

ATV Intellectual Property management is one of the Group's highest priorities, and this has been reflected in the drafting and ongoing management of all contracts and deals with customers and partners.

In the year ended 30 June 2022 we completed Trademarks for SD-WAN Service Injection and Virtual Service Injection (VSI) as these terms and capabilities are unique in our market and needed to be protected.

Rapid growth risk

The Group has experienced significant growth over the year ended 30 June 2022 and this is expected to continue into the year ended 30 June 2023. Management has started several projects to develop operational capabilities both onshore and off, and has expansion plans for Africa, Middle East, Southeast Asia and India.

Future acquisitions

As part of its growth strategy, the Group may make further acquisitions of complementary businesses or enter into strategic alliances with third parties.

In the year ended 30 June 2022, ActivePort acquired Future Broadband providing clear synergies and efficiencies in our software development. The Group choose not to make further acquisitions in the year ended 30 June 2022 instead focus our efforts on enabling our global partnering strategy.

COVID-19 risk

The outbreak of the coronavirus (COVID-19) pandemic is impacting global economic markets. The Group has implemented a wide range of strategies to mitigate the risks posed by COVID-19 in line with relevant government protocols to minimise the risks for all employees, contractors, customers and visitors. The Directors monitor changes and impacts of COVID-19 on the Group's future business and financial performance.

Foreign exchange

The Group will be operating in a variety of jurisdictions, outside of Australia and as such, expects to generate revenue and incur costs and expenses in foreign currencies. Consequently, movements in currency exchange rates may adversely or beneficially affect the Group's results or operations and cash flows. For example, the appreciation or depreciation of the US dollar relative to the Australian dollar would result in a foreign currency loss or gain. Any depreciation of currencies in foreign jurisdictions in which the Group operates may result in lower than anticipated revenue, profit and earnings of the Group.

Insurance coverage

The Group has insured its operations in accordance with industry practice.

The Group has also arranged and maintained insurance coverage for its employees, as well as directors' and officers' liability insurance, however it does not currently propose to arrange and maintain business interruption insurance or insurance against claims for certain property damage. The Group management reviews its insurance requirements periodically with the Board.

Price of shares

ActivePort is focused on building and converting a strong sales pipeline, expanding our global reach, partner enablement and careful management of operating cost in the year ended 30 June 2023 and beyond. ActivePort expects to continue to report strong revenue growth coupled with an ongoing reduction net operating cost.

ActivePort Group Ltd and Controlled Entities
Directors' report
30 June 2022

Operating results for the year

	2022 \$/cents	2021 \$/cents	Change \$/cents	Change %
Revenue (\$)	10,638,545	425,638	10,212,907	2399.43%
Net loss for the year (\$)	(6,676,170)	(2,679,934)	(3,996,236)	149.12%
Basic loss per share (cents)	(19)	(8)	(11)	149.07%
Diluted loss per share (cents)	(19)	(8)	(11)	149.07%

Significant changes in the state of affairs

During the year ended 30 June 2022 one of the Group founders, Grant Farrow, stepped away from day-to-day operations of the Group to focus on other projects. Further, the ActivePort Group Board elected not to extend CFO Robert Molkenhuth's contract past 30 June 2022. RSM Australia Pty Ltd have been engaged since the end of June 2022 to provide CFO and accounting services and to consult on tax, research and development and other accounting structures.

There were no other significant changes in the state of affairs of the Group during the financial year.

Significant events subsequent to reporting period

On 18 August 2022, ActivePort Group signed a funding arrangement with a third-party global growth funding specialist, Fundsquire. This funding arrangement will allow ActivePort to access funds in advance relating to research and development tax incentive claims that the Company is entitled to, but are yet to be submitted, for the year ended 30 June 2021 and the year ended 30 June 2022.

On 27 September 2022, 24,421,875 fully paid ordinary shares were released from ASX escrow restriction.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors and key management personnel

Peter Christie (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).

Karim Nejaim (Executive Director and CEO)

Karim has a background of 25 years in IT and telecommunications, most recently with Telstra as Executive Director - Product Engineering. Previously Karim held positions of Dir. Global Enterprise Product Engineering and Dir. Network Services and Facilities. Prior to Telstra, Karim was Group VP, IP Core at Optus having held positions including VP, Converged Services Engineering, Head of Strategy and Planning, Networks and GM, IP Services Engineering.

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Karim has extensive experience in senior management of listed technology companies. He has a Bachelor degree in Science from Flinders University of South Australia, has completed executive programs with Harvard Business School (via SingTel Executive Programs), Australian Graduate School of management and Macquarie Graduate School of Management and is a Member of the Australian Institute of Company Directors.

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 experience operating in the contracting, fabrication, equipment rental, mining and construction sectors. Chris has extensive experience in managing businesses with a keen focus on financial management, job costing, business processes and safety and 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: Chris is also a non-executive Director of NEXION Group Ltd (ASX: NNG).

Kathryn Soares (Executive Director)

Kathryn is an information technology business owner and manager with 30 years of experience delivering ICT solutions across multiple industries. From Platinum Technology in Chicago to Sun Micro systems and Siemens in Australia, Kathryn's experience spans technical delivery, pre-sales engineering and project management.

In 2009, Kathryn established Perth-based ICT provider Vizstone. She has a Masters in Digital Communications 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 and NIL performance rights.

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

Mark Middleton (Chief Technical Officer)

Mark has a 34-year career as a technologist well versed in all aspects of software development, network engineering, and data centre infrastructure development. Mark worked for Novell in the 90's before establishing Rescue Technology and Acure which he later sold to Amcom Telecommunications Limited (now Vocus Communications).

Mark is an expert in wide area networks and architect of the ActivePort software.

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.

Steven Norris (Head of Global Sales)

Steven has a 26-year career in Sales, Marketing and Product Management in the IT&T sector. Steven worked at TPG Telecom for 14 years in several roles, most recently as Northern Region Manager, with prior roles as State Manager and Head of Business and Corporate. Previously, Steven was the Solution Sales Manager at Netcomm, the Business Unit Manager at Unitel, and ran product for the system integration business unit at Commander.

Steven brings experience of multi-channel sales with roles responsible for 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 Vice-President Fixed and Satellite Services, General Manager Technology Strategy & Planning and Director of Transmission & Access Engineering for Optus. Simon joined ActivePort from his role as General Manager, Fixed Networks for Visionstream.

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Simon has a Bachelor of Applied Science, Physics from the University of Technology, Sydney.

Jack Toby (Company Secretary)

Jack is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate member of the Australian Computer Society. Jack has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations for over the last 30 years.

Meetings of directors

The number of meetings of the Group's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Directors' Meetings (2)
Number of meetings held	38
Number of meetings attended:	-
Mr P Christie	38
Mr C Daly	38
Mr K Nejaim	38
Mrs K Soares (1)	20

(1) Appointed 28 September 2021 and attended 20 meetings out of 20 meetings held from the date of appointment

(2) Includes circular resolutions

Likely developments and expected results of operations

The Group is actively working to enhance its existing products and develop new products to assist in strengthening its revenue base in 2023. The marketing campaigns in Australia, the Middle East, India and Asia 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 Group 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 Group.

Indemnification and insurance of directors

The Company has entered into an Indemnity, Insurance and Access Deed (the 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.

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.

Remuneration report (audited)

This remuneration report, which forms part of the directors' report, outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and the Corporations Regulations 2001. The term "key management personnel" refers to those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of key management personnel

The directors and other key management personnel in office at any time during the financial year and up to the date of this report were:

Parent Entity Directors

Mr P Christie	Executive Chairman
Mr K Nejaim	Executive Director and Chief Executive Officer
Mr C Daly	Non-executive Director
Ms K Soares (1)	Executive Director

(1) Appointed 28 September 2021

Other Key Management Personnel

Mr M Middleton	Chief Technology Officer
Mr R Molkenhuth (2)	Chief Financial Officer
Mr S Norris	Head of Global Sales
Mr S Love	Head of Global Infrastructure

(2) Resigned 24 June 2022

Except as noted, the personnel noted above held their current position for the whole of the financial year and since the end of the financial year.

Remuneration Policy

For the purposes of this report, the term key management personnel encompasses the directors, Chief Financial Officer, Chief Technology Officer, Head of Global Sales and Head of Global Infrastructure.

Each director of the Group is entitled to such remuneration from the Group as shareholders approve at the annual general meeting, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Group in a general meeting.

The Board of the Group is responsible for determining and reviewing remuneration arrangements for the directors and executives. The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team. Options can be issued as part of director and executive remuneration to encourage the alignment of personal and shareholder interests. The expected outcome of this remuneration structure is:

- Retention and motivation of directors
- Performance rewards to allow directors to share the rewards of the success of the Group
- Competitiveness and reasonableness
- Acceptability to shareholders

To incentivise the executives with the strategic objectives of the Group to maximise shareholders wealth, the Group has previously offered key executives of the Group the ability to acquire shares in-lieu of remuneration. The Board will continue to monitor appropriate incentive schemes, including cash and share ownership plans, for the Group in future years.

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Directors' report
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The Group has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration for all non-executive directors has been set at a maximum amount of \$500,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure will be reviewed annually. All non-executive Directors do not receive retirement benefits.

All directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at board meetings and otherwise in the execution of their duties as directors.

Executive Directors and other Key Management Personnel Remuneration

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full board under the guidance of the formal charter.

Other key management personnel

Other key management personnel are remunerated in cash and are entitled to participate in any employee share ownership plans which may be introduced from time to time.

The remuneration of directors and executives is detailed under the heading "Compensation of key management personnel" below.

Compensation of key management personnel

	Short-term benefits			Post-employment	Share-based payments		Proportion of remuneration performance based	
	Salary & fees	Cash bonus	Non-monetary benefits	Superannuation	Shares	Performance rights	Total	%
Year ended 30 June 2021 (1)	\$	\$	\$	\$	\$	\$	\$	%
Directors								
Mr P Christie (2)	240,000	-	-	22,800	-	-	262,800	-
Mr K Nejaim (3.4)	417,500	-	-	-	-	-	417,500	-
Mr C Daly (5)	60,000	-	-	-	-	-	60,000	-
Mr S Korchinski	-	-	-	-	-	-	-	-
Sub-total directors	717,500	-	-	22,800	-	-	740,300	
Other key management personnel								
Mr M Middleton	121,987	-	-	11,589	-	-	133,576	-
Mr R Molkenthin (3)	92,550	-	-	-	-	-	92,550	-
Mr S Norris	25,000	-	-	2,375	-	-	27,375	-
Mr S Love (3)	240,800	-	-	-	-	-	240,800	-
Sub-total key management personnel	480,337	-	-	13,964	-	-	494,301	
Totals	1,197,837	-	-	36,764	-	-	1,234,601	

(1) None of the remuneration disclosed herein was performance related.

(2) \$56,520 was converted to 353,250 shares in-lieu of salary on 28 July 2021.

(3) Paid through third-party companies, therefore no superannuation applies.

(4) \$145,050 was converted to 906,563 shares in-lieu of salary on 28 July 2021.

(5) \$97,500 was converted to 609,375 shares of salary on 28 July 2021.

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Year ended 30 June 2022	Salary & fees	Cash bonus	Non-monetary benefits	Superannuation	Shares	Performance rights		
	\$	\$	\$	\$	\$	\$	\$	%
Mr P Christie	240,000	-	-	24,000	-	95,522	359,522	-
Mr K Nejaim	337,211	-	-	33,654	-	334,327	705,191	-
Mr C Daly (2)	60,000	-	-	-	-	14,328	74,328	-
Ms K Soares (1)	40,000	-	-	-	-	-	40,000	-
Sub-total directors	677,211	-	-	57,654	-	444,177	1,179,041	
Other key management personnel								
Mr M Middleton	265,395	-	-	26,442	-	238,805	530,642	-
Mr R Molkenhuth (3)	283,636	-	-	-	-	-	283,636	-
Mr S Norris	234,646	-	-	23,397	-	-	258,044	-
Mr S Love (4)	329,903	-	-	12,923	-	-	342,826	-
Sub-total key management personnel	1,113,580	-	-	62,762	-	238,805	1,415,148	
Totals	1,790,791	-	-	120,416	-	682,982	2,594,189	

(1) Kathryn Soares was appointed as an Executive Director of the Company as part of the Share Exchange Agreement. Her appointment was executed on the Circular Resolution dated 27 September 2022 effective from 28 September 2021. Ms Soares receives remuneration of \$142,000 per year for her role as Managing Director of Vizstone Pty Ltd plus \$60,000 per year for her role as a Director of ActivePort Group Ltd, including of any applicable statutory superannuation and excluding any applicable GST. Director remuneration is governed by clause 14.7 of the Constitution (as amended from time to time). Her appointment will cease upon resignation or in accordance with the Company's Constitution or applicable law.

(2) Chris Daly was appointed as Non-Executive Director as per letter of appointment dated 9 August 2021 effective 18 November 2019. Mr Daly receives remuneration of \$60,000 per year for his role as Non-Executive Director. Director remuneration is governed by clause 14.7 of the Constitution (as amended from time to time). His appointment will cease upon resignation or as otherwise in accordance with the Company's Constitution or applicable law.

(3) Mr Molkenhuth was retained as part of a contract with his company Captiva Investments Pty Ltd.

(4) Mr Love was employed as a contractor until 1 December 2021.

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Date	Shares	Issue price \$	\$
Mr P Christie	28/07/2021	353,250	0.16	56,520
Mr K Nejaim	28/07/2021	906,563	0.16	145,050
Mr C Daly	28/07/2021	609,375	0.16	97,500

The above were issued in lieu of cash for services rendered in the year ended 30 June 2021.

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Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value at grant date
Christopher Daly						
Class A	137,772	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$22,044
Class B	45,924	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$7,348
Class C	45,924	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$7,348
Class D	45,924	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$7,318
Class E	137,772	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$22,044
Class F	45,924	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$7,348
Karim Nejaim						
Class A	3,214,680	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$514,349
Class B	1,071,560	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$171,450
Class C	1,071,560	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$171,450
Class D	3,214,680	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$514,349
Class E	1,071,560	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$171,450
Class F	1,071,560	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$171,450
Peter Christie						
Class A	918,480	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$146,957
Class B	306,180	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$48,989
Class C	306,180	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$48,989
Class D	918,480	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$146,957
Class E	306,160	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$48,986
Class F	306,160	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$48,986
Mark Middleton						
Class A	2,296,200	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$367,392
Class B	765,400	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$122,464
Class C	765,400	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$122,464
Class D	2,296,200	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$367,392
Class E	765,400	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$122,464
Class F	765,400	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$122,464
Robert Molkenthin						
Class A	459,240	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$73,478
Class B	153,080	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$24,493
Class C	153,080	13/08/2021	30/06/2022	31/10/2022	\$0.16	\$24,493
Class D	459,240	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$73,478
Class E	153,080	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$24,493
Class F	153,080	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$24,493

Performance rights granted carry no dividend or voting rights.

All performance rights were granted over unissued fully paid ordinary shares in the company. The number granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Performance rights vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Performance rights are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

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Values over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

	Value granted during the year \$	Value exercised during the year \$	Value lapsed during the year \$	Remuneration for the year %
Christopher Daly				
Class A	10,746	-	-	14%
Class B	3,582	-	-	5%
Karim Nejaim				
Class A	250,745	-	-	36%
Class B	83,582	-	-	12%
Peter Christie				
Class A	71,641	-	-	20%
Class B	23,882	-	-	20%
Mark Middleton				
Class A	179,104	-	-	34%
Class B	59,701	-	-	11%
Robert Molkenthin				
Class A	-	-	35,821	-
Class B	-	-	11,940	-

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance at the start of the year	Received in lieu of cash	Additions	Balance at the end of the year
Mr P Christie	39,250,000	353,250	3,965,010	43,568,260
Mr K Nejaim	-	906,563	-	906,563
Mr C Daly	-	609,375	1,233,285	1,842,660
Ms K Soares	-	-	8,703,125	8,703,125
Mr M Middleton	17,942,880	-	-	17,942,880
	<u>57,192,880</u>	<u>1,869,188</u>	<u>13,901,420</u>	<u>72,963,488</u>

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

ActivePort Group Ltd and Controlled Entities
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	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year	Vested
Christopher Daly	-	459,240	(45,924)	413,316	183,696
Karim Nejaim	-	10,715,600	(1,071,560)	9,644,040	4,286,240
Peter Christie	-	3,061,640	(306,180)	2,755,460	1,224,660
Mark Middleton	-	7,654,000	(765,400)	6,888,600	3,061,600
Robert Molkenhuth	-	1,530,800	(1,530,800)	-	-

Additional information

Classes A to F Performance Rights

On 13 August 2021, ActivePort Group Ltd ("ATV" or "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.

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

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 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**).

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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**).

Any Performance Rights not vested before their expiry date, will lapse. On 24 June 2022, 459,240 Class A Performance Rights, 153,080 Class B Performance Rights, 153,080 Class C Performance Rights, 459,240 Class D Performance Rights, 153,080 Class E Performance Rights and 153,080 Class F Performance Rights, lapsed in accordance with their terms and conditions due to the holder ceasing to be an officer (and employee, if applicable) of the Group. No other Performance Rights have been cancelled since their date of issue. The remaining 6,658,980 Class A Performance Rights, 2,219,660 Class B Performance Rights, 2,219,660 Class C Performance Rights, 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights, remain on issue.

This is the end of the remuneration report.

Shares under option

Unissued ordinary shares of ActivePort Group Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
20/10/2020	31/10/2022	\$0.25	630,000
20/10/2020	31/10/2023	\$0.30	1,890,000
28/07/2021	30/09/2024	\$0.40	9,811,475
20/10/2020	31/10/2024	\$0.35	630,000
			<u>12,961,475</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Group or of any other body corporate.

Shares issued on the exercise of options

There were no shares of Group issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Additional disclosure

Deferred Consideration Shares

The consideration for the acquisitions of Starboard IT Pty Ltd ("**Starboard**") and Vizstone Pty Ltd ("**Vizstone**") included various tranches of ordinary shares in ActivePort Group Ltd to be issued based on the financial performance in financial years ended 30 June 2021, 2022, and 2023 ("FY21, FY22 and FY23") of each company ("**Deferred Consideration Shares**"). No Deferred Consideration Shares were issued based on the financial performance of the Acquisitions for FY21.

Deferred Consideration Shares for the Starboard acquisition

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The consideration payable by the Company for the Starboard Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

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:

- o 80% of the Company's 3-month VWAP (April to June 2023); and
- o \$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.

No Deferred Consideration Shares for the Starboard acquisition have been issued, converted or cancelled during the period of this report. No milestones pertaining to Deferred Consideration Shares were met during the period of this report.

Deferred Consideration Shares for the Vizstone acquisition

The consideration payable by the Company for the Vizstone Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

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:

- o 80% of the Company's 3-month VWAP (April to June 2023); and
- o \$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.

No Deferred Consideration Shares for the Vizstone acquisition have been issued, converted or cancelled during the period of this report. No milestones pertaining to Deferred Consideration Shares were met during the period of this report.

Proceedings on behalf of the Group

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

Auditor

Nexia Perth Audit Services Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services

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

	Consolidated	
	2022	2021
	\$	\$
Non-audit services		
Independent Assurance Report	15,000	-
Taxation services	31,686	4,500
Total non-audit services	<u>46,686</u>	<u>4,500</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.

The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Officers of the Group who are former partners of Nexia Perth Audit Services Pty Ltd

There are no officers of the Group who are former partners of Nexia Perth Audit Services Pty Ltd.

Auditor's independence declaration

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

ActivePort Group Ltd and Controlled Entities
Directors' report
30 June 2022

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

A handwritten signature in dark ink, appearing to read 'Karim Nejaim', followed by a horizontal line extending to the right.

Karim Nejaim
Managing Director / Chief Executive Officer

30 September 2022

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

To the directors of ActivePort Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2022 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

Perth
30 September 2022

Principles of good corporate governance and recommendations

Introduction

The following Corporate Governance statement has been approved by the Board of Directors (the “Board”) of the Group.

The directors are focussed on fulfilling their responsibilities individually, and as a board, for the benefit of all the Group's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The board supports the guidelines on the “Principles of Good Corporate Governance and Recommendations – 4th Edition” established by the ASX Corporate Governance Council.

Given the size and structure of the Group, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Group's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Group considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the Group does not strictly comply.

The following section addresses the Group's practices in complying with the principles.

Principle 1: Lay solid foundations for management and oversight

Board Charter

The Board has adopted the following Board Charter:

The business of the Group is managed under the direction of the Board. The Board is accountable to shareholders of the Group for the performance of the Group.

Each director of the Group will act in good faith in the best interests of the Group and collectively oversee and appraise the strategies, major policies, processes and performance of the Group using care and diligence to ensure that Group's long-term sustainability is assured.

Directors will not misuse their position on the Board to advance personal interests nor to represent particular constituencies. Directors will not use information available to them as board members to advance personal interests or agendas.

Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors must absent themselves from discussion or decisions on those matters.

The Group's Constitution and Australian corporations law specifies the minimum and maximum number of directors of the Group.

The directors must elect one of their number as chairman.

The chairman will be responsible for leading the Board, facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the Board and management. The chair will also usually be responsible for approving board agendas and ensuring that adequate time is available for discussion of all agenda items, including strategic issues.

Each of the directors is entitled to seek independent advice at the Group's expense whenever they judge such advice necessary for them to discharge their responsibilities as directors.

Role and responsibilities of the Board

The Group has established the functions reserved to the Board. The Board has primary responsibility to shareholders for the sustainability and relevance of the Group by guiding and monitoring its business and affairs. The Board is responsible for:

- demonstrating leadership;
- defining the Group's purpose and setting its strategic objectives;
- approving the Group's statement of values and code of conduct to underpin the desired culture within the entity;
- appointing the chairman;
- appointing and replacing the CEO;
- approving the appointment and replacement of other senior executives and the Group secretary;
- overseeing management in its implementation of the Group's strategic objectives, instilling of the Group's values and performance generally;

- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Group's accounting and corporate reporting systems, including the external audit;
- overseeing the Group's process for making timely and balanced disclosure of all material information concerning the entity that a reasonable person would expect to have a material effect on the price or value of the Groups securities;
- satisfying itself that the entity has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk appetite within which the Board expects management to operate;
- satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board;
- whenever required, challenging management and holding it to account;
- satisfying itself that the Group's remuneration policies are aligned with the Group's purpose, values, strategic objectives and risk appetite; and
- monitoring the effectiveness of the Group's governance practices.

Role and responsibilities of senior executives

The Group has established the functions reserved to senior executives. Those who have the opportunity to materially influence the integrity, strategy and operation of the Group and its financial performance are considered to be senior executives. The functions delegated to senior executives are:

- implementing the entity's strategic objectives and instilling and reinforcing its values, all while operating within the values, code of conduct, budget and risk appetite set by the Board; and
- providing the Board with accurate, timely and clear information on the entity's operations to enable the Board to perform its responsibilities. This is not just limited to information about the financial performance of the entity, but also its compliance with material legal and regulatory requirements and any conduct that is materially inconsistent with the values or code of conduct of the entity.

Background checks on persons proposed for election as a director

The Board undertakes appropriate background checks for persons proposed for election as a director, including character, experience, education, criminal record and bankruptcy history, so as to satisfy itself that there is no information of concern and no indication of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party. The Board also considers biographical details, including their relevant qualifications and experience and the skills they bring to the Board and details of any other material directorships currently held. Material information in the Group's possession relevant to a decision on whether or not to elect or re-elect a proposed director is included in the relevant notice of shareholder meeting together with a statement of whether it supports the election or re-election of the candidate and a summary of the reasons why and also, if applicable, a statement that the Board considers the director to be an independent director.

Written agreement with each director and senior executive

The Board determines those circumstances where a written agreement with a director or senior executive is warranted. At present written agreements have not been executed with all directors and senior executives as the Board considers that the roles and responsibilities of all Board members and senior executives are clearly defined and understood without a written agreement.

Group secretary

The Group Secretary is accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board. The role of the Group secretary includes advising the Board and its committees on governance matters; monitoring that board and committee policy and procedures are followed; coordinating the timely completion and despatch of board and committee papers; ensuring that the business at board and committee meetings is accurately captured in the minutes; and helping to organise and facilitate the induction and professional development of directors. Each director is able to communicate directly with the Group Secretary and vice versa. Any decision to appoint or remove a Group secretary is made by the Board.

Diversity policy

The Group does not discriminate on the basis of gender and has no measurable objectives for achieving gender diversity.

There is one woman on the Board. There are three women in senior executive positions in the Group. The proportion of women employees in the whole organisation is 27%.

Evaluation of the performance of directors and senior executives

A formal evaluation of the performance of directors and senior executives was not carried out in the financial year as the Board monitors the performance of directors and senior executives on an on-going basis and conducts an evaluation of the performance of directors and senior executives as and when the Board considers appropriate. The performance of the chairman of the Board is assessed on an on-going basis by the Board as a whole.

Principle 2: Structure the board to be effective and add value

Composition of the Board

The names of the directors of the Group and their skills, comprising their qualifications and experience are set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2022.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is that required so as to provide the Group with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Group.

The Group will determine whether each director is independent. In assessing the independence of a director relevant factors considered by the Board include that the director:

- has not been employed in an executive capacity by the Group or any of its child entities or there has been a period of at least three years between ceasing such employment and current service on the Board;
- does not receive performance-based remuneration (including options or performance rights) from the Group, or participate in an employee incentive scheme of the Group;
- has not been within the last three years, in a material business relationship (e.g., as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
- is not, nor represents, nor has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a director of the Group for such a period (such as 10 years or more) that their independence from management and substantial holders may have been compromised.

In each case, the materiality of an interest, position or relationship is assessed by the Board to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Group as a whole rather than in the interests of an individual security holder or other party.

Christopher Daly has been independent directors from the date of his appointment. None of the other board members met these criteria. Consequently, the Board does not have a majority of independent directors. Peter Christie is the chairman of the Board. The Chairman is not an independent director.

Peter Christie was appointed a director on 2 October 2019, Karim Nejaim was appointed a director on 20 May 2021, Christopher Daly was appointed a director on 18 November 2019 and Kathryn Soares was appointed a director on 28 September 2021. Karim Nejaim is the Chief Executive Officer of the Group.

Nomination of other board members

The Board has adopted the following Policy and Procedure for the Selection and (Re) Appointment of Directors.

In determining candidates for the Board, the Board follows a prescribed process whereby it evaluates the mix of skills, experience, knowledge and diversity of the existing Board. In particular, the Board considers the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if appropriate, are offered appointment to the Board. Any appointment made by the Board is subject to re-election by shareholders at the next annual general meeting.

The Board recognises that board renewal is critical to performance and the impact of board tenure on succession planning. An election of directors is held each year. Each director must not hold office (without re-election) past the third annual general meeting of the Group following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Group. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Membership of the Board, including whether the skills, knowledge and familiarity with the Group and its operating environment of each director is sufficient to fulfil their role on the Board effectively, is reviewed on an on-going basis by the chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Group's businesses and its objectives. The Board does not believe that at this point in the Group's development it is necessary to appoint additional directors. Consequently, the Board has not established a nomination committee. The Board has not adopted a Nomination Committee Charter.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Code of conduct

The Group has established a code of conduct as to the:

- Practices necessary to maintain confidence in the Group's integrity;
- Practices necessary to take into account their legal obligations and the expectations of their stakeholders;
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

All directors, senior executives, employees and consultants are expected to abide by the Group's code of conduct. The code of conduct is periodically reviewed to ensure that it is operating effectively and whether any changes are required. The terms of the code of conduct are:

- act in accordance with the Group's stated values and in the best interests of the Group;
- act honestly and with high standards of personal integrity;
- comply with all laws and regulations that apply to the Group and its operations;
- act ethically and responsibly; – treat fellow staff members with respect and not engage in bullying, harassment or discrimination;
- deal with customers and suppliers fairly;
- disclose and deal appropriately with any conflicts between their personal interests and their duties as a director, senior executive or employee;
- comply with the Group's Whistleblower policy;
- comply with the Group's Anti-Bribery and Corruption Policy;
- not take advantage of the property or information of the Group or its customers for personal gain or to cause detriment to the Group or its customers;
- not take advantage of their position or the opportunities arising therefrom for personal gain; and
- report breaches of the code to the appropriate person or body within the organisation.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Group and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision-making process or discussions where that conflict does arise.

Policy for trading in the securities of the Group

Directors are required to make disclosure of any trading in securities of the Group.

The Group has a policy for trading in the securities of the Group. The policy is:

Definitions

Insider trading:

'Insider trading' includes the trading of securities or some wider set of financial products (including derivatives and financial products able to be traded on a financial market) while in possession of information that is not generally available and would be likely to have a material effect on their price or value if it were generally available. The prohibition against insider trading extends to applying for, acquiring or disposing of, or entering into an agreement to apply for, acquire or dispose of relevant financial products, or procuring another person to so trade, or communicating that information where trading in the relevant financial products is likely to take place.

The insider trading provisions are found in Part 7.10, Division 3 of the Corporations Act 2001 ("Corporations Act"). Section 677 of the Corporations Act defines material effect on price or value. A reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell, the first mentioned securities.

Group securities:

Group securities means shares, options or performance rights over those shares and other securities convertible into shares, and any financial products of the Group traded on ASX.

Closed periods:

Closed Periods means the following periods of time:

- a) From 7 January of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results; and
- b) From 7 July of each year until the next announcement to the ASX of financial results either in the form of a cashflow report or in the form of profit results.

Key management personnel:

Key management personnel are defined in the ASX Listing Rules.

Declaration:

A declaration may be validly issued in either written or electronic form. Electronic declarations may take the form of an email, fax or any other electronic recordable communication.

Excluded trading:

Excluded trading means trading consistent with any of the following categories:

Transfers of Group's securities already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;

An investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;

Where a restricted person is a trustee, trading in the Group's securities of the entity by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a closed period is taken by the other trustees or by the investment managers independently of the restricted person;

Undertakings to accept, or the acceptance of, a takeover offer;

Trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;

A disposal of the Group's Securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement, provided that the restricted person obtained the consent of the chairman or Chief Executive Officer of the Group to enter into agreements that provide lenders with rights over their interests in the entity's securities;

Acquisition of the Group's securities through an issue of securities by the Group;

The exercise (but not the sale of securities following exercise) of an option or a right, or the conversion of a convertible security; or

Trading under a non-discretionary trading plan for which prior clearance by the chairman or Chief Executive Officer of the Group has been provided and where:

- a) the restricted person did not enter into the plan or amend the plan during a closed period;
- b) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and
- c) there was no cancellation of the trading plan during a closed period other than in exceptional circumstances.

Trading in exceptional circumstances:

Trading in exceptional circumstances means trading consistent with any of the following categories:

Trading in accordance with a declaration by the chairman or Chief Executive Officer of permitted trading. In exceptional circumstances, a member of the key management personnel may apply, together with a description of the circumstances, to the chairman or Chief Executive Officer for a declaration to permit trading as Trading in exceptional circumstances which may be given in circumstances that the Chairman considers appropriate such as severe financial hardship, or a person is required by a court order, or there are court enforceable undertakings or there is some other legal or regulatory requirement to do so. The declaration will specify the duration of permitted trading.

Trading restrictions

All key management personnel and all employees of the Group are required to comply with the prohibition against Insider Trading at all times with respect to the Group's securities. Contravention of the insider trading prohibition may result in significant penalties.

With the introduction of the continuous disclosure regime, public listed companies and other disclosing entities are now required to disclose Price Sensitive Information on an on-going basis (subject to limited exceptions) so that at all times in the year the market can be fully informed, and trading can be lawful. As a result, the Group has decided not to specify safe periods but rather to designate periods when trading by key management personnel should not occur.

All key management personnel are required to refrain from trading in the Group's securities on the ASX during a Closed Period except for Excluded Trading or Trading in Exceptional Circumstances.

All directors of the Group are required to comply with the Corporations Act and the ASX Listing Rules with regard to disclosure of their interests in the Group's securities on their appointment as a director, on any change in their interests in the Group's securities and on resignation as a director.

Whistleblower policy

The Group has a whistleblower policy. The Board is informed of any material incidents reported under that policy. The policy is:

Who is a Whistleblower

To be a whistleblower, you must be a current or former:

- employee of the Group your disclosure is about, or a related Group or organisation;
- officer (usually that means a director or Group secretary) of the Group your disclosure is about, or a related Group or organisation;
- contractor, or an employee of a contractor, who has supplied goods or services to the Group your disclosure is about, or a related Group or organisation. This can be either paid or unpaid, and can include volunteers;
- associate of the Group, usually a person with whom the Group acts in concert; or
- spouse, relative or dependant of one of the people referred to above.

If you are a whistleblower, while you must hold or have held one of these roles to access the protections, you do not have to identify yourself or your role, and you can raise your concerns anonymously.

Who you can make disclosure to

You must make your disclosure to:

- a director, Group secretary, Group officer, or senior manager of the Group or organisation, or a related Group or organisation;
- an auditor, or a member of the audit team, of the Group or organisation, or a related Group or organisation;
- an actuary of the Group or organisation, or a related Group or organisation;
- a person authorised by the Group to receive whistleblower disclosures;
- ASIC or the Australian Prudential Regulation Authority (APRA); or
- your lawyer.

While you must make your disclosure to one of these people or organisations, you can raise your concerns anonymously.

Code of conduct

The Group has established a code of conduct which all directors, senior executives, employees and consultants are required to comply with. Refer above for the code of conduct.

Subject of disclosure

You must have reasonable grounds to suspect that the information you are disclosing about the Group concerns:

- misconduct;
- a breach of the Group's code of conduct;
- an improper state of affairs or circumstances;
- This information can be about the Group or organisation, or an officer or employee of the Group or organisation, engaging in conduct that:
 - 1) breaches the Corporations Act,
 - 2) breaches other financial sector laws enforced by ASIC or APRA,
 - 3) breaches an offence against any other law of the Commonwealth that is punishable by imprisonment for a period of 12 months, or
 - 4) represents a danger to the public or the financial system;
- A public interest disclosure as defined below; or
- An emergency disclosure as defined below.

'Reasonable grounds' means that a reasonable person in your position would also suspect the information indicates misconduct or a breach of the law.

Public interest disclosures

A disclosure can be a public interest disclosure if the following conditions are met:

- You must have previously made a report to ASIC or APRA that satisfies the criteria in "Subject of Disclosure" above;
- At least 90 days have passed since you reported your concerns to ASIC or APRA, and you do not have reasonable grounds to believe that action to address your concerns is being or has been taken;
- You have reasonable grounds to believe that reporting your concerns to a journalist or parliamentarian would be in the public interest; and
- After 90 days from when you reported to ASIC or APRA, you gave ASIC or APRA a written notice that includes sufficient information to identify your earlier report and states your intention to make a public interest disclosure. This could be by contacting the ASIC officer who considered your concerns and quoting the reference number of your case.

If you have a public interest disclosure, then you can report your concerns about misconduct or an improper state of affairs or circumstances or a breach of the law to a journalist or a parliamentarian. The extent of the information disclosed is no greater than is necessary to inform the recipient about your concerns.

Emergency disclosures

A disclosure can be an emergency disclosure if the following conditions are met:

- You must have previously made a report to ASIC or APRA that satisfies the criteria in subject of disclosure" above;
- You have reasonable grounds to believe that the information in your report concerns substantial and imminent danger to the health or safety of one or more people or to the natural environment; and
- You gave ASIC or APRA a written notice that includes sufficient information to identify your earlier report and states your intention to make an emergency disclosure. This could be by contacting the ASIC officer who considered your concerns and quoting the reference number of your case.

If you have an emergency disclosure, then you can you report your concerns about the substantial or imminent danger to a journalist or parliamentarian. The extent of the information disclosed must be no greater than is necessary to inform the recipient about the substantial and imminent danger.

Protections available to whistleblowers

You can ask the Group to keep your identity, or information that is likely to lead to your identification, confidential. The Group will comply with such a request except that it may report the information to ASIC, APRA, or the Australian Federal Police, or to a lawyer for advice about the whistleblower protections.

It is illegal for a person to reveal the identity of a whistleblower, or information likely to lead to the identification of whistleblower, outside of these circumstances.

In the Group's investigation of the concerns raised in your report, the Group will take reasonable steps to ensure that information likely to lead to your identification is not disclosed without your consent. However, the Group may face difficulties investigating or internally addressing or correcting the misconduct unless you provide some approval for the Group to use your information.

How the Group will support and protect whistleblowers

The Corporations Act protects a whistleblower against certain legal actions related to making the whistleblower disclosure, including:

- criminal prosecution (and the disclosure cannot be used against the whistleblower in a prosecution, unless the disclosure is false);
- civil litigation (such as for breach of an employment contract, duty of confidentiality, or other contractual obligation), or
- administrative action (including disciplinary action).

If you are the subject of an action for making a whistleblower disclosure, you may rely on this protection in your defence.

However, this protection does not grant immunity to you for any misconduct that you were involved in that is revealed in the disclosure.

How investigations into a disclosure will proceed

All whistleblower disclosures are to be referred immediately to the chairman of directors, who will then notify the Board. The chairman will then determine the steps required to adequately investigate the disclosures.

How the Group will ensure fair treatment of employees who are mentioned in whistleblower disclosures

The Corporations Act makes it illegal (through a criminal offence and civil penalty) for someone to cause or threaten detriment to you because they believe or suspect that you have made, may have made, or could make a whistleblower disclosure.

The criminal offence and civil penalty apply even if you have not made a whistleblower report, but the offender causes or threatens detriment to you because they believe or suspect you have or might make a report.

A person may be causing you detriment if they:

- dismiss you from your employment
- injure you in your employment
- alter your position or duties to your disadvantage
- discriminate between you and other employees of the same employer
- harass or intimidate you
- harm or injure you, including causing you psychological harm
- damage your property
- damage your reputation
- damage your business or financial position
- cause you any other damage.

The offence and penalty require that the detriment be the result of an actual or suspected whistleblower disclosure. In many cases, particularly in the context of private employment, there may be arguments about whether the conduct involved was victimisation as a result of the whistleblower disclosure or for some other reason.

The Group will comply with the above legal obligations.

Policy review

The policy will be periodically reviewed by the Board to check that it is operating effectively and whether any changes are required to the policy.

Employee and manager training

All managers will be provided with a copy of this policy to ensure that they are aware of how to respond in the event that they receive whistleblower disclosures.

All employees will be provided with a copy of this policy to ensure that they are aware of rights and obligations pursuant to this policy.

All managers and employees are encouraged to refer any questions they may have about the policy to their supervisor.

Anti-bribery and corruption policy

The Group has an Anti-Bribery and Corruption policy. The Board is informed of any material incidents reported under that policy. The policy is:

All directors, senior executives, employees and consultants are expected to abide by the Group's Anti-Bribery and Corruption Policy. The Anti-Bribery and Corruption Policy is periodically reviewed to ensure that it is operating effectively and whether any changes are required. The terms of the Anti-Bribery and Corruption Policy are:

- the giving of bribes or other improper payments or benefits to public officials is prohibited;
- the payment of secret commissions to those acting in an agency or fiduciary capacity is prohibited;
- political donations and offering or accepting exceptional gifts, entertainment or hospitality is prohibited without the prior approval of the Board;
- managers and employees likely to be exposed to bribery or corruption are to receive training about how to recognise and deal with it;
- The Group acknowledges that serious criminal and civil penalties that may be incurred and reputational damage may be done if the Group is involved in bribery or corruption; and
- All breaches of this policy are to be reported to the chairman. Any material breaches of this policy are to be reported to the Board.

The Group has established a code of conduct which all directors, senior executives, employees and consultants are required to comply with. Refer above for the code of conduct.

Principle 4: Safeguard integrity in corporate reporting

No audit committee has been established. The Board has not adopted an Audit Committee Charter. Executive directors play an active role in monitoring the daily affairs of the Group. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each board member has access to the external auditors and the auditor has access to each board member.

In the event of the resignation of external auditors, the Board will appoint a new external auditor which is subsequently ratified by shareholders in General Meeting. In all other cases an external auditor is nominated by a shareholder of the Group and is appointed by shareholders in General Meeting. An external auditor can be removed by shareholders in General Meeting. The Board does not have a policy for the rotation of external audit engagement partners.

Before the Board approves the Group's financial statements for a financial period, the Chief Executive Officer and the Chief Finance Officer each declare that, in their opinion, the financial records of the Group for the financial year have been properly maintained, the financial statements and notes for the financial year comply with the appropriate accounting standards, give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The external auditor of the Group attends each Annual General Meeting of shareholders.

Process to verify the integrity of reports issued not subject to audit or review by an external auditor

From time to time, the Group issues reports that are not subject to audit or review by an external auditor, such as annual directors' reports, quarterly activity reports, quarterly cash flow reports and ASX Appendices. To ensure the integrity of such reports, the Group ensures that they are prepared by suitably qualified staff or consultants and are reviewed by the Board or by the appropriate director.

Principle 5: Make timely and balanced disclosure

Compliance with ASX listing rules

The Group has established a policy to ensure compliance with ASX Listing Rule disclosure including, but not limited to, Listing Rule 3.1 and accountability at senior executive level for that compliance. This policy is periodically reviewed to ensure that it is operating effectively and whether any changes are required. The terms of the policy are:

- All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.
- The Group recognises the importance of its market announcements being accurate, balanced and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
- Directors, senior executives and employees are each responsible to inform the Board of any circumstances which could impact the Group's compliance with these requirements.
- The Group ensures that all market announcements are prepared by suitably qualified staff or consultants and are reviewed by the Board or by the appropriate director.
- The Board delegates authority to approve and authorise ASX announcements on behalf of the Group to appropriate individuals.
- The Group has highlighted to all directors, senior executives and staff, the importance of safeguarding the confidentiality of corporate information and avoiding premature disclosure. The Group restricts analyst briefings and responses to security holder questions to the appropriately qualified staff.
- The Board constantly monitors market developments to ensure that there has not emerged a false market in the Group's securities and will respond appropriately if a false market occurs.
- The Group secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

The Board receives copies of all material market announcements promptly after they have been made.

The Group releases a copy of presentation materials on the ASX Market Announcements Platform before any presentation.

Principle 6: Respect the rights of security holders

The Group's corporate governance procedures and policies can be viewed at: <https://www.activeport.com.au/corporate-governance-and-board-charter/>

The Group has a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at its Annual General Meetings. The terms of the communications policy are:

The Board seeks to inform security holders of all major developments affecting the Group by:

- preparing half yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly reports in accordance with the listing rules and announcing these reports to the ASX;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Group's website and hosting all of the above on the Group's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Group's investor relations program is based on actively engaging with security holders at the Annual General Meeting, meeting with them upon request and responding to security holder enquiries from time to time. The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Group who is invited to the Annual General Meeting. The Annual General Meeting is held each year at a convenient time and place and all security holders are encouraged to attend and participate.

The Group's website provides facilities for security holders to subscribe to email updates and thereby receive communications from the Group by email.

All shareholders are invited to, and encouraged to attend, all shareholder meetings of the Group. Notices of meetings are sent to all shareholders by their preferred form of communication. Shareholders who are not able to attend can appoint a proxy to attend in their stead and documentation to facilitate the appointment of a proxy is provided to all shareholders for each shareholder meeting. The Board encourages questions and other communications from shareholders at any time.

The Group complies with ASX Guidance (see note Additional information ASX) which requires that the vote on the resolution with an ASX required voting exclusion statement be conducted by a poll rather than by a show of hands. Furthermore, the Chairman of a shareholder meeting ensures that voting on all substantive resolutions reflects the true will of the security holders attending and voting at the meeting, whether they attend in person, electronically or by proxy or other representative.

The Group provides its security holders with the option to receive communications from, and send communications to, the Group and its security registry electronically.

Principle 7: Recognise and manage risk

The Board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the Group. The Group has established a policy for the oversight of material business risks and the management of material business risks. Risk management is a process of continuous improvement that is integrated into existing practices or business processes. The terms of these risk management policies are:

- liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole;
- define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process;
- identify the risks to be managed;
- identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur;
- compare estimated levels of risk against pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities;
- develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action;
- the chairman and Chief Executive Officer are responsible for the implementation and maintenance of sound risk management. In carrying out this responsibility, senior managers review the adequacy of internal controls to ensure that they are operating effectively and are appropriate for achieving corporate goals and objectives;
- the Board is responsible for oversight and for providing corporate assurance on the adequacy of risk management procedures; and
- managers at all levels are to create an environment where managing risk forms the basis of all activities.

Risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Group identifies and manages those risks on a case by case and overall corporate basis.

The Group does not have an internal audit function. The Board has required management to design and implement processes for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes and has required management to report to it on whether those processes are being managed effectively.

A formal risk management evaluation was not carried out in the financial year as the Board monitors risk on an on-going basis.

The Group has regulatory responsibility for the environmental consequences of its activities. The Group engages qualified employees or consultants where applicable to manage its environmental responsibilities and complies with these obligations. The Group has no material exposure to environmental or social risks.

Principle 8: Remunerate fairly and responsibly

There is no formal remuneration committee. The Board has not adopted a Remuneration Committee Charter. The functions that would have been carried out by a remuneration committee are performed as follows:

- The remuneration of executive directors is determined by the Board as a whole. The remuneration of non-director senior executives is determined by the Chief Executive Officer.
- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive director. In determining the allocation of remuneration to each non-executive director, the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

- When the board as a whole considers the remuneration of a particular director, that director will take no part in the decision-making process or discussions.
- Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Group. One third of the directors retires annually in accordance with the constitution and is free to seek re-election by shareholders.

There are no schemes for retirement benefits other than contributions to external superannuation funds. There is no policy on prohibiting transactions in associated products which limit the economic risk to directors and executives of participating in unvested entitlements under an equity based remuneration scheme, other than the Group's policy for trading in the securities of the Group. The Group has from time to time issued securities of the Group and performance rights to executives and directors. Securities to be issued to directors are pursuant to the approval of the Group's shareholders in general meeting. The Group has an employee share plan in place which was approved by the Group's shareholders in general meeting. The Group does not currently have any other unvested equity based remuneration scheme.

Table of departures and explanations (from the recommendations of the ASX Corporate Governance Council)

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
1.3	Written agreements have not been executed with all directors and senior executives.	Given the nature and size of the Group, its business interests and the stage of development, the Board is of the view that the roles and responsibilities of all directors and senior executives are clearly defined and understood and that written agreements for all directors and senior executives are not warranted as yet.
1.5	No formal diversity policy has been established. No measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally have been established.	The Group does not discriminate on the basis of gender. While gender imbalances may occur from time to time, all applicants for positions with the Group are assessed on their merits irrespective of their gender. Given the nature and size of the Group, its business interests and the stage of development, the Board is of the view that the current composition of the Board does not disadvantage the Group and a diversity policy is not necessary to provide a competitive advantage at this time.
1.6 and 1.7	No formal process has been established for periodically evaluating the performance of directors and senior executives and no performance evaluation has been undertaken.	There is no formal process for periodically evaluating the performance of directors and senior executives as the Board monitors the performance of directors and senior executives on an on-going basis and conducts an evaluation of the performance of directors and senior executives as and when the Board considers appropriate.
2.1	A Nomination Committee has not been formed.	The Board comprises four members each of whom have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse themselves where there is a personal interest or conflict.
2.4 and 2.5	The Board does not have a majority of independent directors. The chairman is not an independent director.	Given the nature and size of the Group, its business interests and the stage of development, the Board is of the view that active director oversight with executive involvement is required in multiple jurisdictions and disciplines, thereby limiting the number of directors who can be independent. Given the nature and depth of their experience, each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.6	The Group does not have a program for inducting new directors or for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	Given the nature and size of the Group, its business interests and the stage of development, the Board is of the view that all directors already have sufficient skills, knowledge and familiarity with the Group and its operating environment to fulfil their role on the Board and on board committees effectively. All directors are responsible for their own training and development.
4.1	No formal audit committee has been established or formal charter drawn.	Given the size and nature of the Group, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established, or a charter be drawn.
7.1	No formal risk management committee has been established or formal charter drawn.	Given the size and nature of the Group, its business interests and the ongoing level of involvement of all directors it is not considered necessary to establish a risk management committee or a charter be drawn.
7.2	No formal review of the Group's risk management framework has been carried out.	Given the size and nature of the Group, its business interests and the ongoing level of involvement of all directors it is not considered necessary to conduct a formal review of the Group's risk management framework as the Group's risk profile is monitored by the Board on an on-going basis.
8.1	No formal remuneration committee has been established or formal charter drawn.	Given the size and nature of the Group, its business interests and the ongoing level of involvement of all directors it is not considered necessary to establish a remuneration committee or a charter be drawn.

ActivePort Group Ltd and Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 \$	2021 \$
Revenue			
Sales of goods and services	3	10,638,545	425,638
Cost of goods sold		<u>(6,256,672)</u>	<u>(69,894)</u>
Gross profit		<u>4,381,873</u>	<u>355,744</u>
Net fair value loss on investments	4	(107,686)	-
Fair value loss on deferred consideration		(1,166,324)	-
Other income	5	1,808,181	24,928
Expenses			
Distribution and marketing expenses		(132,950)	(6,414)
Research and development expenses		-	(34,920)
Administration expense	7	(1,985,328)	(514,421)
Employee benefits expense	8	(8,854,780)	(2,377,868)
Depreciation and amortisation	6	(916,411)	(21,096)
Other expenses		<u>(47,384)</u>	<u>(47,764)</u>
Operating loss		<u>(7,020,809)</u>	<u>(2,621,811)</u>
Finance income	9	33,772	5,723
Finance costs	10	<u>(246,133)</u>	<u>(63,846)</u>
Loss before income tax benefit		<u>(7,233,170)</u>	<u>(2,679,934)</u>
Income tax benefit	11	<u>557,000</u>	<u>-</u>
Loss after income tax benefit for the year	29	<u>(6,676,170)</u>	<u>(2,679,934)</u>
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(394)</u>	<u>-</u>
Other comprehensive loss for the year, net of tax		<u>(394)</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(6,676,564)</u></u>	<u><u>(2,679,934)</u></u>
		Cents	Cents
Earnings per share for loss			
Basic earnings loss share	45	(18.68)	(7.50)
Diluted loss per share	45	(18.68)	(7.50)

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

ActivePort Group Ltd and Controlled Entities
Consolidated statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	12	3,169,444	986,989
Trade and other receivables	13	5,417,971	807,139
Contract assets	14	141,349	-
Inventories	15	74,303	-
Financial assets at fair value through profit or loss	16	151,488	-
Financial asset at amortised cost	17	116,704	6,600
Total current assets		<u>9,071,259</u>	<u>1,800,728</u>
Non-current assets			
Property, plant and equipment	18	255,604	101,025
Right-of-use assets	19	2,101,130	52,476
Intangibles	20	27,773,797	8,844,426
Financial asset at amortised cost	17	494,998	240,000
Total non-current assets		<u>30,625,529</u>	<u>9,237,927</u>
Total assets		<u>39,696,788</u>	<u>11,038,655</u>
Liabilities			
Current liabilities			
Trade and other payables	21	3,627,674	1,276,069
Contract liabilities	22	118,297	-
Borrowings	23	234,933	246,666
Lease liabilities	24	352,729	26,021
Employee benefits	25	512,046	69,074
Provisions	26	2,797,873	-
Total current liabilities		<u>7,643,552</u>	<u>1,617,830</u>
Non-current liabilities			
Borrowings	23	2,016,109	1,622,815
Lease liabilities	24	1,953,219	27,071
Total non-current liabilities		<u>3,969,328</u>	<u>1,649,886</u>
Total liabilities		<u>11,612,880</u>	<u>3,267,716</u>
Net assets		<u>28,083,908</u>	<u>7,770,939</u>
Equity			
Issued capital	27	36,970,539	10,949,988
Reserves	28	1,028,039	59,451
Accumulated losses	29	(9,914,670)	(3,238,500)
Total equity		<u>28,083,908</u>	<u>7,770,939</u>

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

ActivePort Group Ltd and Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2022

	Issued capital \$	Option reserve \$	Foreign exchange translation reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2020	531,728	-	-	(558,566)	(26,838)
Loss after income tax expense for the year	-	-	-	(2,679,934)	(2,679,934)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(2,679,934)	(2,679,934)
Transactions with owners in their capacity as owners:					
Issue of shares (note 27)	10,783,326	-	-	-	10,783,326
Issue of options (note 28)	-	59,451	-	-	59,451
Share issue expenses (note 27)	(365,066)	-	-	-	(365,066)
Balance at 30 June 2021	<u>10,949,988</u>	<u>59,451</u>	<u>-</u>	<u>(3,238,500)</u>	<u>7,770,939</u>
	Issued capital \$	Option reserves \$	Foreign exchange translation reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2021	10,949,988	59,451	-	(3,238,500)	7,770,939
Loss after income tax benefit for the year	-	-	-	(6,676,170)	(6,676,170)
Other comprehensive loss for the year, net of tax	-	-	(394)	-	(394)
Total comprehensive loss for the year	-	-	(394)	(6,676,170)	(6,676,564)
Transactions with owners in their capacity as owners:					
Issue of shares (note 27)	27,116,073	-	-	-	27,116,073
Issue of options (note 28)	-	968,982	-	-	968,982
Share issue expenses (note 27)	(1,095,522)	-	-	-	(1,095,522)
Balance at 30 June 2022	<u>36,970,539</u>	<u>1,028,433</u>	<u>(394)</u>	<u>(9,914,670)</u>	<u>28,083,908</u>

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

ActivePort Group Ltd and Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Operating activities:			
Receipts from customers		9,517,552	175,542
Payments to suppliers and employees		(17,627,400)	(2,540,245)
Interest and lease charges paid		(246,133)	(3,379)
Interest received		33,772	74
Government grant received		117	24,928
Income tax		555,130	-
Net cash used in operating activities	42	(7,766,962)	(2,343,080)
Investing activities:			
Payments for property, plant and equipment	18	-	(211,785)
Loans to other entities		-	(240,000)
Cash acquired on business combination	38	770,326	2,450
Purchase of financial assets		(259,174)	-
Research and development costs capitalised		(1,771,019)	-
Additional cost in relation to Acquisition of ActivePort Pty Ltd		(24,002)	-
Net cash used in investing activities		(1,283,869)	(449,335)
Financing activities:			
Repayment of borrowings		-	(60,000)
Proceeds from issue of shares		12,052,628	3,722,745
Payment of principal portion of lease liabilities		(263)	(15,240)
Share issue transaction costs		(819,079)	-
Net cash from financing activities		11,233,286	3,647,505
Net increase in cash and cash equivalents		2,182,455	855,090
Cash and cash equivalents at the beginning of the financial year		986,989	131,899
Cash and cash equivalents at the end of the financial year	12	<u>3,169,444</u>	<u>986,989</u>

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

Note 1. Significant accounting policies

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value through profit or loss.

Critical accounting estimates

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

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

Going concern

The Group reported a net asset position of \$28,083,908 (2021: \$7,770,939) and net current assets of \$1,567,120 (2021: of \$182,898) as at 30 June 2022 and incurred a loss of \$ 6,676,170 (2021: \$ 2,679,934) and net operating cash outflow of \$7,766,962 (2021: \$ 2,343,080) for the year ended 30 June 2022.

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 Group's distribution network to generate sales revenues and positive cash flows; and
- the ability of the Group to raise additional funding.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds as necessary. In the event that the Group is not successful in managing the discretionary expenditure as well as in raising funds from short term financing or from the issue of new equity, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Group does not expect significant change to market conditions. The Directors don't believe that it is going to be necessary for ATV to seek further capital for BAU operations. In the year ended 30 June 2023, ATV will be looking to expand operations in India, Africa, Middle and East and Asia. This will involve growing our partnerships, leveraging existing and consideration on setting up ATV offices in strategic locations.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ActivePort Group Ltd and Controlled Entities ('Group') as at 30 June 2022 and the results of all subsidiaries for the year then ended. ActivePort Group Ltd and Controlled Entities and its subsidiaries together are referred to in these financial statements as the '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.

Note 1. Significant accounting policies (continued)

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.

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.

Foreign currency translation

The financial statements are presented in Australian dollars, which is ActivePort Group Ltd and Controlled Entities' functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

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

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

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 Group is operating in one segment being Software Defined Networking and this segment includes:

1. The provision of (MANO) Management and Orchestration software.
2. SD-WAN (Software Defined Wide Area Networking) software.
3. Services across both MANO and SD-WAN including, Professional Services, Managed Services, Support Service and Product Integration Services.

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

Current and non-current classification

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

Note 1. Significant accounting policies (continued)

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

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

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

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 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.

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

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 Group 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 marketplace. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

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.

Share based payment transactions

The Group provides incentives to the key management personnel (KMP), consultants and brokers of the Group 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:

- the grant date fair value of the award,
- the extent to which the vesting period has expired, and
- the number of options that, in the opinion of the Directors of the Group, 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.

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.

Note 1. Significant accounting policies (continued)

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

Revenues, expenses and assets are recognised net of the amount of 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.

New or amended Accounting Standards and Interpretations adopted

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

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 Group 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 Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment assessment of goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

The Group 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 Group 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 Group 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 Group recognises liabilities for anticipated tax audit issues based on the Group'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 Group 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.

Business combinations

As discussed in note 38, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Sales of goods and services

	Consolidated	
	2022	2021
	\$	\$
<i>Revenue from contracts with customers</i>		
Hardware	3,194,464	370,585
ActivePort software	726,135	55,053
Professional fees	4,150,326	-
Managed services	1,888,413	-
Software other	611,869	-
Other revenue	67,338	-
	<u>10,638,545</u>	<u>425,638</u>

Note 3. Sales of goods and services (continued)

Disaggregation of revenue

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

Geographical regions

Australia	10,516,383	425,638
Rest of the World	122,162	-
	<u>10,638,545</u>	<u>425,638</u>

Timing of revenue recognition

Goods transferred at a point in time	5,366,183	370,585
Services transferred over time	5,272,362	55,053
	<u>10,638,545</u>	<u>425,638</u>

Accounting policy for revenue

The Group 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 Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

Sale of goods

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

Rendering of services

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

Note 4. Net fair value loss on investments

	Consolidated	
	2022	2021
	\$	\$
Net fair value loss on investments in listed ordinary shares	<u>(107,686)</u>	<u>-</u>

ActivePort Group Ltd and Controlled Entities
Notes to the consolidated financial statements
30 June 2022

Note 5. Other income

	Consolidated 2022 \$	2021 \$
Government grants – Cash Boost stimulus	-	24,928
Sundry income	8,770	-
Research and development tax incentive rebate	1,799,411	-
Other income	<u>1,808,181</u>	<u>24,928</u>

Accounting policy for other income

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.

Other revenue

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

Research and development tax incentive rebate

The research and development tax incentive rebate is recognised when a reliable estimate of the amounts receivable can be made. For the year ended 30 June 2022, the Group has estimated the rebate which will be received and has accrued that amount. The rebate has been allocated in proportion to the amount of costs capitalised. The remaining amount is recognised as income in the statement of profit or loss and other comprehensive income.

Note 6. Depreciation and amortisation

	Consolidated 2022 \$	2021 \$
Depreciation for property, plant and equipment	78,808	10,922
Depreciation for right-of-use assets	205,078	10,174
Amortisation for intangibles	632,525	-
	<u>916,411</u>	<u>21,096</u>

Note 7. Administration expense

	Consolidated 2022 \$	2021 \$
Professional fees	1,294,929	348,488
Occupancy expenses	137,261	36,610
Expected credit losses	104,296	95,343
Other administration expenses	448,842	33,980
	<u>1,985,328</u>	<u>514,421</u>

Note 8. Employee benefits expense

	Consolidated	
	2022	2021
	\$	\$
Wages and salaries	7,118,291	2,185,149
Superannuation expense	634,097	64,468
Other employment expense	409,858	128,251
Share based payment expense	692,534	-
	<u>8,854,780</u>	<u>2,377,868</u>

Note 9. Finance income

	Consolidated	
	2022	2021
	\$	\$
Interest income	33,772	74
Foreign exchange gain	-	5,528
Other finance income	-	121
	<u>33,772</u>	<u>5,723</u>

Accounting policy for other income

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.

Note 10. Finance costs

	Consolidated	
	2022	2021
	\$	\$
Other finance costs	178,064	60,467
Interest and finance charges paid on lease liabilities	68,069	3,379
	<u>246,133</u>	<u>63,846</u>

Accounting policy for finance 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 Group does not currently hold qualifying assets.

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Note 11. Income tax benefit

	Consolidated 2022 \$	2021 \$
<i>Income tax benefit</i>		
Current tax	-	-
Deferred tax - reversal of temporary differences from business combinations	(557,000)	-
Aggregate income tax benefit	<u>(557,000)</u>	<u>-</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(7,233,170)	(2,679,934)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,808,293)	(696,783)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	78,218	74
Non-assessable income	17,123	(6,481)
Amount recognised in current year in respect of current tax of previous years	(558,128)	(313,507)
Effect of amounts that would be recognised as deferred tax assets in the current year	-	2,485
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	1,714,080	1,087,747
Income tax benefit	<u>(557,000)</u>	<u>-</u>

The franking account balance at year end was \$Nil (2021: \$Nil)

Unrecognised temporary differences

At 30 June 2022, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries as the Group has no liability for additional taxation should unremitted earnings be remitted (2021: \$Nil).

Deferred tax assets and liabilities

At 30 June 2022, the Group has unused tax losses of \$8,191,755 (2021: \$2,080,845) 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 \$1,895,775 (2021: \$1,062,377) 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:

	Consolidated 2022 \$	2021 \$
<i>Deferred tax assets at 25% (2021: 26%)</i>		
Provisions and accruals	244,140	139,624
Lease liabilities	586,030	13,273
Tax losses carried forward	2,047,939	821,660
Other future deductions	190,839	87,820
Deferred tax asset not recognised	(1,895,775)	(1,062,377)
Deferred tax liabilities transferred	(1,173,173)	-
	<u>-</u>	<u>-</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

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

Note 11. Income tax benefit (continued)

	Consolidated 2022 \$	2021 \$
<i>Deferred tax liabilities at 25% (2021:26%)</i>		
Deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Trade and other receivables	200,127	1,412
Other adjustments	447,764	-
Right of Use asset	-	13,119
Gross deferred tax liabilities	525,282	-
Deferred tax liabilities not recognised	-	(14,531)
Transferred to deferred tax assets	(1,173,173)	-
Net deferred tax	<u>-</u>	<u>-</u>

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.

Accounting policy for income tax

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

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

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

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

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

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

Note 12. Cash and cash equivalents

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Cash on hand	3,169,444	986,989

Accounting policy for 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.

Note 13. Trade and other receivables

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Trade receivables (note a)	1,674,899	505,418
Less: Allowance for expected credit losses	(199,639)	(95,343)
	1,475,260	410,075
Other receivables	82,148	160,561
Prepayments	891,040	236,503
Research and development receivables	1,794,989	-
Related party receivable - Radian Arc	1,174,534	-
	5,417,971	807,139

(a) Trade receivables

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 \$199,639 (2021: \$95,343) during this financial year:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2022 %	2021 %	2022 \$	2021 \$	2022 \$	2021 \$
Not overdue	-	-	931,267	389,994	-	-
0 to 3 months overdue	-	74.09%	610,296	4,744	-	3,515
3 to 6 months overdue	(44.88%)	74.07%	(82,197)	14,230	36,890	10,540
Over 6 months overdue	75.51%	84.28%	215,533	96,450	162,749	81,288
			1,674,899	505,418	199,639	95,343

Note 13. Trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2022 \$	2021 \$
Opening balance	95,343	-
Additional provisions recognised	87,204	95,343
Additions through business combinations	36,387	-
Receivables written off during the year as uncollectable	(19,295)	-
Unused amounts reversed	-	-
	<u>199,639</u>	<u>95,343</u>
Closing balance		

Accounting policy for 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 Group 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.

Note 14. Contract assets

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Contract assets	<u>141,349</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	-	-
Additions	<u>141,349</u>	<u>-</u>
Closing balance	<u>141,349</u>	<u>-</u>

Accounting policy for contract assets

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

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Note 15. Inventories

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Inventories	74,303	-

Accounting policy for inventories

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

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

Note 16. Financial assets at fair value through profit or loss

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Listed ordinary shares	151,488	-

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	259,174	-
Fair value loss	(107,686)	-
Closing fair value	151,488	-

Note 17. Financial asset at amortised cost

	Consolidated 2022 \$	2021 \$
<i>Current assets</i>		
Pledged bank deposits	20,000	-
Term deposits	96,704	6,600
	116,704	6,600
<i>Non-current assets</i>		
Loan to Vizstone Pty Ltd (i)	-	240,000
Term deposits	494,998	-
	494,998	240,000

(i) On 4 February 2021, the Group provided a loan of \$240,000 to Vizstone Pty Ltd, a company that became a 100% subsidiary during the current year. The loan was secured, repayable on or before 31 December 2022 and accrued interest at 6% per annum.

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Note 17. Financial asset at amortised cost (continued)

Accounting policy for 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.

Note 18. Property, plant and equipment

	Consolidated	
	2022	2021
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	235,924	105,650
Less: Accumulated depreciation	(48,753)	(4,625)
	<u>187,171</u>	<u>101,025</u>
Office furniture and equipment - at cost	88,362	6,297
Less: Accumulated depreciation	(29,278)	(6,297)
	<u>59,084</u>	<u>-</u>
Leasehold improvements - at cost	10,126	-
Less: Accumulated depreciation	(777)	-
	<u>9,349</u>	<u>-</u>
	<u><u>255,604</u></u>	<u><u>101,025</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment \$	Office furniture and equipment \$	Leasehold improvements \$	Total \$
Balance at 1 July 2020	105,650	6,297	-	111,947
Depreciation expense	(4,625)	(6,297)	-	(10,922)
Balance at 30 June 2021	101,025	-	-	101,025
Additions through business combinations (note 38)	135,512	88,362	10,126	234,000
Disposals	(613)	-	-	(613)
Depreciation expense	(48,753)	(29,278)	(777)	(78,808)
Balance at 30 June 2022	<u><u>187,171</u></u>	<u><u>59,084</u></u>	<u><u>9,349</u></u>	<u><u>255,604</u></u>

Accounting policy for 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:

Note 18. Property, plant and equipment (continued)

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

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

Plant and equipment	3 years
Engineering equipment and software	3 years
Furniture and office equipment:	3 years
Leasehold improvements	10 years

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

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

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.

Note 19. Right-of-use assets

	Consolidated	
	2022	2021
	\$	\$
<i>Non-current assets</i>		
Right-of-use assets - at cost	2,339,641	86,138
Less: Accumulated depreciation	<u>(238,511)</u>	<u>(33,662)</u>
	<u><u>2,101,130</u></u>	<u><u>52,476</u></u>

Additions to the right-of-use assets during the year were \$2,253,501.

The Group's lease portfolio includes buildings and equipment. The buildings leases have lease terms for 5 years and contains the option to renew the lease after that date. The equipment leases have lease terms between 3 to 4 years.

Accounting policy for 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.

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

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Note 20. Intangibles

	Consolidated 2022 \$	2021 \$
<i>Non-current assets</i>		
Goodwill	24,110,937	8,744,589
Developed software - at cost	2,884,579	-
Less: Accumulated amortisation	(432,873)	-
	2,451,706	-
Developed intellectual property - at cost	303,750	-
Less: Accumulated amortisation	(43,599)	-
	260,151	-
Customer relationships - at cost	1,007,219	-
Less: Accumulated amortisation	(122,774)	-
	884,445	-
Purchased software - at cost	99,837	99,837
Less: Accumulated amortisation	(33,279)	-
	66,558	99,837
	<u>27,773,797</u>	<u>8,844,426</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$	Developed software \$	Developed intellectual property \$	Customer relationships \$	Purchased software \$	Total \$
Consolidated						
Balance at 30 June 2021	8,744,589	-	-	-	99,837	8,844,426
Balance at 1 July 2021	8,744,589	-	-	-	99,837	8,844,426
Additions	24,002	-	-	-	-	24,002
Additions through business combinations (note 38)	16,261,314	1,729,525	303,750	1,007,219	-	19,301,808
Transfers (out)/in	(918,968)	1,155,054	-	-	-	236,086
Amortisation expense	-	(432,873)	(43,599)	(122,774)	(33,279)	(632,525)
Balance at 30 June 2022	<u>24,110,937</u>	<u>2,451,706</u>	<u>260,151</u>	<u>884,445</u>	<u>66,558</u>	<u>27,773,797</u>

Sensitivity

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

- Revenue would need to decrease by more than 1% for the Software Defined Networking division before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 1% for the Software Defined Networking division before goodwill would need to be impaired, with all other assumptions remaining constant.

The following key assumptions were used in the discounted cash flow model:

Note 20. Intangibles (continued)

- ActivePort Pty Ltd - 16.3% pre-tax discount rate and 32% per annum projected revenue growth rate
- Global Edge & Future broadband - 16.3% pre-tax discount rate and 71% per annum projected revenue growth rate
- Starboard IT - 14.8% pre-tax discount rate and 35% per annum projected revenue growth rate
- Vizstone - 14.8% pre-tax discount rate and 35% per annum projected revenue growth rate

The above pre-tax discount rate reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the above projected revenue growth rate is prudent and justified, based on the general slowing in the market. Management have estimated the above revenue growth in accordance with the acquisition strategy and have no reason to revise this estimation based on current performance.

There were no other key assumptions.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of computer distribution division's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for the computer retailing division's goodwill.

Accounting policy for intangible assets

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.

Goodwill

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

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 9 years.

Customer relationship

Customer relationship acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 to 5 years.

Software - purchased

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

Software - developed

Significant costs associated with software are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 6.2 years.

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Note 21. Trade and other payables

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Trade payables	2,369,087	613,476
PAYG withholding payables	459,909	132,196
Superannuation payables	122,777	90,607
GST payables	94,612	-
Other payables and accruals	581,289	439,790
	<u>3,627,674</u>	<u>1,276,069</u>

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

Refer to note 31 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 22. Contract liabilities

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>118,297</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	-	-
Payments received in advance	177,130	-
Recognised as revenue during the year	(58,833)	-
Closing balance	<u>118,297</u>	<u>-</u>

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$118,297 as at 30 June 2022 (\$nil as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2022	2021
	\$	\$
Within 6 months	<u>118,297</u>	<u>-</u>

Accounting policy for contract liabilities

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

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Note 23. Borrowings

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Loan Glenn & Marilyn Farrow (1)	234,933	246,666
<i>Non-current liabilities</i>		
Loan Mark Middleton (2)	307,849	351,116
Loan Acurix Networks Pty Ltd (2)	995,195	1,203,873
Loan Grant Farrow (2)	58,611	67,826
Loan Wentworth Williams Auditing Pty Ltd (3)	300,000	-
Loan SK Advisory Pty (3)	71,454	-
Loan R4 Trading (3)	283,000	-
	<u>2,016,109</u>	<u>1,622,815</u>

(1) This loan arose following the acquisition of ActivePort Pty Ltd in January 2021, incurs interest at 10% per annum, and is a related party loan.

(2) These loans arose following the acquisition of ActivePort Pty Ltd in January 2021, incur interest at 6% per annum, and are related party loans.

(3) These loans arose as part of the Global Edge Network Limited (previously Datacenter Limited) acquisition. They are under review with the relevant parties and pending a final legal outcome.

Accounting policy for 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Note 24. Lease liabilities

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Lease liability	352,729	26,021
<i>Non-current liabilities</i>		
Lease liability	1,953,219	27,071

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

Note 24. Lease liabilities (continued)

	2022 \$	2021 \$
Within one year	352,729	26,021
After one year but not more than five years	1,953,219	27,071
Total minimum lease payments	<u>2,305,948</u>	<u>53,092</u>
Less: amounts representing finance charges	<u>(412,777)</u>	<u>(5,275)</u>
Present value of minimum lease payments	<u><u>1,893,171</u></u>	<u><u>47,817</u></u>

Accounting policy for 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.

Note 25. Employee benefits

	Consolidated 2022 \$	2021 \$
<i>Current liabilities</i>		
Employee benefits	<u>512,046</u>	<u>69,074</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 2022 \$	2021 \$
Employee benefits obligation expected to be settled after 12 months	<u>444,604</u>	<u>59,976</u>

Accounting policy for employee 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.

Note 25. Employee benefits (continued)

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

Note 26. Provisions

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Deferred consideration	2,697,873	-
Lease make good	100,000	-
	<u>2,797,873</u>	<u>-</u>

Deferred consideration

At 30 June 2022 the deferred consideration was fair valued using the closing share price of \$0.078. This resulted in a fair value loss from the Starboard IT Pty Ltd acquisition of \$147,294 and a fair value loss from the Vizstone Pty Ltd acquisition of \$1,019,031.

The consideration for the acquisitions of Starboard IT Pty Ltd ("**Starboard**") and Vizstone Pty Ltd ("**Vizstone**") included various tranches of ordinary shares in ActivePort Group Ltd to be issued based on the financial performance in financial years ended 30 June 2021, 2022, and 2023 ("FY21, FY22 and FY23") of each company ("**Deferred Consideration Shares**"). No Deferred Consideration Shares were issued based on the financial performance of the Acquisitions for FY21.

Deferred Consideration Shares for the Starboard acquisition

The consideration payable by the Company for the Starboard Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

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:

- o 80% of the Company's 3-month VWAP (April to June 2023); and
- o \$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.

Deferred Consideration Shares for the Vizstone acquisition

Note 26. Provisions (continued)

The consideration payable by the Company for the Vizstone Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

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:

- o 80% of the Company's 3-month VWAP (April to June 2023); and
- o \$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.

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good \$	Deferred consideration \$
Consolidated - 2022		
Carrying amount at the start of the year	-	-
Additional provisions recognised	100,000	1,531,549
Fair value loss at 30 June 2022	-	1,166,324
	<u>100,000</u>	<u>1,166,324</u>
Carrying amount at the end of the year	<u>100,000</u>	<u>2,697,873</u>

Accounting policy for provisions

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

Note 27. Issued capital

	Consolidated	
	2022	2021
	\$	\$
Paid up capital - ordinary shares (note a)	38,539,477	11,423,202
Capital raising costs capitalised	(1,568,938)	(473,214)
	<u>36,970,539</u>	<u>10,949,988</u>

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Note 27. Issued capital (continued)

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group 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.

Details	Date	Shares	Issue price	\$
Balance	Shares on issue at 1 July 2020	9,080,000		640,078
Pre-IPO capital raise	20 October 2020	220,000	\$0.50 each	110,000
Issue of shares (1)	22 January 2021	8,443,708	\$0.80 each	6,754,966
Pre-IPO capital raise	1 February 2021	2,485,500	\$0.80 each	1,988,400
Pre-IPO capital raise	26 February 2021	55,000	\$0.80 each	44,000
Shares on issue 5 for 1 share split (2)	1 April 2021	81,136,832		-
Pre-IPO capital raise	May 2021	11,637,250	\$0.16 each	1,861,960
Pre-IPO capital raise	June 2021	150,000	\$0.16 each	24,000
Capital raising costs		-		(473,416)
Shares on issue 30 June 2022		<u>113,208,290</u>		<u>10,949,988</u>
In lieu of directors fees	28 July 2021	1,869,188	\$0.16 each	299,070
Global Edge Acquisition	9 August 2021	39,287,515	\$0.20 each	7,857,503
Starboard, Vizstone Acquisition and IPO	27 September 2021	93,125,000	\$0.20 each	18,625,000
Share based payment - KP	20 May 2022	187,500	\$0.16 each	30,000
Future broadband Acquisition	28 May 2022	2,175,000	\$0.14 each	304,500
Capital raising costs		-		(1,095,522)
Shares on issue 30 June 2022		<u>249,852,493</u>		<u>36,970,539</u>

(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 Group 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

Date	Expiry	Options	Exercise price
20 October 2020 (1)	31 October 2022	126,000	\$1.25 each
20 October 2020 (1)	31 October 2023	378,000	\$1.50 each
20 October 2020 (1)	31 October 2024	<u>126,000</u>	<u>\$1.75 each</u>
		<u>630,000</u>	

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Note 27. Issued capital (continued)

Option on issue after 5 for 1 securities split

20 October 2020 (2)	31 October 2022	630,000	\$0.25 each
20 October 2020 (2)	31 October 2023	1,890,000	\$0.30 each
20 October 2020 (2)	31 October 2024	630,000	\$0.35 each
28 July 2021	30 September 2021	<u>9,811,475</u>	\$0.40 each
Options on issue 30 June 2022		<u><u>12,961,475</u></u>	

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

(2) On 1 April 2021, the Group 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).

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Group's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the prior year.

Accounting policy for 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.

Note 28. Reserves

	Consolidated	
	2022	2021
	\$	\$
Foreign currency reserve	(394)	-
Share options / performance rights reserve	<u>1,028,433</u>	<u>59,451</u>
	<u><u>1,028,039</u></u>	<u><u>59,451</u></u>

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 Group recognised in accordance with the accounting policy adopted for share-based payments.

Note 28. Reserves (continued)

Share options / performance rights on issue	Number	\$	Weighted average exercise price
At 1 July 2021	3,150,000	59,451	1.50
Share options / performance rights issued	9,811,475	276,448	0.40
Fair value of performance rights	8,878,640	692,534	0.078
	<u>18,690,115</u>	<u>968,982</u>	
At 30 June 2022	<u>21,840,115</u>	<u>1,028,433</u>	

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$	Share option / performance rights reserve \$	Total \$
Balance at 1 July 2020	-	-	-
Issue of option	-	59,451	59,451
Balance at 30 June 2021	-	59,451	59,451
Issue of option	-	276,448	1,807,997
Foreign currency translation	(394)	-	(394)
Fair value of performance rights	-	692,534	-
Balance at 30 June 2022	<u>(394)</u>	<u>1,028,433</u>	<u>1,867,054</u>

Note 29. Accumulated losses

	Consolidated 2022 \$	Consolidated 2021 \$
Accumulated losses at the beginning of the financial year	(3,238,500)	(558,566)
Loss after income tax benefit for the year	<u>(6,676,170)</u>	<u>(2,679,934)</u>
Accumulated losses at the end of the financial year	<u>(9,914,670)</u>	<u>(3,238,500)</u>

Note 30. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 31. 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.

Note 31. Financial risk management (continued)

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.

Market risk

Foreign 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.

	2022 US Dollars	2021 US Dollars
Trade and other receivables	347,463	207,500
Cash and cash equivalents	547,902	-
Trade and other payables	(340,071)	(25,439)
	<u>555,294</u>	<u>182,061</u>

The Group had net assets denominated in foreign currencies of \$555,294 (assets of \$895,365 less liabilities of \$340,071) as at 30 June 2022 (2021: \$182,061). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2021: 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 \$55,529 higher/\$55,529 lower (2021: \$18,206 lower/\$18,206 higher) and equity would have been \$55,529 higher/\$55,529 lower (2021: \$18,206 lower/\$18,206 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 2022 was \$9,962 (2021: gain of \$198).

Price risk

The Group is not exposed to any significant price risk.

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:

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Note 31. Financial risk management (continued)

	Floating interest rate \$	Fixed interest rate \$	Total \$
Year ended 30 June 2022			
Financial assets			
Cash and cash equivalents	3,169,444	-	3,169,444
Financial asset at amortised cost	514,998	-	514,998
	<u>3,684,442</u>	<u>-</u>	<u>3,684,442</u>
Financial liabilities			
Lease liabilities	-	(2,305,948)	(2,305,948)
Short term loan	-	(889,386)	(889,386)
Long term loans	-	(1,361,655)	(1,361,655)
	<u>-</u>	<u>(4,556,989)</u>	<u>(4,556,989)</u>
Net exposure	<u>3,684,442</u>	<u>(4,556,989)</u>	<u>(872,547)</u>
	Floating interest rate \$	Fixed interest rate \$	Total \$
Year ended 30 June 2021			
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>

The interest rates and terms of repayment of the Group's borrowings are disclosed in note 23 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 \$45,570 (2021: \$16,826). 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 2021. There would be no impact on equity.

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.

Note 31. Financial risk management (continued)

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 13.

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.

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.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2022						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	3,489,495	-	-	-	3,489,495
<i>Interest-bearing - variable</i>						
Lease liabilities	6.00%	502,027	2,221,821	-	-	2,723,848
Short term loans	8.00%	889,386	-	-	-	889,386
Long term loans	4.00%	572,791	562,728	226,136	-	1,361,655
Total non-derivatives		5,453,699	2,784,549	226,136	-	8,464,384
Consolidated - 2021						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,053,266	-	-	-	1,053,266
<i>Interest-bearing - variable</i>						
Lease liabilities	6.00%	29,205	20,927	8,235	-	58,367
Short term loans	10.00%	246,666	-	-	-	246,666
Long term loans	6.00%	594,752	594,752	433,310	-	1,622,814
Total non-derivatives		1,923,889	615,679	441,545	-	2,981,113

Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2022 and 2021.

Note 31. Financial risk management (continued)

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 instruments, as detailed in note 23. 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.

Note 32. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	1,790,791	1,197,837
Post-employment benefits	120,417	36,764
Share-based payments	682,982	-
	<u>2,594,190</u>	<u>1,234,601</u>

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Nexia Perth Audit Services Pty Ltd, the auditor of the Group, and its network firms:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - Nexia Perth Audit Services Pty Ltd</i>		
Audit and review of the financial report	<u>102,000</u>	<u>28,000</u>
<i>Other services - Nexia Perth Corporate Finance Pty Ltd</i>		
Investigating Accountant's Report	<u>15,000</u>	<u>-</u>
	<u>117,000</u>	<u>28,000</u>
<i>Other services - Nexia Perth Pty Ltd</i>		
Taxation services	<u>31,686</u>	<u>4,500</u>

Note 34. Contingencies

There are no significant contingencies as at 30 June 2022 (2021: Nil).

Note 35. Capital commitments

As at 30 June 2022 and 2021, the Group 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.

Note 36. Related party transactions

Ultimate parent entity

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

Note 36. Related party transactions (continued)

Subsidiaries

Interests in subsidiaries are set out in note 39.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2022	2021
	\$	\$
Sales to related parties:		
Radian Arc Limited (a director-related entity of Peter Christie)	474,623	380,851
Purchases from related parties:		
Radian Arc Limited (a director-related entity of Peter Christie)	719,598	-
Acurix Networks Pty Ltd (a related entity of Mark Middleton)	33,744	27,610

Receivable from and payable to related parties

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

	Consolidated	
	2022	2021
	\$	\$
Current receivables:		
Radian Arc Limited (a director-related entity of Peter Christie)	1,679,651	380,851
Current payables:		
Radian Arc Limited (a director-related entity of Peter Christie)	472,828	-
Acurix Networks Pty Ltd (a related entity of Mark Middleton)	23,940	12,433

Loans to/from related parties

Please refer to note 23 for interest-bearing related party loans.

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 37. Parent entity information

Information relating to ActivePort Group Ltd

	Consolidated	
	2022	2021
	\$	\$
Current assets	9,967,720	2,246,918
Non-current assets	21,751,403	7,052,719
Total assets	<u>31,719,123</u>	<u>9,299,637</u>
Current liabilities	3,635,215	1,100,525
Non-current liabilities	-	-
Total liabilities	<u>3,635,215</u>	<u>1,100,525</u>
Contributed equity	36,970,539	10,949,988
Share option reserve	1,028,433	59,451
Accumulated losses	(9,915,064)	(2,810,327)
Total shareholders' equity	<u>28,083,908</u>	<u>8,199,112</u>
	Consolidated	
	2022	2021
	\$	\$
(Loss)/profit after income tax	<u>(4,621,672)</u>	<u>2,251,761</u>
Total comprehensive income	<u><u>(4,621,672)</u></u>	<u><u>2,251,761</u></u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 38. Business combinations

Vizstone Pty Ltd

On 27 September 2021, ActivePort Group Ltd issued 15,625,000 ordinary shares and as consideration of \$3,125,000 for the acquisition of 100% of the ordinary shares of Vizstone Pty Ltd. Deferred consideration in the form of performance shares have been recognised at a fair value of \$743,129 giving total consideration of \$3,868,129. The goodwill of \$4,833,632 represents the expected synergies from merging the businesses. The acquired business contributed revenues of \$5,548,730 and loss after tax of \$472,236 to the Group for the period from 27 September 2021 to 30 June 2022. The values identified in relation to the acquisition of Vizstone Pty Ltd are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	119,081
Trade and other receivables	500,151
Trade and other payables	(1,289,242)
Provisions	(194,040)
Intercompany	(245,647)
Borrowings	(79,043)
Customer relationships	297,650
Deferred tax liability	(74,413)
Net liabilities acquired	(965,503)
Goodwill	4,833,632
Acquisition-date fair value of the total consideration transferred	<u><u>3,868,129</u></u>
Representing:	
Shares issued as a consideration	3,125,000
Fair value of deferred consideration - performance shares	743,129
	<u><u>3,868,129</u></u>

Note 38. Business combinations (continued)

Starboard IT Pty Ltd

On 27 September 2021, ActivePort Group Ltd issued 17,500,000 ordinary shares as consideration of \$3,500,000 for the acquisition of 100% of the ordinary shares of Starboard IT Pty Ltd. Deferred consideration in the form of performance shares have been recognised at a fair value of \$554,420 giving total consideration of \$4,054,420. The goodwill of \$3,069,624 represents the expected synergies from merging the businesses. The acquired business contributed revenues of \$3,601,766 and income after tax of \$174,368 to the Group for the period from 27 September 2021 to 30 June 2022. The values identified in relation to the acquisition of Starboard IT Pty Ltd are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	605,119
Trade and other receivables	151,719
Prepayments	2,383
Contract asset	51,284
Income tax liabilities	(64,129)
Trade and other payables	(208,930)
Provisions	(84,827)
Customer relationships	709,569
Deferred tax liability	(177,392)
Net assets acquired	984,796
Goodwill	3,069,624
Acquisition-date fair value of the total consideration transferred	<u><u>4,054,420</u></u>
Representing:	
Shares issued as a consideration	3,500,000
Fair value of deferred consideration - performance shares	554,420
	<u><u>4,054,420</u></u>

ActivePort Group Ltd and Controlled Entities
Notes to the consolidated financial statements
30 June 2022

Note 38. Business combinations (continued)

Global Edge Network Ltd

On 9 August 2021, ActivePort Group Ltd issued 39,287,515 ordinary shares as consideration of \$7,857,503 for the acquisition of 100% of the ordinary shares of Global Edge Network Ltd. The goodwill of \$8,215,930 represents the expected synergies from merging the businesses. The acquired business contributed revenues of \$nil and loss after tax of \$90,031 to the Group for the period from On 9 August 2021 to 30 June 2022. The values identified in relation to the acquisition of Global Edge Network Ltd are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	33,840
Trade and other receivables	41,741
Prepayments	44
Property, plant and equipment	234,000
Trade and other payables	(318,998)
Borrowings	(652,804)
Developed IP	<u>303,750</u>
Net liabilities acquired	(358,427)
Goodwill	<u>8,215,930</u>
Acquisition-date fair value of the total consideration transferred	<u><u>7,857,503</u></u>
Representing:	
Shares issued as a consideration	<u><u>7,857,503</u></u>

Note 38. Business combinations (continued)

Future Broadband

On 16 April 2022, ActivePort Group Ltd issued 2,175,000 ordinary shares as consideration of \$304,500 for the acquisition of 100% of the ordinary shares of Future Broadband. Deferred consideration in the form of performance shares have been recognised at a fair value of \$234,000 giving total consideration of \$538,500. The goodwill of \$142,130 represents the expected synergies from merging the businesses. The acquired business contributed revenues of \$311,861 and loss after tax of \$295,826 to the Group for the period from On 16 April 2022, to 30 June 2022. The values identified in relation to the acquisition of Future Broadband are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	12,286
Trade and other receivables	6,646
Trade and other payables	(15,892)
Borrowings	(110,904)
Developed software	<u>504,234</u>
Net assets acquired	396,370
Goodwill	<u>142,130</u>
Acquisition-date fair value of the total consideration transferred	<u><u>538,500</u></u>
Representing:	
Shares issued as a consideration	<u><u>538,500</u></u>

Accounting policy for 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.

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.

Note 38. Business combinations (continued)

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.

Note 39. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
ActivePort Pty Ltd	Australia	100.00%	100.00%
ActivePort (Infrastructure) Pty Ltd (dormant, non-trading) (1)	Australia	100.00%	100.00%
ActivePort (New Zealand) Limited (2)	Australia	100.00%	-
ActivePort (Singapore) PTE. Ltd (3)	Australia	100.00%	-
ActivePort (Finance) Pty Ltd (4)	Australia	100.00%	-
Vizstone Pty Ltd (5)	Australia	100.00%	-
Starboard IT Pty Ltd (6)	Australia	100.00%	-
Global Edge Network Ltd (7)	Australia	100.00%	-
Future Broadband (8)	Australia	100.00%	-

(1) Incorporated on 5 May 2021.

(2) Incorporated on 5 July 2021.

(3) Incorporated on 12 January 2022.

(4) Incorporated on 3 March 2022.

(5) Acquired on 27 September 2021.

(6) Acquired on 27 September 2021.

(7) Acquired on 9 August 2021.

(8) Acquired on 16 April 2022.

Note 40. COVID-19 risk

The outbreak of the coronavirus (COVID-19) pandemic is impacting global economic markets. The Group has implemented a wide range of strategies to mitigate the risks posed by COVID-19 in line with relevant government protocols to minimise the risks for all employees, contractors, customers and visitors. The Directors monitor changes and impacts of COVID-19 on the Group's future business and financial performance.

Note 41. Events after the reporting period

On 18 August 2022, ActivePort Group signed a funding arrangement with a third-party global growth funding specialist, Fundsquire. This funding arrangement will allow ActivePort to access funds in advance relating to research and development tax incentive claims that the Company is entitled to, but are yet to be submitted, for the year ended 30 June 2021 and the year ended 30 June 2022.

On 27 September 2022, 24,421,875 fully paid ordinary shares were released from ASX escrow restriction.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ActivePort Group Ltd and Controlled Entities
Notes to the consolidated financial statements
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Note 42. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022	2021
	\$	\$
Loss after income tax benefit for the year	(6,676,170)	(2,679,934)
Adjustments for:		
Depreciation and amortisation	916,411	21,096
Taxation	(557,000)	-
Net fair value loss on investments	107,686	-
Share-based payments	692,534	-
Foreign exchange gain	-	(5,528)
Research and development costs	(1,799,411)	-
Fair value loss on deferred consideration	1,166,324	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(364,941)	(453,095)
Increase in inventories	(74,303)	-
Increase in prepayments	(1,917,980)	-
Increase in other non-current assets	(254,998)	-
Increase/(decrease) in trade and other payables	(77,450)	724,958
Increase in employee benefits	264,105	49,423
Increase in payables and accruals	714,291	-
Increase in amounts due to related companies	(461,190)	-
Income tax	555,130	-
Net cash used in operating activities	<u>(7,766,962)</u>	<u>(2,343,080)</u>

Note 43. Non-cash investing and financing activities

	Consolidated	
	2022	2021
	\$	\$
Additions to the right-of-use assets	2,253,501	62,650
Options issued pursuant to commission under Capital Raising arrangement	276,448	59,451
	<u>2,529,949</u>	<u>122,101</u>

Note 44. Changes in liabilities arising from financing activities

	Lease liability	Total
	\$	\$
Consolidated		
Balance at 1 July 2020	68,332	68,332
Net cash used in financing activities	(15,240)	(15,240)
Balance at 30 June 2021	53,092	53,092
Net cash used in financing activities	(263)	(263)
Acquisition of plant and equipment by means of leases	2,253,092	2,253,092
Balance at 30 June 2022	<u>2,305,921</u>	<u>2,305,921</u>

Note 45. Loss per share

The calculation of basic and diluted loss per share is based on the net loss from ordinary activities attributable to equity holders of the Group for the year of \$6,676,170 (2021: loss of \$2,679,934) and the weighted average of 220,579,273 (2021: 35,730,724) ordinary shares on issue during the year.

In accordance with AASB 133 Earnings per Share, potential ordinary shares in the form of options and convertible notes are antidilutive when their conversion to ordinary shares decrease loss per share from continuing operations. The calculation of diluted earnings/(losses) per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings/(losses) per share. Also, the share split on 1 April 2021 has been applied retrospectively when calculating the loss per share and diluted loss per share.

Accounting policy for loss per share

Basic loss per share

Basic loss per share is calculated by dividing the profit attributable to the owners of ActivePort Group Ltd and Controlled Entities, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share

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

Note 46. Share-based payments

On 27 September 2021, the Group 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. These options were valued at \$276,448.05.

The fair value of 8,878,640 vested performance rights in issue at 30 June 2022 was \$0.078 each giving a total fair value of \$692,534.

	Options exercisable on or before 31 October 2022 at \$0.25 each	Options exercisable on or before 31 October 2023 at \$0.30 each	Options exercisable on or before 30 September 2024 at \$0.40 each	Options exercisable on or before 31 October 2024 at \$0.35 each	Total
Castray Capital Pty Ltd	110,000	330,000	-	110,000	550,000
Bell Potter Nominees Ltd (BB Nominees A/C)	520,000	1,560,000	-	520,000	2,600,000
Bridge Street Capital Partners	-	-	9,811,475	-	9,811,475
Options issued at 30 June 2022	<u>630,000</u>	<u>1,890,000</u>	<u>9,811,475</u>	<u>630,000</u>	<u>12,961,475</u>

In the year ended 30 June 2022 the options have been valued totalling \$276,448.08. The fair value of options were independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The Group 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 value of options issued during the reporting period was calculated using the Black-Scholes Option Pricing Model. The values and inputs are as follows:

ActivePort Group Ltd and Controlled Entities
Notes to the consolidated financial statements
30 June 2022

Note 46. Share-based payments (continued)

Options expiring on 30 September 2024

Options issued	9,811,475
Stock Price	\$0.20
Exercise (Strike) Price	\$0.40
Time to Maturity (in years)	3
Annual Risk Free Rate	0.25%
Annualized Volatility (σ)	50%
Valuation per option	\$0.0282

In the year ended 30 June 2021, the options totalling \$59,451 were based on a 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 share options outstanding at the end of the financial year had a weighted average remaining contractual life of 2.03 years (2021: 2.33) and weighted average exercise price of \$0.38 (2021: \$0.30).

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 42 for performance rights issued to certain Directors and certain key management personnel after the end of the current reporting period.

Additional Disclosure

Classes A to F Performance Rights

On 13 August 2021, ActivePort Group Ltd ("ATV" or "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.

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

Note 46. Share-based payments (continued)

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 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**).

Any Performance Rights not vested before their expiry date, will lapse. On 24 June 2022, 459,240 Class A Performance Rights, 153,080 Class B Performance Rights, 153,080 Class C Performance Rights, 459,240 Class D Performance Rights, 153,080 Class E Performance Rights and 153,080 Class F Performance Rights, lapsed in accordance with their terms and conditions due to the holder ceasing to be an officer (and employee, if applicable) of the Group. No other Performance Rights have been cancelled since their date of issue. The remaining 6,658,980 Class A Performance Rights, 2,219,660 Class B Performance Rights, 2,219,660 Class C Performance Rights, 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights, remain on issue.

Set out below are summaries of options granted under the plan:

	Number of options 2022	Weighted average exercise price 2022	Number of options 2021	Weighted average exercise price 2021
Outstanding at the beginning of the financial year	-	\$0.00	-	\$0.00
Granted	-	\$0.00	3,150,000	\$0.30
Outstanding at the end of the financial year	-	\$0.00	3,150,000	\$0.00

Note 46. Share-based payments (continued)

* These options were valued at \$59,451.

** 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).

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

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

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

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

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

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

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

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

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

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

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

ActivePort Group Ltd and Controlled Entities
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Karim Nejaim
Managing Director / Chief Executive Officer

30 September 2022

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 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2022 and of its performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which indicates that the Group recorded an operating loss of \$6,676,170 (2021: loss of \$2,679,934) and a cash outflow from operating activities of \$7,766,962 (2021: \$2,343,080) for the year ended 30 June 2022 and at the reporting date had a working capital surplus of \$1,567,120 (2021: \$282,898). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Nexia Perth

Audit Services Pty Ltd

ACN 145 447 105

Level 3, 88 William Street

Perth WA 6000

GPO Box 2570, Perth WA 6001

p +61 8 9463 2463

f +61 8 9463 2499

e audit@nexiaperth.com.au

w nexia.com.au

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Key audit matter	How our audit addressed the key audit matter
Accounting treatment of the acquisitions <i>Refer to Note 38 Business Combinations</i> During the year, the Group acquired a number of subsidiaries resulting in the recognition of goodwill, separately identifiable intangible assets of developed software and customer relationships in accordance with AASB 3 <i>Business Combinations</i>. Goodwill is recognised based on the difference between the consideration and the fair value of assets and liabilities acquired. The business combinations were considered to be a key audit matter due to the following: ▪ The size of the acquisitions having a significant impact on the Group's financial statements; ▪ The judgement exercised by management and complexity relating to the determination of the fair values of assets and liabilities acquired in the transactions requiring significant audit effort.; and ▪ The valuation of acquired separately identifiable intangibles assets is complex and requires judgements to be made in adopting key assumptions in the relevant underlying valuation models. This drives additional audit effort surrounding the appropriateness of these key assumptions.	Our procedures included, but were not limited to: ▪ Assessing the appropriateness of the transactions being accounted for as business combination; ▪ Reading the underlying contracts to understand the terms of the business combinations; ▪ Evaluating the valuation methodology used by the Group and its external expert to determine the fair value of the consideration paid; ▪ Evaluating the valuation methodology used by the Group and its external expert to determine the fair value of the intangible assets acquired having regard to the accounting standard requirements and observed industry practices; ▪ Working with our in-house valuation specialists, we assessed the Group's external expert's report and: ○ Considered the objectivity, competence, experience and scope of the Group's external valuation expert; ○ Considered the methodologies applied and accuracy of valuations to determine the value of consideration paid; ○ Examined and assessed the key assumptions in the Group's external valuation expert report prepared in relation to the identification and valuation of intangible assets; ○ For the software asset, considering evidence for key inputs in the costs to replicate valuation including discount rate, estimated salaries and on-costs and estimated hours; and ○ For the contractual intangible asset, assessing the adoption of the residual valuation method given its highly specialised nature. We assessed the disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill and other intangible assets <i>Refer to note 20 Intangibles</i> Goodwill and other intangible assets are reviewed for impairment at least once a year and additionally whenever there is an indication for impairment. The Group annually carries out an impairment assessment of goodwill using a value-in-use model which is based on the net present value of the forecast earnings of the cash-generating units. This is calculated using certain assumptions around discount rates, growth rates and cash flow forecasts. The carrying amount of goodwill as well as of other intangible assets were considered to be a key audit matter in our audit due to the following: ▪ The evaluation and recoverable amount is based upon a value-in-use calculation which required significant judgement and estimation; and ▪ The balance is material to the users of the financial statement and involved a significant amount of communication with management.	Our procedures included, but were not limited to: ▪ Obtaining an understanding of the key controls associated with the preparation of the value-in-use models; ▪ Evaluating management’s methodologies and their key assumptions; ▪ In conjunction with our valuation specialists, we assessed and challenged the following: i. reasonableness of long-term growth rates used in the forecast cash flows by comparing them to historical results, economic and industry forecasts; and ii. discount rate applied. ▪ Testing the mathematical accuracy and integrity of the value-in-use models; ▪ Assessing the accuracy of managements’ forecast cash flow models and Board approved budget; ▪ Performing sensitivity analysis on the key drivers of growth rates used in the cash flow forecasts and the discount rate applied; and ▪ Assessing managements’ consideration of the sensitivity to a change in key assumptions that both individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions. We assessed the disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.

Key audit matter	How our audit addressed the key audit matter
Share based payment (performance rights) <i>Refer to note 46 Share based payment expense</i> As part of the Initial Public Offering (IPO) of ActivePort Group Limited, performance rights were issued to key management personnel as well as options to advisors, which were accounted for as share based payments under AASB 2 <i>Share Based Payment</i>. Share based payments are considered to be a key audit matter due to; ▪ The value of the transactions; ▪ The complexities involved in the recognition and measurement of these instruments; and ▪ The judgement involved in determining the inputs used in the valuations.	Our procedures included, but were not limited to: ▪ Obtaining an understanding of the key terms and vesting conditions of the performance shares by inspecting relevant agreements. ▪ Evaluating management's assessment of whether vesting conditions had been met at 30 June 2022 for the relevant classes of share based payments. ▪ Evaluating management's assessment of the valuation and recognition of the share based payments. ▪ Recalculating the fair value of the performance shares using valuation methodology selected, including assessing the reasonableness of the methodology used and key inputs used in the Company's valuation. We assessed the disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information in ActivePort Group Limited's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated 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 entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility 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:

https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of ActivePort Group Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen

Director

Perth

30 September 2022

ActivePort Group Ltd and Controlled Entities
Additional information ASX as at 19 September 2022
30 June 2022

Analysis of holdings of shares, rights and options in the Group

	Quoted ordinary shares		Options expiring 30 September 2024	
	Number of holders	% of shares held	Number of holders	% of options held
1 — 1,000	14	-%	-	-%
1,001 — 5,000	57	0.08%	-	-%
5,001 — 10,000	139	0.47%	-	-%
10,001 — 100,000	358	6.82%	1	0.51%
100,001 — and over	207	92.63%	8	99.49%
Total number of holders	775	100.00%	9	100.00%

Holdings of less than a marketable parcel	112
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	Options expiring 31 October 2022		Options expiring 31 October 2023	
	Number of holders	% of rights held	Number of holders	% of rights held
1 — 1,000	-	-%	-	-%
1,001 — 5,000	-	-%	-	-%
5,001 — 10,000	-	-%	-	-%
10,001 — 100,000	-	-%	-	-%
100,001 — and over	3	100.00%	3	100.00%
Total number of holders	3	100.00%	3	100.00%

	Options expiring 31 October 2024	
	Number of holders	% of rights held
1 — 1,000	-	-%
1,001 — 5,000	-	-%
5,001 — 10,000	-	-%
10,001 — 100,000	-	-%
100,001 — and over	3	100.00%
Total number of holders	3	100.00%

	Class A performance rights		Class B performance rights	
	Number of holders	% of rights held	Number of holders	% of rights held
1 — 1,000	-	-%	-	-%
1,001 — 5,000	-	-%	-	-%
5,001 — 10,000	-	-%	-	-%
10,001 — 100,000	1	1.38%	2	3.45%
100,001 — and over	4	98.62%	3	96.55%
Total number of holders	5	100.00%	5	100.00%

ActivePort Group Ltd and Controlled Entities
Additional information ASX as at 19 September 2022
30 June 2022

		Class C performance rights		Class D performance rights	
		Number of holders	% of rights held	Number of holders	% of rights held
1	— 1,000	-	-%	-	-%
1,001	— 5,000	-	-%	-	-%
5,001	— 10,000	-	-%	-	-%
10,001	— 100,000	2	3.45%	1	1.38%
100,001	— and over	3	96.55%	4	98.62%
Total number of holders		5	100.00%	5	100.00%

		Class E performance rights		Class F performance rights	
		Number of holders	% of rights held	Number of holders	% of rights held
1	— 1,000	-	-%	-	-%
1,001	— 5,000	-	-%	-	-%
5,001	— 10,000	-	-%	-	-%
10,001	— 100,000	2	3.45%	2	3.45%
100,001	— and over	3	96.55%	3	96.55%
Total number of holders		5	100.00%	5	100.00%

		Class G performance rights	
		Number of holders	% of rights held
1	— 1,000	-	-%
1,001	— 5,000	-	-%
5,001	— 10,000	-	-%
10,001	— 100,000	-	-%
100,001	— and over	1	100.00%
Total number of holders		1	100.00%

ActivePort Group Ltd and Controlled Entities
Additional information ASX as at 19 September 2022
30 June 2022

Registered office of the Group

Level 4, 46 Colin Street
West Perth, Western Australia 6005

Tel: +61-8-6149 7550

Stock exchange listing

Quotation has been granted for all ordinary shares on the Australian Securities Exchange. The State Office of Australian Securities Exchange in Perth, Western Australia has been designated the Home Branch of ActivePort Group Ltd.

There are no current on-market buy-back arrangements for the Group.

Share registry

The registers of shares and options of the Group are maintained by:

Computershare Registry Services Pty Ltd
Level 11
172 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 1300 787 272

Fax: +61 (8) 9323 2033

Group secretary

The name of the Group Secretary is Jack Hugh Toby.

Taxation status

ActivePort Group Ltd is taxed as a public Group.

Voting rights

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

Total number of securities on issue

Security description	Number on issue
Quoted ordinary shares	123,007,500
Restricted ordinary shares	117,844,993
Options expiring 31 October 2022 and exercisable at \$0.25	630,000
Options expiring 31 October 2023 and exercisable at \$0.30	1,890,000
Options expiring 31 October 2024 and exercisable at \$0.35	630,000
Options expiring 30 September 2024 and exercisable at \$0.40	9,811,475
Class A performance rights	6,658,980
Class B performance rights	2,219,660
Class C performance rights	2,219,660
Class D performance rights	6,658,980
Class E performance rights	2,219,660
Class F performance rights	2,219,660
Class G performance rights	2,000,000

ActivePort Group Ltd and Controlled Entities
Additional information ASX as at 19 September 2022
30 June 2022

Twenty largest holders of ordinary shares

	Number of shares	Percentage of total
Herdsmen Lake Capital Asia Pte Ltd	39,000,000	15.61%
Mr Grant Alan Farrow <G Farrow Family A/C>	17,942,880	7.18%
Mr Mark Scott Middleton + Ms Andrea Jane Middleton <Middleton Family A/C>	17,942,880	7.18%
Pine Street Pty Ltd <Pine Street Super Fund A/C>	11,010,000	4.41%
Smart Capital Investments Pty Ltd	7,914,885	3.17%
Pine Street Pty Ltd <Pine Street A/C>	7,620,000	3.05%
101IC Pty Ltd (ACN 137 541 372)	6,921,875	2.77%
Leonie May Lin Chan <Chan Family A/C>	6,921,875	2.77%
Certane CT Pty Ltd <Richlink High-Tech Invest>	6,828,326	2.73%
Mr Michael Patrick Glynn <MG Family Investment A/C>	6,332,780	2.53%
Mr Steven John Kelly + Ms Fiona Jane Macphail <Orange Yalis Family A/C>	5,833,334	2.33%
Harlly Pty Ltd <Hulme Family A/C>	5,833,333	2.33%
Mr Timothy James Wilson <Wilson Family A/C>	5,833,333	2.33%
Professional Consulting Pty Ltd <AJRP Super Fund A/C>	4,919,655	1.97%
Herdsmen Lake Capital Nominees Pty Ltd <Herdsmen Lake Capital A/C>	4,318,260	1.73%
Mr Stacey Radford	2,000,000	0.80%
P Goyder Superannuation Pty Ltd <P Goyder Super Fund A/C>	1,900,000	0.76%
BNP Paribas Nominees Pty Ltd Barclays <DRP A/C>	1,886,357	0.75%
Nelson Consulting Group Pty Ltd <Sanur Lifestyle A/C>	1,885,625	0.75%
Illum Pty Ltd	1,875,000	0.75%
	30,451,563	12.17%

Holders of options expiring 31 October 2022 and exercisable at \$0.25 with a holding of 20% or more

	Number of options	Percentage of total
Bell Potter Nominees Ltd <BB Nominees A/C>	260,000	41.27%
Mr Samuel Julian Forbes Young	260,000	41.27%
	520,000	82.54%

ActivePort Group Ltd and Controlled Entities
Additional information ASX as at 19 September 2022
30 June 2022

Holders of options expiring 31 October 2023 and exercisable at \$0.30 with a holding of 20% or more

	Number of options	Percentage of total
Bell Potter Nominees Ltd <BB Nominees A/C>	780,000	41.27%
Mr Samuel Julian Forbes Young	780,000	41.27%
	<u>1,560,000</u>	<u>82.54%</u>

Holders of options expiring 31 October 2024 and exercisable at \$0.35 with a holding of 20% or more

	Number of options	Percentage of total
Bell Potter Nominees Ltd <BB Nominees A/C>	260,000	41.27%
Mr Samuel Julian Forbes Young	260,000	41.27%
	<u>520,000</u>	<u>82.54%</u>

Holders of options expiring on 30 September 2024 and exercisable at \$0.40 with a holding of 20% or more

	Number of options	Percentage of total
Pine Street Pty Ltd <Pine Street A/C>	5,000,000	50.96%
Allen Chan	2,000,000	20.38%
	<u>7,000,000</u>	<u>71.34%</u>

Holders of class A performance rights with a holding of 20% or more

	Number of rights	Percentage of total
Karim James Nejaim	3,214,680	48.28%
Mark Middleton	2,296,200	34.48%
	<u>5,510,880</u>	<u>82.76%</u>

ActivePort Group Ltd and Controlled Entities
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30 June 2022

Holders of class B performance rights with a holding of 20% or more

	Number of rights	Percentage of total
Karim James Nejaim	1,071,560	48.28%
Mark Middleton	765,400	34.48%
	<u>1,836,960</u>	<u>82.76%</u>

Holders of class C performance rights with a holding of 20% or more

	Number of rights	Percentage of total
Karim James Nejaim	1,071,560	48.28%
Mark Middleton	765,400	34.48%
	<u>1,836,960</u>	<u>82.76%</u>

Holders of class D performance rights with a holding of 20% or more

	Number of rights	Percentage of total
Karim James Nejaim	3,214,680	48.28%
Mark Middleton	2,296,200	34.48%
	<u>5,510,880</u>	<u>82.76%</u>

Holders of class E performance rights with a holding of 20% or more

	Number of rights	Percentage of total
Karim James Nejaim	1,071,560	48.28%
Mark Middleton	765,400	34.48%
	<u>1,836,960</u>	<u>82.76%</u>

Holders of class F performance rights with a holding of 20% or more

	Number of rights	Percentage of total
Karim James Nejaim	1,071,560	48.28%
Mark Middleton	765,400	34.48%
	<u>1,836,960</u>	<u>82.76%</u>

Holders of class G performance rights with a holding of 20% or more

	Number of rights	Percentage of total
Jason Mikronis	2,000,000	100.00%
	<u>2,000,000</u>	<u>100.00%</u>

Classes A to F performance rights

On 13 August 2021, ActivePort Group Ltd ("ATV" or "Group" or "ActivePort") 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 Group.

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

- **Class A performance rights:** the Group 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 Group 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 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.

ActivePort Group Ltd and Controlled Entities
Additional information ASX as at 19 September 2022
30 June 2022

Any Performance Rights not vested before their expiry date, will lapse. On 24 June 2022, 459,240 Class A Performance Rights, 153,080 Class B Performance Rights, 153,080 Class C Performance Rights, 459,240 Class D Performance Rights, 153,080 Class E Performance Rights and 153,080 Class F Performance Rights, lapsed in accordance with their terms and conditions due to the holder ceasing to be an officer (and employee, if applicable) of the Group. No other Performance Rights have been cancelled since their date of issue. The remaining 6,658,980 Class A Performance Rights, 2,219,660 Class B Performance Rights, 2,219,660 Class C Performance Rights, 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights, remain on issue. No Performance Rights have been vested or converted since their date of issue. None of the Performance Rights vesting conditions have been met since their date of issue.

Classes G performance rights

On 20 May 2022, ActivePort Group Ltd ("ATV" or "Group" or "ActivePort") issued 2,000,000 Class G Performance Rights, All Class G Performance Rights expire on 31 May 2024. On vesting, each Class G Performance Right converts into one ordinary share in the Group.

The Class G Performance Rights shall vest, subject to the Vesting Calculation, if Total Revenue during the financial year ending on 30 June 2023 (**FY23 Revenue**) of at least AUD\$3.2 million is achieved (**Vesting Condition**).

Where the FY23 Revenue is:

- less than AUD\$1 million then no Class G Performance Rights will vest; or
- AUD\$1 million or greater then such proportion (limited to a maximum of 100%) of the Class G Performance Rights will vest as calculated by the amount that the FY23 Revenue exceeds the Total Revenue during the financial year ending on 30 June 2022 (FY22 Revenue) divided by the amount that AUD\$3.2 million exceeds FY22 Revenue to a maximum of 100%. For example, if the FY23 Revenue exceeds the FY22 Revenue by 50% of the amount that AUD\$3.2 million exceeds the FY22 Revenue, then 50% of the Class G Performance Rights will vest. If the FY23 exceeds AUD\$3.2 million only 100% of the Class G Performance Rights will vest. (**Vesting Calculation**).

Total Pro-forma Revenue for a financial year means the Adjusted Revenue for that financial year of Digital Immortality Pty Ltd (ACN 615 117 998) (**Digital Immortality**) for that financial year, excluding subsidiaries of Digital Immortality that were acquired for consideration provided by ActivePort or subsidiaries of ActivePort other than Digital Immortality. Adjusted Revenue means total consolidated revenue excluding one-off or extraordinary revenue items; revenue received in the form of government grants, allowances, rebates or other hand-outs and revenue that has been "manufactured" to achieve the Vesting Condition.

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.

Substantial shareholders

Date Announced	Name	Number of Shares
18-Oct-21	Herdsmen Lake Capital Pty Ltd and Herdsmen Lake Capital Asia Pte Ltd and Pacczila Pty Ltd and Peter Christie	43,568,260
18-Oct-21	Mr Mark Scott Middleton and Ms Andrea Jane Middleton	17,492,880
18-Oct-21	Mr Grant Alan Farrow	17,492,880
02-May-22	Pine Street Pty Ltd	18,160,000

ActivePort Group Ltd and Controlled Entities
Additional information ASX as at 19 September 2022
30 June 2022

Restricted securities

Description	Number of Shares
Ordinary Shares subject to escrow restriction until 27 September 2022	24,421,875
Ordinary Shares subject to escrow restriction until 20 October 2023	93,423,118
Options expiring 30 September 2024 subject to escrow restriction until 20 October 2023	9,811,475
Class A Performance Rights subject to escrow restriction until 20 October 2023	6,658,980
Class B Performance Rights subject to escrow restriction until 20 October 2023	2,219,660
Class C Performance Rights subject to escrow restriction until 20 October 2023	2,219,660
Class D Performance Rights subject to escrow restriction until 20 October 2023	6,658,980
Class E Performance Rights subject to escrow restriction until 20 October 2023	2,219,660
Class F Performance Rights subject to escrow restriction until 20 October 2023	2,219,660

Use of cash and assets readily convertible to cash

During the period between admission to the ASX on 18 October 2021 and 30 June 2022, the Group has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. This statement is made pursuant to listing rule 4.10.19.

ActivePort Group Ltd and Controlled Entities
Corporate directory
30 June 2022

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)

Secretary

J Toby

Registered Office

Suite 3 Level 4 46 Colin Street

West Perth WA 6005

T: +61 8 6149 7550

Principal Place of Business

Suite 3 Level 4 46 Colin Street

West Perth WA 6005

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