

Swoop Holdings Limited

ABN 20 009 256 535

Annual Report - 30 June 2022

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Swoop Holdings Limited
Corporate directory
30 June 2022

Directors

James Spenceley (Non-Executive Director)
Anthony Grist (Non-Executive Director)
Jonathan Pearce (Non-Executive Director)
Matthew Hollis (Non-Executive Director)
William Reid (Non-Executive Director)

Company secretary

Louise Bolger

Registered office

Level 5, 126 Phillip Street
Sydney NSW 2000
Telephone: (02) 8072 1400
Facsimile: (02) 8583 3040

Share registry

Automic Pty Ltd
Level 5
126 Phillip Street
Sydney NSW 2000

Auditor

PKF (NS) Audit & Assurance Limited Partnership
Level 8, 1 O'Connell Street
Sydney NSW 2000

Solicitors

Maddocks
Level 27, 123 Pitt Street
Sydney New South Wales 2000

Stock exchange listing

Swoop Holdings Limited shares are listed on the Australian Securities Exchange
(ASX code: SWP)

Website

www.swoop.com.au

Swoop Holdings Limited
Directors' report
30 June 2022

Directors

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Swoop') consisting of Swoop Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

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

James Spenceley (Non-Executive Director)
Anthony Grist (Non-Executive Director)
Jonathan Pearce (Non-Executive Director)
Matthew Hollis (Non-Executive Director from 1 January 2022), (Executive Director 1 July 2021 - 31 December 2021)
William (Paul) Reid (Non-Executive Director)

Principal activities

During the financial year the principal continuing activities of Swoop Holdings Limited included:

- fixed wireless access as well as wholesale transit services to other ISPs and Telcos;
- internet and telecommunication services to small and medium sized enterprises;
- fixed wireless broadband services to residential customers;
- services over the NBN fixed line and fixed wireless networks to customers who cannot connect to the company's fixed wireless network; and
- fibre network management and construction.

Review of operations

The Group is predominately a fixed wireless, fibre and wholesale network infrastructure carrier with a high performance national and international network that is an alternative provider to the large carriers for delivering services in Australia. Swoop has operations around Australia and has diversified core businesses:

- providing internet services over its own fixed wireless network across its national footprint under Swoop Wholesale and Swoop Business, with residential services in key regional towns under Swoop and NodeOne;
- providing wholesale transit and other services to smaller ISPs across its national and international POP locations, through Swoop Wholesale;
- data centre services which provide businesses with a range of connectivity solutions;
- providing wholesale and business voice and unified communications services to customers across Australia; and
- operation of dark fibre networks in Australia to provide dedicated point-to-point dark fibre networks between data centres and private high density multi-fibre solutions for businesses.

Swoop also provides services over the NBN fixed line and fixed wireless networks nationally to residential and SME customers who cannot connect to the Swoop fixed wireless network.

The Group's strategic focus is to:

- continue to increase market share of residential and wholesale fixed wireless infrastructure by expanding the fixed wireless footprint into areas already covered by Swoop infrastructure;
- focus on customer obsession by building on a strong brand presence and minimising customer churn;
- focus on integration and automation by building and integrating platforms of existing and acquired businesses;
- continue to drive synergy realisation of recently acquired businesses and scale these businesses for further expansion and development;
- expand channel partners to realise cross-selling opportunities between products and services offerings across the Group's businesses;
- introduce new high margin and in demand products of 5G fixed wireless services and dark fibre network service offerings;
- leverage the experience, capability and extensive industry knowledge within the business to build the next large scale national telecommunications company;
- seek to expand the Group's products to complementary offerings to its customers such as fixed wireless, resale of NBN, fibre and voice; and
- seek to participate in ongoing industry consolidation as opportunities arise.

Operational highlights for the financial year include:

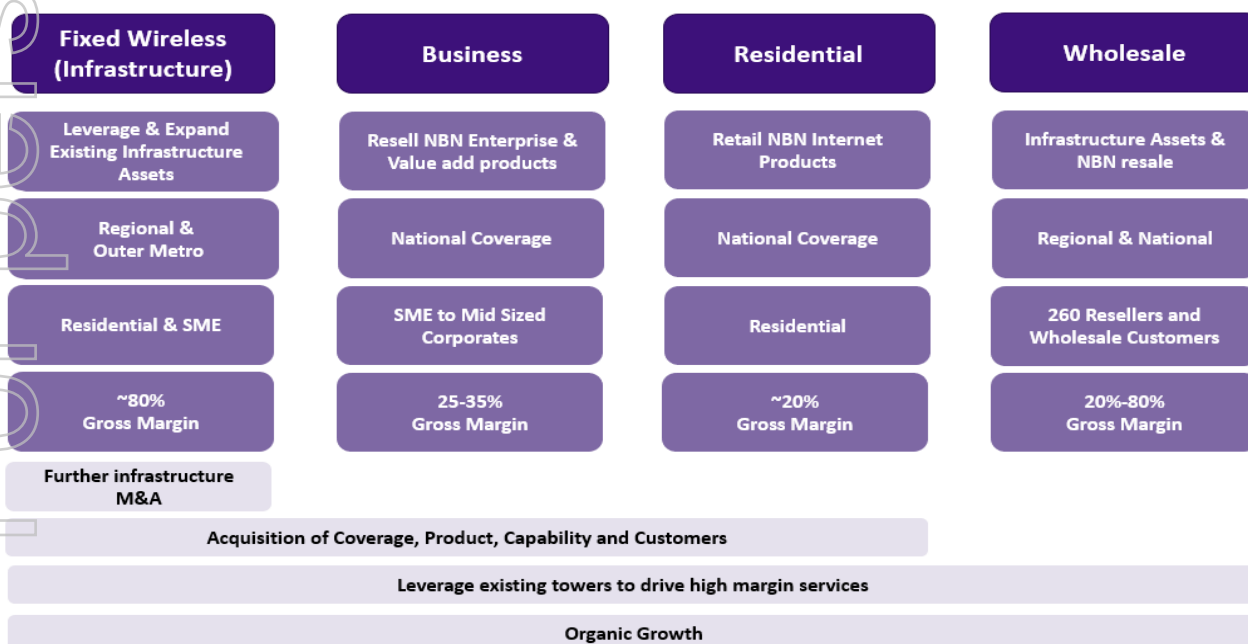
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- Number of Services in Operation (SIO's) for Swoop as at 30 June 2022 is 38,582 which is a 26% increase on 30 June 2021;
- Swoop continues to execute on its National roll out program to geographical areas of focus including Regional Victoria and Western Australia, South-East Queensland and Newcastle/ Central Coast, which is reflected in the increased number of masts and towers deployed during the year;
- Swoop now has 485 fixed wireless towers and masts across the country;
- Cash balance at 30 June was \$32m; and
- Concluded terms with Westpac for \$32m of funding facilities to facilitate further growth and expansion.



Investments for future performance

The Company has outlined four growth pillars it will pursue over the next 12-24 months. These are set out below:



Dividends

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

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Financial and operating performance

The consolidated financial results for Swoop Holdings Ltd comprise the following:

- Cirrus Communications Pty Ltd (and controlled entities) for the full year to 30 June 2022
- Kallistrate Pty Ltd for the full year to 30 June 2022
- Countrytell Holdings Pty Ltd for the full year to 30 June 2022
- VoiceHub Group Pty Ltd for the period from 1 November 2021 to 30 June 2022
- Luminet Pty Ltd and Luminet Fibre Pty Ltd for the period from 1 April 2022 to 30 June 2022

Swoop Holdings Limited undertook a reverse takeover of Stemify Limited on 20 May 2021, which is reflected in certain comparative information in this report and the financial statements.

Revenue of the Group for the year was \$51.7 million (2021: \$22.4 million).

The loss for the Group after income tax benefit was \$4,882,810 (2021: \$13,788,750 loss).

Expenses for the financial year were \$58,166,362 (2021: \$37,704,966). The major items included significant expenses relating to acquisition and integration costs of \$3,512,298 (2021: \$4,574,064) and one-off legal costs of \$1,034,649 (2021: \$Nil).

Financial position

The consolidated entity is in a net asset position of \$96,584,006 as at 30 June 2022 (30 June 2021: \$49,535,770).

Working capital, being current assets less current liabilities, was in surplus of \$15,590,669 as at 30 June 2022 (30 June 2021: surplus of \$4,701,741). The consolidated entity had positive cash flows from operating activities for the year of \$8,861,176 (30 June 2021 negative cash flows from operations: \$2,201,102). The cash and cash equivalents as at 30 June 2022 were \$32,020,568 (30 June 2021: \$17,497,867).

Significant changes in the state of affairs

- On 22 July 2021 the acquisition of Wan Solutions Pty Ltd (trading as Beam Internet) was completed with an effective date of 1 June 2021. The total purchase price was \$6.7 million consisting of cash consideration of \$6.0 million and \$0.7 million in Swoop shares.
- Completed the acquisition of Kallistrate Pty Ltd (trading as Speedweb) for \$1.75 million, comprising \$1.225 million cash and \$0.525 million in shares; and expanded the Swoop network coverage in the South East regions in Victoria. The acquisition was effective from 1 July 2021.
- In October 2021, a placement to institutional, sophisticated, and professional investors of 22 million shares raised \$41 million to fund future acquisitions across fixed wireless, voice, fibre, infrastructure and resale providers.
- Capital raise costs of \$1.8 million were incurred during the year.
- Completed the acquisition of Countrytell Holdings Pty Ltd for \$4.2 million, comprising \$2.1 million cash (plus a payment representing the net cash as at the effective date for the acquisition), with \$0.6 million of the cash consideration held back for 12 months for any potential claims or adjustments; and \$2.1 million in Swoop shares. Countrytell operates a fixed wireless network comprising over 30 towers, one of Newcastle's largest datacentres and had (prior to acquisition) recently completed a Newcastle CBD dark fibre network. The acquisition completed on 31 October 2021, with an effective date of 1 July 2021.
- On 1 November 2021, the Group completed the acquisition of Sydney-based wholesale voice service provider VoiceHub Group Pty Ltd and Harbortel Pty Ltd ("VoiceHub"). The Purchase Price payable at completion was \$6 million, comprising \$4 million in cash and \$2 million in Swoop shares, plus an earn out of up to a maximum of \$2.5 million payable based on VoiceHub's FY2022 EBITDA performance. This deferred consideration was subsequently paid (via a combination of cash and Swoop shares) after 30 June 2022. The acquisition enables the Group to expand service offerings of wholesale and business customers with voice and unified communication services.
- In November 2021, completed a share purchase plan (SPP) raising \$5 million. Approximately 2.7 million new shares were issued under the SPP.
- On 1 April 2022, completed an agreement to acquire Sydney based dark fibre provider Luminet Pty Ltd and Luminet Fibre Pty Ltd ("Luminet"). The Purchase Price was \$8 million, comprising \$6.4 million in cash and \$1.6 million in Swoop shares. The acquisition enables the Group to offer dark fibre services to customers by connecting them to key data centres and Hyperscale facilities.

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- Executed a \$32.1 million facilities agreement with Westpac Banking Corporation in June 2022. \$20.0 million of the facilities will be available to fund permitted acquisitions, and subject to certain drawdown timing requirements, will be available for a 5 year term. A further \$10 million will be available to fund acquisitions and capex programmes and is available for a 5 year term. The facilities also include a \$2 million overdraft facility to fund working capital requirements and a \$100,000 corporate credit card facility.

Matters subsequent to the end of the financial year

On 1 July 2022, Swoop entered into an agreement to acquire Queensland-based national mobile virtual network operator Moose Mobile. Moose provides over 95,000 mobile services on the Optus Network via a Mobile Virtual Network Operation agreement to customers across Australia. The purchase price is \$24 million comprising \$19 million in cash and \$5 million in Swoop shares.

On 14 July 2022, Swoop reached settlement with Carray Group Pty Ltd for proceedings against Swoop alleging trademark infringements with a denial of liability and a payment of an undisclosed sum on this date.

On 15 August 2022, the Company launched an on-market share buy-back of up to 14,532,529 fully paid ordinary shares, representing 10% of the Company's issued share capital.

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.

Likely developments and expected results of operations

Refer to review of operations for overview of key strategies.

Corporate governance

Our Corporate Governance Statement, detailing our compliance with the ASX Corporate Governance Council's "Corporate Governance Principles & Recommendations – 4th Edition" can be found online at www.swoop.com.au/corporate-governance/.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Material business risks

The material business risks faced by the Group that are likely to have an effect on its financial prospects include:

Integration and growth risk

The Group is exposed to risks associated with pursuing growth through the continued rollout of its fixed wireless network, the combination and integration of the disparate businesses within the consolidated entity and the pursuit of new geographies and customers.

There is a risk that the implementation of the Group's growth and integration strategies could be subject to delays or cost overruns, and there is no guarantee that these strategies will be successful or generate growth.

Network performance

The Group depends on the performance, reliability and availability of its own and third party technology platforms. There is a risk that these platforms and systems may be adversely affected by a number of factors, including damage, equipment faults, power failure, computer viruses, malicious interventions, and natural disasters. Further, there is a risk that the Company's operational processes, redundancy capacity and capability or disaster recovery plans may not adequately address every potential event.

Poor system performance could reduce the Group's ability to provide the level of customer service required and cause damage to the brand, leading to a reduction in customer retention rates and revenue.

Supplier risks

The Group relies on key supplier arrangements with respect to the NBN wholesale services, fibre optic network operators, including the NBN, and international cable system operators.

Any loss of access to, disruption to, or performance failures of these services could cause harm to business operations and reputation and loss of revenue resulting to the group (with limited ability to recoup any such loss from the supplier). Increases in fees charged by suppliers could have an adverse impact on the Group's financial performance.

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Customer contract risks

Many customers, particularly residential customers of Swoop, are typically on short term or no contracts. These residential customers will account for approximately 50% of the group's revenue.

Further, the industry is subject to price sensitivity and competition that can lead to regular 'churn' of customers. This gives the Group less security over future revenue levels.

Brands and reputation

Swoop operates a number of brands and believes that the reputation of its brands are a key to its success. The Group's reputation, the value of its brands and its ability to retain and attract new customers may be damaged as a result of negative customer or end-user experiences due to poor product performance or product failures, adverse media coverage or other publicity.

Data security risks

It is possible 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. If such activities were successful, any data security breaches or the Company's failure to protect confidential information could result in loss of information integrity, and breaches of the Group's obligations under applicable laws or customer agreements.

Failures or breaches of data protection systems can result in reputational damage, regulatory impositions (such as for breaches of the Privacy Act or Australian Privacy Principles) and financial loss, including claims for compensation by customers or penalties by telecommunications regulators or other authorities.

COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the Australian and global economic markets. The Group's share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Group.

In particular, Swoop has experienced delays in the procurement of raw materials for the manufacture of components used in telecommunications equipment. The risk of these delays to the business of Swoop has been mitigated to an extent by Swoop procuring higher than average stock levels at the start of the COVID-19 outbreak, and the extension of future procurement process lead times.

The impact of COVID-19 on Australian business has also had an impact on sales of internet services in Australia. The small to medium business market segment has been adversely affected to a greater extent than other market segments, resulting in reduced new customer sales and higher customer cancellations than pre-COVID-19 averages in this segment. The decrease in customers in this segment has been offset to an extent by increased sales in wholesale and residential markets, however there is a risk that the ongoing impact of COVID-19 on customer demand in the small to medium business market (or in the market for internet services generally) could have an adverse impact on the performance of the Group.

Future acquisitions

As part of its growth strategy, the Group intends to make further acquisitions of complementary businesses or enter into strategic alliances with third parties. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies or assets, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, and retaining key staff.

Competition risk

The Group faces competition for customers from a number of alternative suppliers of broadband internet connectivity services, including resellers of NBN and mobile operators. A number of these competitors are major telecommunications businesses with much greater resources than the Group.

The Group's fixed wireless operations are in direct competition with the NBN based services and would be directly impacted by changes in the NBN wholesale pricing. Further improvements in NBN or other network operator infrastructure or reach, could reduce the relative attractiveness of the group's fixed wireless services and ability to compete on a profitable basis.

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Regulatory and licensing compliance risk

The Group holds a number of carrier licences under the Telecommunications Act 1997 (Cth) which permit the companies within the Group to provide carrier services.

In conducting its operations, the Group is also required to comply with a range of laws and regulations applicable to the telecommunications, consumer protection, privacy, competition, employment and workplace safety.

A failure to comply with a licence condition could result in the cancellation of a carrier licence or fines, and a failure to comply with applicable laws and regulations could result in restrictions or fines being imposed on the Group, or legal proceedings being commenced against the Group. These consequences would be likely to have a negative effect on the Group's reputation and profitability, and adversely affect its financial performance.

The Group mitigates this risk by conducting regular reviews (both internally and by engaging external advisers) to ensure compliance with its licences and applicable laws and regulations.

Technology risks

The telecommunications and communications industry continues to experience rapid technological change and development. The Group is at risk from major technological improvements in alternative services or on its ability to access and adapt to technological changes in a cost-effective manner. The introduction of new practices and technology may have significant implications for the Group's current infrastructure and business model. As such, the Group's success will be dependent upon its ability to develop, adopt and integrate the latest technologies into its existing infrastructure.

Information on directors

Name: James Spenceley
Title: Non-Executive Chairman
Experience and expertise: James is a well-known Australian entrepreneur and experienced company director. In 2007 he founded Vocus Communications Limited (now Vocus Group Limited) (previously ASX: VOC), one of Australia's largest telecommunications companies which he grew, both organically and through acquisitions, to a multi-billion dollar business.

James has twice won the Ernst & Young Australian Entrepreneur of the Year Award (in the young and listed categories) and in 2018 was inducted into the Telecommunications Hall of Fame.

Other current directorships: Airtasker Limited (ASX: ART), Kogan.com Limited (ASX: KGN)
Former directorships (last 3 years): Think Childcare Limited (ASX: TNK) (ceased 21 October 2021)
Special responsibilities: Chairman, member of the Audit and Risk Committee and Remuneration and Nomination Committee
Interests in shares: 12,211,350 fully paid ordinary shares

Name: Anthony Grist
Title: Deputy Chairman, Non-Executive Director
Qualifications: Bachelor of Commerce (University of Western Australia); Associate of the Financial Services Institute of Australasia; Fellow of the Australian Institute of Company Directors.

Experience and expertise: Anthony has been involved in the management of publicly listed companies across a range of industries, both in Australia and overseas.

In 1990 Tony founded Albion Capital Partners. He was the co-founder and Chairman of ASX listed Amcom Telecommunications Limited and led the merger with Vocus Communications helping create a major trans-Tasman fibre optic carrier business. Tony then went on to serve as Deputy Chairman of the merged business.

Other current directorships: The Minderoo Foundation, The Fremantle Football Club
Former directorships (last 3 years): None
Special responsibilities: Deputy Chairman, Chairman of the Audit and Risk Committee
Interests in shares: 12,764,670 fully paid ordinary shares
Interests in options: 1,630,437 unlisted options

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Name: Jonathan Pearce
Title: Non-Executive Director
Qualifications: Bachelor of Finance (Australian National University); Graduate Diploma of Applied Finance (Kaplan).
Experience and expertise: Jonathan has worked in the finance industry for more than 15 years, focused primarily on funds management and corporate finance for small and mid-cap companies listed on the ASX. He is currently a portfolio manager at the CVC Emerging Companies Fund where he manages investments in growth companies primarily located in Australia.

Prior to joining CVC, Jonathan held senior roles at Blue Ocean Equities and Canaccord Genuity. Jonathan currently sits on the boards of Ai-Media and CVC Emerging Companies IM Pty Ltd.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Remuneration and Nomination Committee
Interests in shares: 2,638,344 fully paid ordinary shares
Interests in options: 163,044 unlisted options

Name: Matthew Hollis
Title: Non-Executive Director (from 1 January 2022), Executive Director (1 July 2021 - 31 December 2021)
Experience and expertise: Matt joined Swoop in mid-2019 and has been managing successful high growth sales, marketing and product teams in the IT&T space since 2005.

Matt commenced his career in sales at PIPE Networks as their ninth employee, prior to PIPE Networks being acquired by TPG. Matt then moved to ASX-listed Vocus Group Limited where he worked for 7 years and helped to grow the sales team from 3 to 110 sales people; was involved in over 10 acquisitions; and saw the company's market capitalisation peak of \$5 billion.

Matt has previously served as an Executive Director at ASX-listed Superloop (resigned as Director in November 2018), where he gained an in-depth insight into the telco landscape in Singapore and Hong Kong.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 3,791,411 fully paid ordinary shares

Name: William (Paul) Reid
Title: Non-Executive Director
Qualifications: Masters of Science (IT) (University of Stirling); Bachelor of Arts (Hons) (Kingston University)
Experience and expertise: Prior to joining Swoop in 2008, Paul was a management consultant with over 15 years of experience holding roles as Principal at A.T Kearney, and Senior Management Consultant at Anderson Consulting.

Paul has managed network deployment for Swoop across Australia along with the development of the Business Grade product and Wholesale Partner Channel.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Remuneration and Nomination Committee
Interests in shares: 22,684,706 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Louise Bolger

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Louise has over 20 years' experience as an in-house telecommunications, media and technology lawyer and company secretary having held General Counsel and Company Secretary roles with various ASX-listed companies. She holds a Bachelor of Laws (Hons) and a Bachelor of Arts (Modern Asian Studies) from Griffith University and is a Fellow of the Governance Institute of Australia.

Meetings of directors

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

| | Full Board | | Remuneration and Nomination Committee | | Audit and Risk Committee | |
|-----------------|------------|------|---------------------------------------|------|--------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| James Spenceley | 16 | 16 | 3 | 5 | 6 | 6 |
| Anthony Grist | 15 | 16 | - | - | 6 | 6 |
| Jonathan Pearce | 16 | 16 | 5 | 5 | 4 | 6 |
| Matthew Hollis | 15 | 16 | - | - | - | - |
| Paul Reid | 16 | 16 | 5 | 5 | - | - |

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

Indemnity and insurance of officers

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), 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 26 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 company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former directors of PKF(NS) Audit & Assurance Ltd Partnership

There are no officers of the company who are former directors of PKF(NS) Audit & Assurance Ltd Partnership.


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.

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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



James Spenceley
Chairman

30 September 2022

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30 June 2022

Remuneration report (audited)

1. Introduction

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

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

This Remuneration Report contains the following:

- KMP's and remuneration for FY22 from 1 July 2021 to 30 June 2022 of Swoop Holdings Ltd
- KMP's and remuneration for FY21 up to 20 May 2021 of Stemify Ltd
- KMP's and remuneration for FY21 from 1 July 2020 to 30 June 2021 of Cirrus Communications Pty Ltd and Swoop Holdings Ltd

As Swoop Holdings Ltd undertook a reverse takeover of Stemify Limited on 20 May 2021, comparative KMP and remuneration includes Stemify Ltd for FY21 from 1 July 2020 to 20 May 2021 and also includes Cirrus Communications Pty Ltd and Swoop Holdings from 1 July 2020 to 30 June 2021.

In the FY22 year, the following were assessed to be KMP:

Directors

Swoop Holdings Ltd from 1 July 2021 to 30 June 2022

- James Spenceley - Chairman
- Anthony Grist – Non-Executive Director
- Jonathan Pearce – Non-Executive Director
- Matthew Hollis – Non-Executive Director (from 1 January 2022), Executive Director (1 July 2021 - 31 December 2021)
- Paul Reid – Non-Executive Director

Executives

Swoop Holdings Ltd from 1 July 2021 to 30 July 2022

- Alex West - Chief Executive Officer
- John Phillips - Chief Financial Officer (resigned 16 April 2022)
- Louise Bolger - General Counsel & Company Secretary
- Patricia Jones - Chief Financial Officer (commenced 19 April 2022)

FY21 comparative information reflects the following who were assessed to be KMP:

Directors

Stemify Ltd up to 20 May 2021:

- Timothy Grice - Executive Chairman
- Ryan Legudi - Managing Director
- Jonathan Pearce - Executive Director

Cirrus Communications Pty Ltd and Swoop Holdings Ltd from 1 July 2020 to 30 June 2021:

- James Spenceley - Chairman
- Anthony Grist – Non-Executive Director
- Jonathan Pearce – Non-Executive Director
- Matthew Hollis – Executive Director
- Paul Reid – Non-Executive Director
- Eric Heyde – Executive Director of Cirrus Communications (resigned 7 July 2021)
- Tom Berryman – Executive Director of Cirrus Communications (resigned 30 April 2021)

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Executives

Stemify Ltd up to 20 May 2021:

There were no Executives employed with Stemify Ltd in the period to 20 May 2021.

Cirrus Communications Pty Ltd and Swoop Holdings Ltd from 1 July 2020 to 30 June 2021:

- Alex West – Chief Executive Officer
- John Phillips – Chief Financial Officer
- Louise Bolger – General Counsel & Company Secretary

2. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

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Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of time based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM held on 26 November 2021, 99.97% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

3. Remuneration Structure for Swoop Holdings Limited

Fixed Pay:

Fixed Pay comprises cash salary and superannuation contributions, delivered in accordance with terms and conditions of each KMP's employment as set in their employment agreement.

Short term incentives:

STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved and is monitored by the Remuneration and Nominations Committee.

Long term incentives:

The Company has adopted an employee incentive scheme titled "Swoop Holdings Long Term Incentive Plan" (**Incentive Plan**). The objective of the Incentive Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Incentive Plan and the future issue of awards under the Incentive Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

The key terms of the Incentive Plan are as follows:

(a) Award

For the Purpose of the Incentive Plan, an 'Award' means:

- (i) an Option;
- (ii) a Performance Right;
- (iii) a Share Award; and/or
- (iv) a Loan Funded Share,

as the case may be.

(b) Eligibility

Swoop Holdings Limited
Directors' report
30 June 2022

Participants in the Incentive Plan may be:

- (i) any Director (whether executive or non-executive) or employee of the Company and any Associated Body Corporate of the Company (each, a **Group Company**); or
- (ii) any other person providing services to a Group Company and who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of Awards under the Incentive Plan.

4. Executive Service agreements

All Executive team members have service agreements determining Fixed Pay comprising cash salary and superannuation and performance based variable rewards (if applicable). There are no fixed employment terms. The termination notice period is six months by either party. All agreements include non-solicitation and non-compete restrictions and agreements provide for dismissal due to gross misconduct with no entitlement to termination payments in this event. Statutory leave entitlements apply in each agreement.

Details of these agreements are as follows:

Name: Alex West
Title: CEO
Agreement commenced: 3 February 2020
Term of agreement: Ongoing
Details: Base Salary: Annual salary of AUD\$280,000 plus statutory superannuation.

Performance-based Incentives: Eligible to partake in the company's STI and LTI Plan; may be terminated by the company without cause by giving 6 month's written notice.

Name: Patricia Jones
Title: CFO
Agreement commenced: 19 April 2022
Term of agreement: Ongoing
Details: Base Salary: Annual salary of AUD\$281,818 plus statutory superannuation

Performance-based Incentives: Eligible to partake in the company's STI and LTI Plan; may be terminated by the company without cause by giving 6 month's written notice.

Name: Louise Bolger
Title: General Counsel
Agreement commenced: 7 June 2021
Term of agreement: Ongoing
Details: Base Salary: Annual salary of AUD\$280,000 plus statutory superannuation.

Performance-based Incentives: Eligible to partake in the company's STI and LTI Plan; may be terminated by the company without cause by giving 6 month's written notice.

5. Non-executive Director Remuneration

Non-executive directors receive a Board fee. The total aggregate fees to be paid per annum to non-executive directors is currently limited to \$500,000. All non-executive directors enter into an agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director. Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments will be reviewed annually by the Remuneration and Nominations Committee. The current annual aggregate remuneration of Directors is disclosed in the company's remuneration report for the year ended 30 June 2022.

The Remuneration and Nominations Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

The Non-Executive Director Fee structure for the period 1 July 2021 to 30 June 2022 has been set at the following level:

- Non-Executive Chairman - \$160,000
- Non-Executive Directors - \$50,000

Swoop Holdings Limited
Directors' report
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No additional fees are payable in respect of individual Chair or Committee memberships. Superannuation is included in the above amounts.

6. Remuneration Governance

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for all Directors and Executives. It is intended that Management regularly report to the Committee on issues that may impact their decisions and attend meetings by invitation, but do not participate in decisions regarding their own remuneration arrangements.

Use of remuneration consultants

Under the provisions of the Committee's Charter, the Committee may engage the assistance and advice from external remuneration advisors. To ensure that any recommendations made by remuneration consultants are provided without undue influence being exerted by Executives, external remuneration consultants are engaged by and deliver their advice directly to members of the Committee.

The Committee engaged the services of Egan Associates during the financial year to review and to provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentives. Under the terms of the engagement, Egan Associates provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 for fees of \$17,500 in FY22.

Egan Associates confirmed that any recommendations have been made free from undue influence by members of the Group's key management personnel.

Egan Associates were engaged by, and reported directly to, the Committee Chair. The Board is satisfied that the recommendations were made free from undue influence from any members of key management personnel.

Share Trading Policy

The company has a Share Trading Policy which aims to ensure that all employees understand their obligations in relation to insider trading, describes restrictions on buying and selling the company's shares by the employees and when approvals need to be sought. The Share Trading Policy can be found on the Corporate Governance page in the Investors section of the Company's website at www.swoop.com.au/corporate-governance.

7. Statutory Remuneration Disclosures

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. The information below has been prepared in accordance with the requirements of the Corporations Act 2001 and relevant Australian Accounting Standards.

The key management personnel of the Group consisted of the following directors of Swoop Holdings Limited:

- James Spenceley (Non-Executive Director)
- Anthony Grist (Non-Executive Director)
- Jonathan Pearce (Non- Executive Director)
- Matthew Hollis (Non- Executive Director)
- Paul Reid (Non- Executive Director)

And the following persons:

- Alexander West - Chief Executive Officer
- Patricia Jones - Chief Financial Officer (commenced 19 April 2022)
- John Phillips - Chief Financial Officer (resigned 16 April 2022)
- Louise Bolger - General Counsel & Company Secretary

Swoop Holdings Limited
Directors' report
30 June 2022

| 2022 | Short-term benefits | | | Long-term benefits | Share based payments | Total |
|--|----------------------------|------------------|--------------------|-----------------------|--------------------------|------------------|
| | Cash salary and fees \$ | Cash bonus \$ | Annual leave \$ | Super-annuation \$ | Performance rights \$ | |
| <i>Non-Executive Directors:</i> | | | | | | |
| James Spenceley | 145,462 | - | - | 14,546 | - | 160,008 |
| Anthony Grist | 50,000 | - | - | - | - | 50,000 |
| Jonathan Pearce | 50,000 | - | - | - | - | 50,000 |
| Matthew Hollis ⁽ⁱ⁾ | 97,385 | - | 4,949 | 9,739 | - | 112,073 |
| Paul Reid | 45,226 | - | 231 | 4,546 | - | 50,003 |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Alexander West | 282,630 | 90,909 | 10,769 | 23,568 | 89,900 | 497,776 |
| John Phillips (resigned 16 April 2022) | 237,228 | - | 25,222 | 21,378 | - | 283,828 |
| Patricia Jones (commenced 19 April 2022) | 53,112 | - | - | 5,311 | 37,458 | 95,881 |
| Louise Bolger | 272,801 | - | 8,265 | 23,568 | 22,475 | 327,109 |
| | <u>1,233,844</u> | <u>90,909</u> | <u>49,436</u> | <u>102,656</u> | <u>149,833</u> | <u>1,626,678</u> |

(i) Remuneration reflects being an Executive Director from 1 July 2021 to 31 December 2021 and a Non-Executive Director from 1 January 2022.

| 2021 | Short-term benefits | | | Long-term benefits | Share based payments | | | Total |
|--|----------------------------|------------------|--------------------|-----------------------|--------------------------|--------------------------|---------------|------------------|
| | Cash salary and fees \$ | Cash bonus \$ | Annual leave \$ | Super-annuation \$ | Performance rights \$ | Loan funded shares \$ | Options \$ | |
| <i>Non-Executive Directors:</i> | | | | | | | | |
| James Spenceley ⁽ⁱ⁾ | 146,119 | 2,268,623 | - | 13,881 | 1,054,472 | - | - | 3,483,095 |
| Anthony Grist ⁽ⁱ⁾ | 50,000 | - | - | - | 878,727 | - | - | 928,727 |
| Jonathan Pearce | 32,315 | - | - | - | 527,236 | - | - | 559,551 |
| Paul Reid ⁽ⁱ⁾ | 132,691 | 607,324 | 4,805 | 13,919 | - | 687,252 | - | 1,445,991 |
| <i>Executive Directors:</i> | | | | | | | | |
| Matthew Hollis ⁽ⁱ⁾ | 146,119 | - | 1,226 | 13,881 | - | 315,901 | - | 477,127 |
| Timothy Grice ⁽ⁱⁱ⁾ | 58,000 | - | - | - | - | - | 6,105 | 64,105 |
| Ryan Legudi ⁽ⁱⁱⁱ⁾ | 107,286 | - | - | - | - | - | 35,383 | 142,669 |
| Eric Heyde ^(iv) | 153,058 | 326,354 | 2,048 | 15,837 | - | 370,415 | - | 867,712 |
| Thomas Berryman ^(v) | 127,825 | - | 11,538 | 11,784 | - | - | - | 151,147 |
| <i>Other Key Management Personnel:</i> | | | | | | | | |
| Alexander West | 284,906 | - | 18,308 | 21,694 | - | 315,901 | - | 640,809 |
| John Phillips | 91,514 | 100,000 | 7,071 | 6,931 | - | - | - | 205,516 |
| Louise Bolger | 16,153 | - | 27 | 1,535 | - | - | - | 17,715 |
| | <u>1,345,986</u> | <u>3,302,301</u> | <u>45,023</u> | <u>99,462</u> | <u>2,460,435</u> | <u>1,689,469</u> | <u>41,488</u> | <u>8,984,164</u> |

Swoop Holdings Limited
Directors' report
30 June 2022

- (i) These directors were appointed directors in Cirrus Communications Pty Ltd prior to the reverse acquisition. Their remuneration details represents remuneration from 1 July 2020 to 30 June 2021.
- (ii) Mr Grice resigned his executive chairman role on 20 May 2021. His salary and fees include a final settlement of \$25,000 as agreed in the Deed of Release.
- (iii) Mr Legudi resigned his executive role on 20 May 2021. His salary and fees include an amount of \$25,000 for employment entitlements accrued and a final settlement amount of \$59,786 as agreed in the Deed of Release.
- (iv) Mr Heyde was a Director of Cirrus Communications Pty Ltd prior to the reverse acquisition. His remuneration details represents remuneration from 1 July 2020 to 30 June 2021. Mr Heyde resigned as a Director of Cirrus Communications on 7 July 2021.
- (v) Mr Berryman was a Director of Cirrus Communications Pty Ltd. Mr Berryman resigned as a Director on 30 April 2021. His remuneration details represent remuneration from 1 July 2020 to 30 April 2021.

Share-based compensation disclosures

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the period 1 July 2021 to 30 June 2022.

Performance rights

The terms and conditions of each grant of Share Rights granted during the period 1 July 2021 to 30 June 2022, affecting remuneration in the current or a future reporting period are set out below.

Performance rights - vested and issued as ordinary shares

The following performance rights, granted 21 May 2021, vested and were issued as ordinary shares during the year:

| Name | Vesting condition | Number of rights granted | Share issue date | Fair value of right at grant date |
|-----------------|-------------------|--------------------------|------------------|-----------------------------------|
| James Spenceley | (A) | 1,318,090 | 28/02/2022 | 0.45 |
| James Spenceley | (B) | 1,318,091 | 28/02/2022 | 0.35 |
| Tony Grist | (A) | 1,098,408 | 28/02/2022 | 0.45 |
| Tony Grist | (B) | 1,098,409 | 28/02/2022 | 0.35 |
| Jonathan Pearce | (A) | 659,045 | 28/02/2022 | 0.45 |
| Jonathan Pearce | (B) | 659,045 | 28/02/2022 | 0.35 |

Vesting conditions

(A) Swoop and NodeOne achieving aggregate Sales Revenue of \$30,000,000 over two consecutive half year periods, with the second half year period ending within the three-year term of the performance rights.

(B) Swoop and NodeOne achieving aggregate Sales Revenue of \$35,000,000 over two consecutive half year periods, with the second half year period ending within the three-year term of the performance rights.

Approval for vesting conditions being met for the issue of the shares was by resolution of the Board on 28 February 2022.

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Performance rights - granted during the year

The following performance rights were granted by the company to key management personnel in the financial year:

| Name | Number of rights granted | Grant date | Vesting date and exercisable date | Expiry date | Fair value per right at grant date |
|----------------|--------------------------|------------|-----------------------------------|-------------|------------------------------------|
| Alex West | 240,000 | 29/04/2022 | 01/10/2022 | 31/12/2024 | \$0.218 |
| Patricia Jones | 100,000 | 29/04/2022 | 01/10/2022 | 31/12/2024 | \$0.218 |
| Louise Bolger | 60,000 | 29/04/2022 | 01/10/2022 | 31/12/2024 | \$0.218 |
| Alex West | 360,000 | 29/04/2022 | 01/10/2023 | 31/12/2024 | \$0.491 |
| Patricia Jones | 150,000 | 29/04/2022 | 01/10/2023 | 31/12/2024 | \$0.491 |
| Louise Bolger | 90,000 | 29/04/2022 | 01/10/2023 | 31/12/2024 | \$0.491 |
| Alex West | 600,000 | 29/04/2022 | 01/10/2024 | 31/12/2024 | \$0.645 |
| Patricia Jones | 250,000 | 29/04/2022 | 01/10/2024 | 31/12/2024 | \$0.645 |
| Louise Bolger | 150,000 | 29/04/2022 | 01/10/2024 | 31/12/2024 | \$0.645 |

Vesting conditions

* **Individual Performance** - the KMP must achieve at a minimum a "solid" performance rating, which includes any additional KPIs required for their role outside of the short term incentive framework.

** **Total Shareholder Return (TSR)** -

AGR of TSR Thresholds

Less than 5%
 >5% and <7.5%
 >=7.5% and <10%
 >=10%

Performance Rights Allocation

0%
 50% allocation at 5% and increasing by a straight-line scale to 75% at 7.5%
 75% allocation at 7.5% and increasing by a straight-line scale to 100% at 10%
 100% allocation

TSR Assessment

The TSR test date will be conducted at the end of each performance period which is the date of release of Swoop's audited annual financial statements for that year (or any other day determined by the Board).

For the purposes of the TSR allocation:

- o "Base share price" means the share price at the "base date". For FY21 the IPO date of 27 May 2021 is considered the base date. Subsequent years' base date will be determined by the Board, but it is initially proposed to be the share price as at the TSR test date.
- o "Performance Period" is the 1-3 year period from the base date to the TSR test date (for each of the tranches).
- o "Market value" means on the base date, the IPO share price at which the shares were listed on the ASX; and on the TSR test date, the VWAP at which the shares were traded on the ASX in the 15 day period following (and including) the TSR test date.
- o "TSR" as at the TSR test date of Swoop means the total shareholder return of Swoop determined on an Annual Growth Rate basis by reference to:
 - the changes in the market value of a share in Swoop from the base date to the TSR test date; and
 - the value (on a basis determined by the Board from time to time) of any shareholder benefits (including dividends or any other benefits that the Board determines from time to time are to be taken into account) paid or otherwise made generally available to shareholders in Swoop from the base date to the TSR test date.

Performance rights granted carry no dividend or voting rights.

These performance rights were issued at no cost to the recipients and represent a right to one ordinary share in the company in the future for no consideration, subject to satisfying the performance conditions.

Swoop Holdings Limited
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Additional information

The factors that are considered to affect TSR are summarised below:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------|---------|--------|---------|--------|
| Share price at financial year end (\$) | 0.56 | 0.97 | 0.02 | 0.02 | 0.02 |
| Basic earnings per share (cents per share) | (2.55) | (14.01) | (0.19) | (38.59) | (4.99) |
| Diluted earnings per share (cents per share) | (2.55) | (14.01) | (0.19) | (38.59) | (4.99) |

8. 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 Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Additions | Disposal | Balance at the end of the year |
|--|----------------------------------|------------------|----------|--------------------------------|
| <i>Ordinary shares</i> | | | | |
| James Spenceley | 9,575,169 | 2,636,181 | - | 12,211,350 |
| Anthony Grist | 10,571,853 | 2,192,817 | - | 12,764,670 |
| Matthew Hollis | 3,791,412 | - | - | 3,791,412 |
| Paul Reid | 22,673,896 | 10,810 | - | 22,684,706 |
| Jonathan Pearce | 1,114,849 | 1,523,495 | - | 2,638,344 |
| Alex West | 1,549,343 | 5,405 | - | 1,554,748 |
| John Phillips (resigned 16 April 2022) | 40,000 | - | - | 40,000 |
| Patricia Jones (commenced 19 April 2022) | - | - | - | - |
| Louise Bolger | - | - | - | - |
| | <u>49,316,522</u> | <u>6,368,708</u> | <u>-</u> | <u>55,685,230</u> |

Option holding

The number of options over ordinary shares in the company held during the financial period by each director of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Forfeited | Balance at the end of the year |
|------------------------------|----------------------------------|----------|-----------|----------------|--------------------------------|
| Options over ordinary shares | | | | | |
| Jonathan Pearce | 163,044 | - | - | - | 163,044 |
| Anthony Grist | 1,636,720 | - | - | (6,283) | 1,630,437 |
| | <u>1,799,764</u> | <u>-</u> | <u>-</u> | <u>(6,283)</u> | <u>1,793,481</u> |

Performance rights holding

The number of performance rights over ordinary 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:

| | Balance at the start of the year | Granted | Exercised | Expired/forfeited/other | Balance at the end of the year |
|--|----------------------------------|------------------|--------------------|-------------------------|--------------------------------|
| <i>Performance rights over ordinary shares</i> | | | | | |
| James Spenceley | 2,636,181 | - | (2,636,181) | - | - |
| Anthony Grist | 2,196,817 | - | (2,196,817) | - | - |
| Jonathan Pearce | 1,318,090 | - | (1,318,090) | - | - |
| Alex West | - | 1,200,000 | - | - | 1,200,000 |
| Patricia Jones | - | 500,000 | - | - | 500,000 |
| Louise Bolger | - | 300,000 | - | - | 300,000 |
| | <u>6,151,088</u> | <u>2,000,000</u> | <u>(6,151,088)</u> | <u>-</u> | <u>2,000,000</u> |

Swoop Holdings Limited
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Loans to KMP

In October 2019 and July 2020, Cirrus Communications Pty Limited issued shares for limited recourse loan consideration to Directors and Executives. The Company was assigned the benefit of these loans as at 21 May 2021, at which time the loans were limited recourse with respect to the Consideration Shares issued as consideration for the shares to which the loans previously related. Details of the loan balances outstanding are as follows:

| Name | Balance at 1 June 2021 | Repayments from 1 July 2021 to 30 June 2022 | Balance as at 30 June 2022 |
|---|------------------------|---|----------------------------|
| Paul Reid – Non-Executive Director | 669,683 | - | 669,683 |
| Matthew Hollis – Non-Executive Director | 1,046,103 | - | 1,046,103 |
| Alex West - CEO | 549,296 | - | 549,296 |
| Total | 2,265,082 | - | 2,265,082 |

These loans are repayable under certain circumstances as set out in the respective loan agreements, including where the borrower receives payment in respect of the sale, disposal or cancellation of their shares. The liability of the borrower is limited to remitting the proceeds of sale or disposal of the shares, or any distributions received in relation to the shares issued as consideration for the Cirrus Communications Pty Limited shares to which the loans previously related, up to the loan amount. The loans are interest free.

Related Party Disclosures

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


| | Consolidated | |
|--|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Payment for goods and services: | | |
| Payment for SaaS usage fees and SaaS implementation fees from Opvia Pty Ltd (director-related entity of Matthew Hollis) | 19,435 | 16,745 |
| Current payables: | | |
| Amount payable for SaaS usage fees and SaaS implementation fees from Opvia Pty Ltd (director-related entity of Matthew Hollis) | 3,289 | 5,250 |

Other transactions with KMP

Some of the Non-Executive Directors hold directorships or positions in other companies or organisations. From time to time, the company may provide or receive services from these companies or organisations on arm's length terms. None of the Non-Executive Directors were, or are, involved in any procurement or Board decision-making regarding the companies or organisations with which they have an association.

This concludes the remuneration report, which has been audited.

On behalf of the directors


James Spenceley
Chairman
30 September 2022

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Swoop Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Swoop Holdings Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of 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.

PKF

PAUL PEARMAN
PARTNER

30 SEPTEMBER 2022
SYDNEY, NSW

PKF (NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved
under Professional Standards Legislation

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PKF (NS) Audit & Assurance Limited Partnership is a member firm of the PKF International Limited family of separately owned firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

For our office locations visit www.pkf.com.au

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Swoop Holdings Limited

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General information

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

Swoop Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5, 126 Phillip Street
Sydney NSW 2000

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 30 September 2022. The directors have the power to amend and reissue the financial statements.

Swoop Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|--|------|----------------------------|---------------------|
| Revenue | 3 | 51,667,928 | 22,419,905 |
| Other income | 4 | 18,023 | 655,167 |
| Expenses | | | |
| Cost of sales | | (23,369,609) | (12,627,351) |
| Marketing and advertising | | (1,214,473) | (1,563,686) |
| Finance costs | | (813,370) | (464,051) |
| General and administrative | | (3,197,138) | (1,876,887) |
| Depreciation and amortisation expense | 5 | (13,377,658) | (6,171,050) |
| Bad and doubtful debt expense | 8 | (171,518) | - |
| Employee benefit expense | | (9,133,966) | (2,842,356) |
| Share based payments expense | 36 | (799,596) | (3,330,386) |
| One-off legal costs | | (1,034,649) | - |
| Gain/loss on disposal asset | | 11,838 | (44,566) |
| Acquisition and integration costs | | (3,512,298) | (4,574,064) |
| Corporate restructuring expenses | | - | (3,008,401) |
| Other expenses | | (1,553,925) | (1,202,168) |
| Loss before income tax benefit | | (6,480,411) | (14,629,894) |
| Income tax benefit | 6 | 1,597,601 | 841,144 |
| Loss after income tax benefit for the year attributable to the owners of Swoop Holdings Limited | | (4,882,810) | (13,788,750) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Loss on the revaluation of financial assets at fair value through other comprehensive income, net of tax | | (124,487) | - |
| Foreign currency translation | | - | 11,755 |
| Other comprehensive income for the year, net of tax | | (124,487) | 11,755 |
| Total comprehensive income for the year attributable to the owners of Swoop Holdings Limited | | <u>(5,007,297)</u> | <u>(13,776,995)</u> |
| | | Cents | Cents |
| Basic earnings per share | 35 | (2.55) | (14.01) |
| Diluted earnings per share | 35 | (2.55) | (14.01) |

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

Swoop Holdings Limited
Statement of financial position
As at 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|---|------|----------------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 32,020,568 | 17,497,867 |
| Trade receivables | 8 | 3,608,688 | 3,348,547 |
| Inventories | 9 | 1,934,455 | 1,697,835 |
| Prepayments | 12 | 1,822,830 | 1,960,833 |
| Other financial assets | | 38,986 | 78,179 |
| Total current assets | | <u>39,425,527</u> | <u>24,583,261</u> |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | 10 | 1,339,964 | 1,025,269 |
| Property, plant and equipment | 13 | 34,758,251 | 17,103,153 |
| Right-of-use assets | 11 | 9,297,184 | 6,712,788 |
| Intangibles | 14 | 45,527,889 | 28,729,307 |
| Deferred tax | 6 | 1,818,910 | 1,440,413 |
| Other assets | | 195,553 | - |
| Other financial assets | | 279,153 | - |
| Total non-current assets | | <u>93,216,904</u> | <u>55,010,930</u> |
| Total assets | | <u>132,642,431</u> | <u>79,594,191</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables | 15 | 10,097,195 | 6,267,203 |
| Other payables | 16 | 2,526,553 | 716,881 |
| Deferred consideration | 20 | 5,479,236 | 5,525,216 |
| Contract liabilities | 17 | 1,683,229 | 2,825,429 |
| Current tax liabilities | 6 | - | 191,413 |
| Lease liabilities | 11 | 2,430,064 | 2,567,918 |
| Employee benefits | 18 | 1,618,581 | 1,787,460 |
| Total current liabilities | | <u>23,834,858</u> | <u>19,881,520</u> |
| Non-current liabilities | | | |
| Lease liabilities | 11 | 7,607,708 | 5,376,160 |
| Deferred tax | 6 | 4,282,200 | 3,358,022 |
| Employee benefits | 18 | 165,563 | 142,719 |
| Provisions | 19 | 168,096 | - |
| Deferred consideration | 20 | - | 1,300,000 |
| Total non-current liabilities | | <u>12,223,567</u> | <u>10,176,901</u> |
| Total liabilities | | <u>36,058,425</u> | <u>30,058,421</u> |
| Net assets | | <u>96,584,006</u> | <u>49,535,770</u> |
| Equity | | | |
| issued capital | 21 | 123,737,206 | 70,020,924 |
| Reserves | 22 | 3,365,747 | 5,026,497 |
| Accumulated losses | | <u>(30,518,947)</u> | <u>(25,511,651)</u> |
| Total equity | | <u>96,584,006</u> | <u>49,535,770</u> |

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

Swoop Holdings Limited
Statement of changes in equity
For the year ended 30 June 2022

| Consolidated | Issued capital \$ | Redeemable preference shares \$ | Foreign exchange translation reserve \$ | Share-based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|-----------------------------|---|---|---|---------------------------------|---------------------------|
| Balance at 1 July 2020 | 17,429,029 | 7,150,000 | - | 2,703,779 | (12,780,567) | 14,502,241 |
| Loss after income tax benefit for the year | - | - | - | - | (13,788,750) | (13,788,750) |
| Other comprehensive income for the year, net of tax | - | - | 11,755 | - | - | 11,755 |
| Total comprehensive income for the year | - | - | 11,755 | - | (13,788,750) | (13,776,995) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Contributions of equity, net of transaction costs | 52,591,894 | (7,150,000) | - | (1,019,423) | 1,057,667 | 45,480,138 |
| Share-based payments | - | - | - | 3,330,386 | - | 3,330,386 |
| Balance at 30 June 2021 | <u>70,020,923</u> | <u>-</u> | <u>11,755</u> | <u>5,014,742</u> | <u>(25,511,650)</u> | <u>49,535,770</u> |

| Consolidated | Issued capital \$ | Foreign exchange translation reserve \$ | Share-based payments reserve \$ | Accumulated losses \$ | Total equity \$ |
|--|-----------------------------|---|---|---------------------------------|---------------------------|
| Balance at 1 July 2021 | 70,020,923 | 11,755 | 5,014,742 | (25,511,650) | 49,535,770 |
| Loss after income tax benefit for the year | - | - | - | (4,882,810) | (4,882,810) |
| Other comprehensive income for the year, net of tax | - | - | - | (124,487) | (124,487) |
| Total comprehensive income for the year | - | - | - | (5,007,297) | (5,007,297) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs | 44,155,937 | - | - | - | 44,155,937 |
| Consideration shares issued to vendors of acquired entities | 6,925,000 | - | - | - | 6,925,000 |
| Issue of shares to Directors on vesting and conversion of performance rights | 2,460,346 | - | (2,460,346) | - | - |
| Share options exercised during the period | 175,000 | - | - | - | 175,000 |
| Share-based payments | - | - | 799,596 | - | 799,596 |
| Balance at 30 June 2022 | <u>123,737,206</u> | <u>11,755</u> | <u>3,353,992</u> | <u>(30,518,947)</u> | <u>96,584,006</u> |

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

Swoop Holdings Limited
Statement of cash flows
For the year ended 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|--|------|----------------------------|-------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 51,435,496 | 22,729,621 |
| Payments to suppliers (inclusive of GST) | | (43,123,577) | (26,970,617) |
| | | 8,311,919 | (4,240,996) |
| Interest received | | 412 | 31 |
| Interest and other finance costs paid | | (70,831) | (16,233) |
| Government grants received | | 840,841 | 2,559,500 |
| Income taxes paid | | (221,165) | (359,382) |
| Other | | - | (144,022) |
| Net cash from/(used in) operating activities | 34 | 8,861,176 | (2,201,102) |
| Cash flows from investing activities | | | |
| Payment for purchase of business, net of cash acquired | | (1,318,772) | (239,432) |
| Payment for purchase of subsidiary, net of cash acquired | | (17,773,750) | 690,010 |
| Payments for property, plant and equipment | | (17,941,099) | (5,914,541) |
| Payments for investments | | (388,222) | (1,054,859) |
| Payments for intangibles | | (417,574) | (22,525) |
| Proceeds from disposal of business | | 203,245 | - |
| Net cash used in investing activities | | (37,636,172) | (6,541,347) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 21 | 45,989,160 | 25,499,999 |
| Repayment of borrowings | | (643,744) | (880,774) |
| Transaction costs related to issue of shares | | (1,772,277) | (1,005,708) |
| Proceeds from the exercise of options | | 175,000 | - |
| Transaction costs related to borrowings | | (519,765) | - |
| Net cash from financing activities | | 43,228,374 | 23,613,517 |
| Net increase in cash and cash equivalents | | 14,453,378 | 14,871,068 |
| Cash and cash equivalents at the beginning of the financial year | | 17,497,867 | 2,626,799 |
| Effects of exchange rate changes on cash and cash equivalents | | 69,323 | - |
| Cash and cash equivalents at the end of the financial year | 7 | <u>32,020,568</u> | <u>17,497,867</u> |

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

Note 1. Significant accounting policies

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.

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.

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 financial assets at fair value through other comprehensive income.

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.

Going concern

For the year ended 30 June 2022, the consolidated entity has reported a loss after tax of \$4,882,810 (2021: loss of \$13,788,750).

Notwithstanding the loss after tax, the above the financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets, settlement of liabilities through the normal course of business including the presumption that sufficient funds will be available to finance the operations of the consolidated entity. In adopting this position, the directors have had regard to the following:

- Cash and cash equivalents as at 30 June 2022 of \$32,020,568 (30 June 2021: \$17,497,867);
- Net current asset position as at 30 June 2022 of \$15,590,669 (30 June 2021: \$4,701,741); and
- The directors have prepared cashflow forecasts for FY23.

The directors plan to continue the consolidated entity's operations on the basis as outlined above and believe there will be sufficient funds for the consolidated entity to meet its obligations and liabilities for at least twelve months from the date of this report.

If the consolidated entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

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 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Swoop Holdings Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Swoop Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Note 1. Significant accounting policies (continued)

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

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

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

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 Swoop Holdings Limited's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

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

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

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the 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.

Note 1. Significant accounting policies (continued)

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 other comprehensive income

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

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.

Impairment of non-financial assets

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

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

Finance costs

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. 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.

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

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.

Lease term

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

Deferred consideration

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The Group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Business combinations

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 consolidated entity 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.

Capitalised labour costs

Capitalised labour costs incurred has been recognised as an asset when it is deemed probable that future economic benefit associated with the item will flow to the entity and the cost can be measured reliably. Management have made estimates when applying percentages of certain employee costs that are attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Management have deemed the allocated percentage of certain staff costs applied is appropriate based on their assessment of staff roles, responsibilities and divisions.

Note 3. Revenue

| | Consolidated | |
|--|---------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Revenue from contracts with customers</i> | | |
| Business | 9,773,220 | 2,301,869 |
| Residential | 19,551,471 | 8,126,546 |
| Wholesale | 19,702,396 | 11,991,490 |
| Other revenue | 2,640,841 | - |
| Revenue | <u>51,667,928</u> | <u>22,419,905</u> |

Swoop Holdings Limited
Notes to the financial statements
30 June 2022

Note 3. Revenue (continued)

Disaggregation of revenue

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

| Consolidated - 2022 | Residential services \$ | Wholesale services \$ | Business services \$ | Other revenue \$ | Total \$ |
|----------------------------|-------------------------------|-----------------------------|----------------------------|------------------------|-------------------|
| <i>Revenue by service</i> | | | | | |
| Hardware | 311,919 | 33,863 | 40,024 | - | 385,806 |
| Installations | 127,099 | 273,181 | 94,203 | - | 494,483 |
| Recurring fees | 19,112,453 | 19,395,352 | 9,638,993 | - | 48,146,798 |
| Government grants | - | - | - | 2,640,841 | 2,640,841 |
| | <u>19,551,471</u> | <u>19,702,396</u> | <u>9,773,220</u> | <u>2,640,841</u> | <u>51,667,928</u> |

Timing of revenue recognition

| | | | | | |
|--------------------------------------|-------------------|-------------------|------------------|------------------|-------------------|
| Goods transferred at a point in time | 311,919 | 33,863 | 40,024 | - | 385,806 |
| Services transferred over time | 19,239,552 | 19,668,533 | 9,733,196 | 2,640,841 | 51,282,122 |
| | <u>19,551,471</u> | <u>19,702,396</u> | <u>9,773,220</u> | <u>2,640,841</u> | <u>51,667,928</u> |

| Consolidated - 2021 | Residential services \$ | Wholesale services \$ | Business services \$ | Total \$ |
|----------------------------|-------------------------------|-----------------------------|----------------------------|-------------------|
| <i>Revenue by service</i> | | | | |
| Hardware | 186,115 | 50,685 | 18,407 | 255,207 |
| Installations | 249,648 | 130,754 | 25,164 | 405,566 |
| Fixed Wireless | 7,690,783 | 11,810,051 | 2,258,298 | 21,759,132 |
| | <u>8,126,546</u> | <u>11,991,490</u> | <u>2,301,869</u> | <u>22,419,905</u> |

Timing of revenue recognition

| | | | | |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
| Goods transferred at a point in time | 186,115 | 50,685 | 18,408 | 255,208 |
| Services transferred over time | 7,940,431 | 11,940,805 | 2,283,461 | 22,164,697 |
| | <u>8,126,546</u> | <u>11,991,490</u> | <u>2,301,869</u> | <u>22,419,905</u> |

Accounting policy for Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group 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.

Refer to note 17 for further information about revenue recognition timing that gives rise to contract liabilities.

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.

Swoop Holdings Limited
Notes to the financial statements
30 June 2022

Note 3. Revenue (continued)

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 in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

Revenue from internet services is generally recognised once the service has been delivered. We deliver a number of different internet services under service contracts which includes fixed and variable components. Fixed components are for access to infrastructure such as dark fibre and exchange rack space. Variable components are recognised over the contract periods based on usage of data.

Note 4. Other income

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Government grants - Covid 19 | - | 100,000 |
| Other income | 17,239 | 555,069 |
| Interest income | 784 | 98 |
| | <hr/> | <hr/> |
| Other income | <u>18,023</u> | <u>655,167</u> |

Accounting policy on other income

Interest

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

Other income

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

Government grants – Covid 19

Government grants are recognised at fair value where there is reasonable assurance the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Swoop Holdings Limited
Notes to the financial statements
30 June 2022

Note 5. Expenses

| | Consolidated | |
|--|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Plant and equipment | 790,595 | 332,256 |
| Motor vehicles | 159,686 | 48,194 |
| Computer software | - | 293,528 |
| Networks | 6,136,624 | 2,547,878 |
| Right-of-use assets | 2,745,063 | 1,471,224 |
| | <u>9,831,968</u> | <u>4,693,080</u> |
| <i>Amortisation</i> | | |
| Patents and trademarks | 8,691 | 6,676 |
| Licences and franchises | 107,219 | 107,219 |
| Computer software | 1,209,992 | 532,232 |
| Customer contracts | - | 758,264 |
| Customer relationships | 2,112,137 | 71,782 |
| Brands | 107,651 | 1,797 |
| | <u>3,545,690</u> | <u>1,477,970</u> |
| Total depreciation and amortisation | <u>13,377,658</u> | <u>6,171,050</u> |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable | 179,435 | 37,195 |
| Interest and finance charges paid/payable on lease liabilities | 633,935 | 426,856 |
| | <u>813,370</u> | <u>464,051</u> |
| Finance costs expensed | <u>813,370</u> | <u>464,051</u> |
| <i>Share-based payments expense</i> | | |
| Share-based payments expense | <u>799,596</u> | <u>3,330,386</u> |
| <i>Employee benefits expense</i> | | |
| Superannuation | <u>611,362</u> | <u>371,293</u> |
| <i>Other expenses</i> | | |
| Impairment of financial assets | <u>-</u> | <u>18,753</u> |

Swoop Holdings Limited
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Note 6. Income tax

| | Consolidated | |
|---|---------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Income tax benefit</i> | | |
| Current tax | - | 237,195 |
| Adjustment recognised for prior periods | (97,742) | (44,465) |
| Origination and reversal of timing differences | <u>(1,499,859)</u> | <u>(1,033,874)</u> |
| Aggregate income tax benefit | <u><u>(1,597,601)</u></u> | <u><u>(841,144)</u></u> |
| <i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i> | | |
| Loss before income tax benefit | <u>(6,480,411)</u> | <u>(14,629,894)</u> |
| Tax at the statutory tax rate of 30% | (1,944,123) | (4,388,968) |
| Adjustment recognised for prior periods | (97,742) | (44,465) |
| Permanent differences | 427,869 | 1,743,035 |
| Other timing differences not recognised | 15,546 | 353,372 |
| Stub period tax loss not recognised ** | - | 1,495,882 |
| Difference in overseas entities outside of Australian consolidated tax group | <u>849</u> | <u>-</u> |
| Income tax benefit | <u><u>(1,597,601)</u></u> | <u><u>(841,144)</u></u> |

** Stub period tax loss reflects tax estimates for acquired entities for the period 1 July 2020 to 31 May 2021, prior to joining the Swoop Holdings Ltd tax consolidated group.

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Deferred tax asset</i> | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Provisions & accruals | 1,380,282 | 791,824 |
| Right-of-use asset | 222,176 | 98,235 |
| Contract liabilities | - | 540,000 |
| Software | - | 10,354 |
| Blackhole expenditure | <u>216,452</u> | <u>-</u> |
| Deferred tax asset | <u><u>1,818,910</u></u> | <u><u>1,440,413</u></u> |

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Deferred tax liability</i> | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Depreciable assets | 63,119 | 63,119 |
| Intangible assets | <u>4,219,081</u> | <u>3,294,903</u> |
| Deferred tax liability | <u><u>4,282,200</u></u> | <u><u>3,358,022</u></u> |

Swoop Holdings Limited
Notes to the financial statements
30 June 2022

Note 6. Income tax (continued)

| | Provisions and accruals \$ | Contract liabilities \$ | Right-of-use asset /lease liabilities \$ | Other | Total |
|---------------------------------------|----------------------------------|-------------------------------|---|----------------|------------------|
| <i>Movements - deferred tax asset</i> | | | | | |
| At 1 July 2021 | 791,824 | 540,000 | 98,235 | 10,354 | 1,440,413 |
| - Charged to profit or loss | 552,675 | - | 75,449 | 206,098 | 834,222 |
| - Acquisition of subsidiary | 35,783 | (540,000) | 48,492 | - | (455,725) |
| At 30 June 2022 | <u>1,380,282</u> | <u>-</u> | <u>222,176</u> | <u>216,452</u> | <u>1,818,910</u> |

| | Intangible assets \$ | Depreciable assets \$ | Total \$ |
|---|----------------------------|-----------------------------|------------------|
| <i>Movements - deferred tax liability</i> | | | |
| At 1 July 2021 | 3,294,903 | 63,119 | 3,358,022 |
| - Charged to profit or loss | (1,017,692) | - | (1,017,692) |
| - Acquisition of subsidiary | 1,941,870 | - | 1,941,870 |
| At 30 June 2022 | <u>4,219,081</u> | <u>63,119</u> | <u>4,282,200</u> |

Consolidated
2022 **2021**
\$ **\$**

Provision for income tax
Provision for income tax

- 191,413

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.

Swoop Holdings Limited
Notes to the financial statements
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Note 6. Income tax (continued)

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 7. Cash and cash equivalents

| | Consolidated | |
|-----------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Cash at bank | 32,020,568 | 17,497,867 |

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 8. Trade receivables

| | Consolidated | |
|--|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables and accrued revenue | 3,878,642 | 3,368,064 |
| Less: Allowance for expected credit losses | (269,954) | (65,299) |
| | <u>3,608,688</u> | <u>3,302,765</u> |
| Income tax refund due | - | 45,782 |
| | <u>3,608,688</u> | <u>3,348,547</u> |

Allowance for expected credit losses

During the financial year, allowance for expected credit losses of (\$171,518) has been recognised in the profit or loss in respect of the expected credit losses (2021: \$18,753).

Note 8. Trade receivables (continued)

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

| Consolidated | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|---------------------|----------------------------------|-------------|------------------------|------------------|---|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | % | | \$ | \$ | \$ | \$ |
| Not overdue | 1.66% | 0.97% | 1,602,263 | 2,851,386 | 20,464 | 27,738 |
| < 30 days overdue | 1.66% | 10.06% | 680,967 | 234,273 | 11,114 | 23,578 |
| < 90 days overdue | 17.21% | 1.38% | 524,977 | 269,176 | 58,740 | 3,719 |
| > 90 days overdue | 38.35% | 17.15% | 412,064 | 59,845 | 179,636 | 10,264 |
| | | | <u>3,220,271</u> | <u>3,414,680</u> | <u>269,954</u> | <u>65,299</u> |

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

| | Consolidated | |
|--|---------------------|---------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Opening balance | 65,299 | 46,546 |
| Additional provisions recognised including additions via business combinations | <u>204,655</u> | <u>18,753</u> |
| Closing balance | <u>269,954</u> | <u>65,299</u> |

Accounting policy for trade and other receivables

Trade receivables

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

In measuring the expected credit losses, the trade receivables have been assessed on a collective as they possess shared credit risk characteristics. They have been grouped on the days past due and also according to the customer type (direct, residential, wholesale).

The expected loss rates are based on the payment profile for sales over the past 48 months before 30 June 2022 and 1 July 2021 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the outstanding amount.

Trade receivables are written off (derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 120 days is considered an indicator of no reasonable expectation of recovery.

Credit risk exposure

The Group is not exposed to any significant credit risk exposure to any single counterparty or any of group of counterparties having similar characteristics. Based on historical information about customer default rates, management consider the quality of trade receivables that are not past due or impaired to be good.

Other receivables

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

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Note 9. Inventories

| | Consolidated | |
|---|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Stock on hand - at net realisable value | <u>1,934,455</u> | <u>1,697,835</u> |

Accounting policy for inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Note 10. Financial assets at fair value through other comprehensive income

| | Consolidated | |
|---------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Shares in listed entities | <u>1,339,964</u> | <u>1,025,269</u> |

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 | 1,025,269 | - |
| Revaluations through other comprehensive income | (124,487) | - |
| Additions | 439,182 | - |
| Additions through business combinations | <u>-</u> | <u>1,025,269</u> |
| Closing fair value | <u>1,339,964</u> | <u>1,025,269</u> |

Refer to note 24 for further information on fair value measurement.

Note 11. Right-of-use assets

The Group has leases over a range of assets including land and buildings and network assets.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

Land and buildings

The Group leases land and buildings for their corporate offices and other buildings, the leases are generally between 3 - 10 years and some of the leases include a renewal option to allow the Group to renew for up to twice the non- cancellable lease term.

The corporate office lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

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Note 11. Right-of-use assets (continued)

Network assets

Network access agreements

The Group leases has in place access agreements for maintenance of network equipment. The leases can vary in length, with the access agreements usually being rolling 12-month agreements. In these instances the Group has determined the length of the lease to be the identifiable useful life of the equipment placed there on, which has been set at 7 years.

Dark Fibre agreements

The Group has agreements to gain exclusive access to underground fibre cabling. The leases usually have an initial term of 36 months, after which they revert to a rolling month-to-month contract. In these instances the Group has determined the length of the lease to be the average length of time that they utilise the dark fibre cabling, which has been set at 7 years.

(a) Right-of-use assets

The carrying value of ROU assets is presented below:

| | Consolidated | |
|--------------------------------|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Office premises - right-of-use | 1,603,116 | 554,109 |
| Less: Accumulated depreciation | (562,533) | (309,901) |
| | <u>1,040,583</u> | <u>244,208</u> |
| Network assets - right-of-use | 13,388,627 | 9,108,175 |
| Less: Accumulated depreciation | (5,132,026) | (2,639,595) |
| | <u>8,256,601</u> | <u>6,468,580</u> |
| | <u><u>9,297,184</u></u> | <u><u>6,712,788</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 | Office premises \$ | Network assets \$ | Total \$ |
|---|--------------------------|-------------------------|------------------|
| Balance at 1 July 2020 | 196,607 | 5,289,296 | 5,485,903 |
| Additions | 101,982 | 1,586,993 | 1,688,975 |
| Additions through business combinations | 96,791 | 967,036 | 1,063,827 |
| Disposals | (6,423) | (48,270) | (54,693) |
| Depreciation expense | (144,749) | (1,326,475) | (1,471,224) |
| Balance at 30 June 2021 | 244,208 | 6,468,580 | 6,712,788 |
| Additions | 502,879 | 3,926,280 | 4,429,159 |
| Additions through business combinations | 693,623 | 772,567 | 1,466,190 |
| Disposals | (147,495) | (418,395) | (565,890) |
| Depreciation expense | (252,632) | (2,492,431) | (2,745,063) |
| Balance at 30 June 2022 | <u>1,040,583</u> | <u>8,256,601</u> | <u>9,297,184</u> |

(b) Lease liabilities

The carrying value of lease liabilities is presented below:

Note 11. Right-of-use assets (continued)

| | Consolidated | |
|--------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current | | |
| Property - office leases | 1,068,723 | 169,036 |
| Network - access leases | 1,296,232 | 1,711,151 |
| Finance leases | 65,109 | 687,731 |
| | <u>2,430,064</u> | <u>2,567,918</u> |
| Non-current | | |
| Property - office leases | 3,436,398 | 86,168 |
| Network - access leases | 3,922,442 | 5,054,025 |
| Finance Leases | 248,868 | 235,967 |
| | <u>7,607,708</u> | <u>5,376,160</u> |
| | <u>10,037,772</u> | <u>7,944,078</u> |

(c) Maturity profile of contractual undiscounted lease liability cashflows:

| | Consolidated | |
|---|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| - not later than one year | 2,612,972 | 2,273,332 |
| - later than one year but not later than five years | 9,491,291 | 6,023,549 |
| - later than five years | - | - |
| | <u>12,104,263</u> | <u>8,296,881</u> |

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.

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 consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

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Notes to the financial statements
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Note 12. Prepayments

| | Consolidated | |
|-----------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Prepayments | <u>1,822,830</u> | <u>1,960,833</u> |

Note 13. Property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Networks - at cost | 64,130,864 | 39,818,046 |
| Less: Accumulated depreciation | <u>(31,906,520)</u> | <u>(25,769,897)</u> |
| | <u>32,224,344</u> | <u>14,048,149</u> |
| Plant and equipment - at cost | 4,787,887 | 3,575,147 |
| Less: Accumulated depreciation | <u>(2,500,846)</u> | <u>(1,710,250)</u> |
| | <u>2,287,041</u> | <u>1,864,897</u> |
| Computer software - at cost | - | 2,213,648 |
| Less: Accumulated depreciation | <u>-</u> | <u>(1,382,231)</u> |
| | <u>-</u> | <u>831,417</u> |
| Motor vehicles - at cost | 790,640 | 742,777 |
| Less: Accumulated depreciation | <u>(543,774)</u> | <u>(384,087)</u> |
| | <u>246,866</u> | <u>358,690</u> |
| | <u>34,758,251</u> | <u>17,103,153</u> |

| Consolidated | Networks \$ | Plant and equipment \$ | Computer software \$ | Motor vehicles \$ | Total \$ |
|---|--------------------|------------------------------|----------------------------|-------------------------|--------------------|
| Balance at 1 July 2020 | 6,417,373 | 835,275 | 293,045 | 139,777 | 7,685,470 |
| Additions | 5,698,102 | 1,097,618 | 831,900 | 25,256 | 7,652,876 |
| Additions through business combinations (note 30) | 4,480,552 | 310,487 | - | 241,851 | 5,032,890 |
| Disposal of assets | - | (46,227) | - | - | (46,227) |
| Depreciation expense | <u>(2,547,878)</u> | <u>(332,256)</u> | <u>(293,528)</u> | <u>(48,194)</u> | <u>(3,221,856)</u> |
| Balance at 30 June 2021 | 14,048,149 | 1,864,897 | 831,417 | 358,690 | 17,103,153 |
| Additions | 16,079,769 | 1,069,788 | - | 9,024 | 17,158,581 |
| Additions through business combinations (note 30) | 8,305,800 | 70,201 | - | 38,838 | 8,414,839 |
| Reclassification to - intangibles (note 14) | - | - | (831,417) | - | (831,417) |
| Reclassification | (72,750) | 72,750 | - | - | - |
| Depreciation expense | <u>(6,136,624)</u> | <u>(790,595)</u> | <u>-</u> | <u>(159,686)</u> | <u>(7,086,905)</u> |
| Balance at 30 June 2022 | <u>32,224,344</u> | <u>2,287,041</u> | <u>-</u> | <u>246,866</u> | <u>34,758,251</u> |

Accounting policy for property, plant and equipment

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

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Note 13. Property, plant and equipment (continued)

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

| | |
|------------------------|-----------|
| Networks | 10% - 40% |
| Fibre Networks | 5% - 10% |
| Plant and equipment | 20% - 50% |
| Computer software | 20% - 33% |
| Motor vehicles | 25% |
| Leasehold improvements | 20% - 25% |

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 14. Intangibles

| | Consolidated | |
|--|--------------------------|--------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Goodwill - at cost | 26,146,671 | 15,868,905 |
| License agreements - at cost | 536,095 | 536,095 |
| Less: Accumulated amortisation | (231,105) | (123,886) |
| | <u>304,990</u> | <u>412,209</u> |
| Patents and trademarks - at cost | 418,942 | 209,041 |
| Less: Accumulated amortisation | (19,674) | (10,983) |
| | <u>399,268</u> | <u>198,058</u> |
| Customer relationships and contracts - at cost | 18,036,896 | 11,748,097 |
| Less: Accumulated amortisation | (3,066,227) | (954,090) |
| | <u>14,970,669</u> | <u>10,794,007</u> |
| Computer software - at cost | 5,249,116 | 1,866,025 |
| Less: Accumulated amortisation | (1,808,893) | (598,899) |
| | <u>3,440,223</u> | <u>1,267,126</u> |
| Brands - at cost | 375,516 | 190,800 |
| Less: Accumulated amortisation | (109,448) | (1,798) |
| | <u>266,068</u> | <u>189,002</u> |
| Total intangibles | <u><u>45,527,889</u></u> | <u><u>28,729,307</u></u> |

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Notes to the financial statements
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Note 14. Intangibles (continued)

Reconciliations

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

| Consolidated | Goodwill \$ | Customer relationships and contracts \$ | Patents and trademarks \$ | Computer software \$ | Licence agreements \$ | Brands \$ | Total \$ |
|---|-------------------|--|---------------------------------|----------------------------|-----------------------------|----------------|-------------------|
| Balance at 1 July 2020 | 2,726,617 | 2,144,753 | 38,764 | 773,145 | 519,428 | - | 6,202,707 |
| Additions | - | - | 165,970 | 84,866 | - | - | 250,836 |
| Additions through business combinations | 10,139,831 | 9,479,300 | - | 941,347 | - | 190,800 | 20,751,278 |
| Additions through recognition of deferred taxes on acquisition of intangibles | 3,128,867 | - | - | - | - | - | 3,128,867 |
| Correction provisional business combination - 30 June 2020 | (126,410) | - | - | - | - | - | (126,410) |
| Amortisation expense | - | (830,046) | (6,676) | (532,232) | (107,219) | (1,798) | (1,477,971) |
| Balance at 30 June 2021 | 15,868,905 | 10,794,007 | 198,058 | 1,267,126 | 412,209 | 189,002 | 28,729,307 |
| Additions | - | - | 209,901 | 2,547,672 | - | 113,200 | 2,870,773 |
| Additions through business combinations (note 30) | 8,444,121 | 6,288,799 | - | 4,000 | - | 71,517 | 14,808,437 |
| Reversal of goodwill recognised in prior periods | (214,719) | - | - | - | - | - | (214,719) |
| Reclassification - from property, plant & equipment (note 13) | - | - | - | 831,417 | - | - | 831,417 |
| Correction provisional business combination - 30 June 2021 | 1,964,776 | - | - | - | - | - | 1,964,776 |
| Amortisation expense | - | (2,112,137) | (8,691) | (1,209,992) | (107,219) | (107,651) | (3,545,690) |
| Additions through recognition of deferred taxes on acquisition of intangibles | 83,588 | - | - | - | - | - | 83,588 |
| Balance at 30 June 2022 | <u>26,146,671</u> | <u>14,970,669</u> | <u>399,268</u> | <u>3,440,223</u> | <u>304,990</u> | <u>266,068</u> | <u>45,527,889</u> |

Impairment disclosures and testing of goodwill

The recoverable amount of goodwill has been determined based on a value in use calculation. These calculations use the present value using cash flows projections over a five-year period, based on a one-year forecast approved by the Board followed by an extrapolation of expected cash flows using estimated terminal growth rates. The present value of the expected cash flows of each cash-generating unit is determined by applying a suitable discount rate.

The discount rate has been based upon an average internal rate of return (IRR) of 20% for completed acquisitions during the year, based on purchase price accounting valuations completed externally.

Key assumptions used for value in use calculations

The following key assumptions were used in the discounted cashflow model for goodwill in Cirrus Communications Pty Ltd:

- (a) 20% pre-tax discount rate;
- (b) Projected revenue growth rate to be 2.50% for the 5 financial years beyond 30 June 2022;
- (c) Cost of sales and operating expenditure is projected to increase at 2% for the 5 financial years beyond 30 June 2022 as the Group anticipates synergies from acquired businesses to be realised over time; and
- (d) Continuation value growth rate of 5%.

Note 14. Intangibles (continued)

| Key assumptions | % |
|--|--------|
| Revenue growth rate > 1 year | 2.50% |
| Expense growth rate > 1 year | 2.00% |
| Terminal value > 5 years | 5.00% |
| Pre-tax discount rate applied to cash flow | 20.00% |

Results of impairment testing

As a result of the impairment testing and evaluation, the Group have determined that the carrying value of goodwill does not exceed their value-in-use and no impairment charge is required.

Accounting policy for intangible assets

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

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Licence agreements

APNIC licenses acquired at acquisition have a finite life and are carried at cost less any accumulated amortisation and impairment losses. The estimated useful life has been determined to be five years.

Patents and trademarks

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

Customer relationships

Customer intangibles acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5-15 years.

Computer Software

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

Brands

Brand arises on the acquisition of a business and is independently valued at the date of acquisition. The estimated useful life has been determined to be three years.

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Note 15. Trade payables

| | Consolidated | |
|----------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 8,357,898 | 5,735,344 |
| Accrued expenses | 1,737,297 | 531,859 |
| Other payables | 2,000 | - |
| | <u>10,097,195</u> | <u>6,267,203</u> |

Refer to note 23 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 16. Other payables

| | Consolidated | |
|-----------------------------|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| GST and PAYG payable to ATO | 418,397 | 620,185 |
| Financial liabilities | 236,587 | 96,696 |
| Payroll related accruals | 1,871,569 | - |
| | <u>2,526,553</u> | <u>716,881</u> |

Note 17. Contract liabilities

| | Consolidated | |
|----------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Contract liabilities | <u>1,683,229</u> | <u>2,825,429</u> |

Reconciliation

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

| | | |
|--|------------------|------------------|
| Opening balance | 2,825,429 | - |
| Payments received in advance | 1,062,184 | 2,797,205 |
| Additions through business combinations (note 30) | 3,920 | 28,224 |
| less: Performance of contract asset | (3,438,839) | - |
| Correction of provisional business combinations - 30 June 2021 | 1,230,535 | - |
| Closing balance | <u>1,683,229</u> | <u>2,825,429</u> |

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Note 17. Contract liabilities (continued)

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 \$1,683,229 as at 30 June 2022 (\$2,825,429 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

| | Consolidated | |
|------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Within 12 months | <u>1,683,229</u> | <u>2,825,429</u> |

Accounting policy for contract liabilities

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

Note 18. Employee benefits

| | Consolidated | |
|--------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Long service leave | 181,828 | - |
| Annual Leave | <u>1,436,753</u> | <u>1,787,460</u> |
| | <u>1,618,581</u> | <u>1,787,460</u> |
| <i>Non-current liabilities</i> | | |
| Long service leave | <u>165,563</u> | <u>142,719</u> |
| | <u>1,784,144</u> | <u>1,930,179</u> |

Accounting policy for employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 19. Provisions

| | Consolidated | |
|--------------------------------|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Non-current liabilities</i> | | |
| Lease make good | <u>168,096</u> | <u>-</u> |

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Note 19. Provisions (continued)

Refer to Business Combinations note 30 for lease make good provisions recognised on acquisition for Countrytell Holdings Pty Ltd.

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 20. Deferred consideration

| | Consolidated | |
|--|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Consideration payable | 5,236 | 5,525,216 |
| Deferred consideration - payable to vendors of Wan Solutions Pty Ltd | 1,300,000 | - |
| Deferred consideration - payable to vendors of Countrytell Holdings Pty Ltd | 630,000 | - |
| Deferred consideration - payable to vendors of VoiceHub Group Pty Ltd | 2,424,000 | - |
| Deferred consideration - payable to vendors of iFibre Pty Ltd | 300,000 | - |
| Deferred consideration - payable to vendors of Luminet Pty Ltd and Luminet Fibre Pty Ltd | 820,000 | - |
| | <u>5,479,236</u> | <u>5,525,216</u> |
| <i>Non-current liabilities</i> | | |
| Deferred consideration - payable to vendors of Wan Solutions Pty Ltd | - | 1,300,000 |
| | <u>5,479,236</u> | <u>6,825,216</u> |

Consideration payable of \$5,236 at 30 June 2022 is payable to the vendors of Luminet Pty Ltd as a completion adjustment.

Consideration payable of \$5,525,216 at 30 June 2021 includes consideration payable of \$5,410,216 to the vendors of Wan Solutions Pty Ltd, being \$4,710,216 cash and \$700,000 shares to be issued. An additional amount of \$115,000, was payable to the vendors of Community Communications Pty Ltd.

Refer to note 30 Business Combinations for further details.

Deferred consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Note 21. Issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>205,627,377</u> | <u>169,594,300</u> | <u>123,737,206</u> | <u>70,020,924</u> |

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Note 21. Issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|-------------------|--------------------|-------------|--------------------|
| Balance | 1 July 2020 | 172,033,185 | | 17,429,030 |
| Elimination of Swoop existing shares | 19 May 2021 | (172,033,185) | \$0.000 | - |
| Existing SF1 shares at acquisition of Swoop (post-consolidation) | 20 May 2021 | 6,825,036 | \$0.000 | - |
| Company shares issued to Swoop vendors on acquisition | 20 May 2021 | 89,401,261 | \$0.038 | 3,412,444 |
| Company shares issued to Node One vendors on acquisition | 20 May 2021 | 33,368,003 | \$0.500 | 16,684,002 |
| Placement of shares | 21 May 2021 | 40,000,000 | \$0.500 | 20,000,000 |
| Conversion of preference shares into ordinary shares | 21 May 2021 | - | | 12,650,000 |
| Loan funded shares | | - | | 1,057,667 |
| Capital raising costs | | - | | (1,212,219) |
| Balance | 30 June 2021 | 169,594,300 | | 70,020,924 |
| Speedweb - vendor consideration shares | 1 July 2021 | 557,917 | \$0.941 | 525,000 |
| Beam - vendor consideration shares | 16 July 2021 | 718,686 | \$0.974 | 700,000 |
| Exercise of options | 23 September 2021 | 304,348 | \$0.575 | 175,000 |
| Capital raise | 22 October 2021 | 22,162,162 | \$1.850 | 41,000,000 |
| Capital raising costs | October 2021 | - | | (1,844,168) |
| Countrytell - vendor consideration shares | 1 November 2021 | 1,000,476 | \$2.099 | 2,100,000 |
| Voicehub - vendor consideration shares | 1 November 2021 | 952,835 | \$2.099 | 2,000,000 |
| Security purchase plan | 11 November 2021 | 2,702,711 | \$1.850 | 5,000,015 |
| Conversion of performance rights | 28 February 2022 | 6,151,088 | | 2,460,435 |
| Luminet - vendor consideration shares | 1 April 2022 | 1,482,854 | \$1.079 | 1,600,000 |
| Balance | 30 June 2022 | <u>205,627,377</u> | | <u>123,737,206</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Loan funded shares

At 30 June 2022 the Group had the following share based payment scheme as detailed below.

The Group has previously issued shares to a number of executives for a limited recourse loan consideration. For statutory reporting purposes, these shares have been treated as options as the loan agreements only provide for a limited set of circumstances in which the loan amounts will be repaid and are only recoverable against the shares themselves. No new shares under this loan arrangement have been issued for the ended 30 June 2022 (2021: 15,795,040).

In accordance with AASB 2, the value of the embedded option in the shares was assessed and added to the share based payment reserve for the year ended 30 June 2021 (\$631,802).

There have been no amounts repaid on existing loan funded share arrangements for the year ended 30 June 2022 (2021: \$1,057,667).

Share buy-back

On 15 August 2022, the Company launched an on-market share buy-back of up to 14,532,529 fully paid ordinary shares, representing 10% of the Company's issued share capital.

Note 21. Issued capital (continued)

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 consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

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 22. Reserves

| | Consolidated | |
|--------------------------------------|---------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Foreign exchange translation reserve | 11,755 | 11,755 |
| Share-based payments reserve | 3,353,992 | 5,014,742 |
| | <u>3,365,747</u> | <u>5,026,497</u> |

Accounting policy for reserves

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

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.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 23. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, ageing analysis for credit risk.

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Note 23. Financial instruments (continued)

| | Consolidated | |
|--|---------------------|-------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Financial assets at amortised cost | | |
| Cash and cash equivalents (note 7) | 32,020,568 | 17,497,867 |
| Trade receivables (note 8) | 3,608,688 | 3,348,547 |
| Other financial assets | 318,139 | 78,179 |
| Financial assets at fair value (note 10) | 1,339,964 | 1,025,269 |
| Total financial assets | <u>37,287,359</u> | <u>21,949,862</u> |
| Financial liabilities at amortised cost | | |
| Trade payables (note 15) | 10,097,195 | 6,267,203 |
| Other payables (note 16) | 2,526,553 | 716,881 |
| Finance lease liabilities | 313,977 | 923,698 |
| Deferred consideration (note 20) | 5,479,236 | 6,825,216 |
| Total financial liabilities | <u>18,416,961</u> | <u>14,732,998</u> |

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk is minimal and no assessment is made on this basis.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows (holdings are shown in AUD equivalent):

| Consolidated | Assets | | Liabilities | |
|---------------------|----------------|----------------|--------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| AUD equivalent | <u>949,080</u> | <u>143,956</u> | <u>103,721</u> | <u>110,542</u> |

As the Group has no material exposure to fluctuations in foreign currency, no sensitivity analysis has been performed as any variation in interest rates would not have a material impact on post-tax profit/(loss).

Price risk

The consolidated entity exposure to equity securities price risk arises from an investment held by the consolidated entity and classified in the balance sheet as fair value through other comprehensive income (FVOCI). Reviews of the performance of the investment are completed regularly to assess if shares are sold or held.

Interest rate risk

The consolidated entity has no significant exposure to interest rate risk, as the only interest-bearing liabilities at balance date are finance lease liabilities of \$313,977. Market floating rates are applied at the inception of the lease. Decisions regarding entering new leases or buying assets outright are considered to manage any risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Note 23. Financial instruments (continued)

Liquidity risk

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages this risk by preparing forward looking cash flow analysis in relation to its operational, investing and financing activities and monitoring its cash assets and assets readily convertible to cash in the context of its forecast future cash flows.

Financing arrangements

Unused borrowing facilities at 30 June 2022:

| | Total facility amount \$ | Amount drawn \$ | Unused financing facilities \$ |
|--------------------------------|-----------------------------------|-----------------------|---|
| Westpac - Term Loan | 30,000,000 | - | 30,000,000 |
| Westpac - Bank Overdraft | 2,000,000 | - | 2,000,000 |
| Westpac - Credit Card Facility | 100,000 | - | 100,000 |
| NAB - Bank Overdraft | 100,000 | - | 100,000 |
| NAB - Asset Financing | 76,629 | - | 76,629 |

In June 2022 the Group executed a \$32.1 million facilities agreement with Westpac Banking Corporation. \$20.0 million of the facilities will be available to fund permitted acquisitions, and subject to certain drawdown timing requirements, will be available for a 5 year term. A further \$10 million will be available to fund acquisitions and capex programmes and is available for a 5 year term. The facilities also include a \$2 million overdraft facility to fund working capital requirements and a \$100,000 corporate credit card facility. Certain security agreements have also been entered into with Westpac to secure any debt incurred under these facilities. As at 30 June 2022 no amounts had been drawn down under these facilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2022 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 8,357,898 | - | - | - | 8,357,898 |
| Other payables | - | 2,526,553 | - | - | - | 2,526,553 |
| Consideration payable | - | 5,479,236 | - | - | - | 5,479,236 |
| <i>Interest bearing</i> | | | | | | |
| Finance lease liabilities | 7.00% | 65,109 | 248,868 | - | - | 313,977 |
| Total non-derivatives | | 16,428,796 | 248,868 | - | - | 16,677,664 |

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Note 23. Financial instruments (continued)

| | 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 - 2021 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 5,735,344 | - | - | - | 5,735,344 |
| Other payables | - | 716,881 | - | - | - | 716,881 |
| Consideration payable | - | 5,525,216 | 1,300,000 | - | - | 6,825,216 |
| <i>Interest bearing</i> | | | | | | |
| Finance lease liabilities | 7.00% | 687,731 | 235,968 | - | - | 923,699 |
| Total non-derivatives | | 12,665,172 | 1,535,968 | - | - | 14,201,140 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

There are sufficient cash reserves to meet the maturities within the next 12 months.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 24. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 2022 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|------------------|---------------|---------------|------------------|
| Assets | | | | |
| Financial asset at fair value through OCI | 1,339,964 | - | - | 1,339,964 |
| Total assets | 1,339,964 | - | - | 1,339,964 |

| Consolidated - 2021 | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|------------------|---------------|---------------|------------------|
| Assets | | | | |
| Financial asset at fair value through OCI | 1,025,269 | - | - | 1,025,269 |
| Total assets | 1,025,269 | - | - | 1,025,269 |

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 3

Unquoted investments would be valued using a discounted cash flow model.

Accounting policy for fair value measurement

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

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Note 24. Fair value measurement (continued)

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

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

Note 25. 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 | 1,374,189 | 4,693,310 |
| Post-employment benefits | 102,656 | 99,462 |
| Share based payments | 149,833 | 4,191,392 |
| | <u>1,626,678</u> | <u>8,984,164</u> |

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF(NS) Audit & Assurance Limited Partnership, the auditor of the company:

| | Consolidated | |
|---|---------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Audit services - PKF</i> | | |
| Audit or review of the financial statements | <u>250,000</u> | <u>170,000</u> |
| <i>Non-assurance - PKF</i> | | |
| Transaction Support | 165,000 | 25,000 |
| Taxation compliance services | <u>52,500</u> | <u>20,000</u> |
| | <u>217,500</u> | <u>45,000</u> |
| | <u>467,500</u> | <u>215,000</u> |

Note 27. Contingent liabilities

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

Note 28. Related party transactions

Parent entity

Swoop Holdings Limited is the parent entity.

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Note 28. Related party transactions (continued)

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|---|---------------------|-------------|
| | 2022 | 2021 |
| | \$ | \$ |
| <i>Payment for goods and services:</i> | | |
| Payment for SaaS usage fees and SaaS implementation fees from Opvia Pty Ltd (director-related entity of Matthew Hollis) | 19,435 | 16,745 |
| Payment of exit bonus to Spenceley Management (director-related entity of James Spenceley) | - | 845,485 |
| Payment of exit bonus to European Boat Imports 2 Pty Ltd (director-related entity of James Spenceley) | - | 1,650,000 |

Payable to related parties

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

| | | |
|--|-------|-------|
| Amount payable for SaaS usage fees and SaaS implementation fees from Opvia Pty Ltd (director-related entity of Matthew Hollis) | 3,289 | 5,250 |
|--|-------|-------|

Terms and conditions

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

Note 29. Parent entity information

Parent entity information required to be disclosed in accordance with the Corporations Act 2001. The legal parent entity of the Group is Swoop Holdings Limited (formerly known as Stemify Limited), and the results shown below are for the 12 months ended 30 June 2022 and 30 June 2021.

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax | <u>(186,021)</u> | <u>(234,543)</u> |
| Total comprehensive income | <u>(186,021)</u> | <u>(234,543)</u> |

Swoop Holdings Limited
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Note 29. Parent entity information (continued)

Statement of financial position

| | Parent | |
|--------------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Total current assets | 66,352,248 | 31,269,490 |
| Total assets | 89,479,046 | 35,748,492 |
| Total current liabilities | 839,476 | 1,364,468 |
| Total liabilities | 4,664,092 | 4,180,985 |
| Net assets | <u>84,814,954</u> | <u>31,567,507</u> |
| Equity | | |
| Issued capital | 123,737,206 | 70,020,924 |
| Foreign exchange translation reserve | 11,755 | 11,755 |
| Share-based payments reserve | 802,002 | 992,813 |
| Accumulated losses | <u>(39,736,009)</u> | <u>(39,457,985)</u> |
| Total equity | <u>84,814,954</u> | <u>31,567,507</u> |

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

The parent entity entered into a deed of cross guarantee with Cirrus Communications (and controlled entities) under which each company guarantees the debts of the others as at 30 June 2022. The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021.

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 Group, 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.

Note 30. Business combinations

Luminet

On 1 April 2022, Anycast Holdings Pty Ltd ("Swoop"), a subsidiary of Swoop Holdings Limited, acquired 100% of the ordinary shares of Luminet Pty Ltd and Luminet Fibre Pty Ltd ("Luminet"). The acquisition has been assessed to be a Business Combination under AASB 3 and the transaction was completed on 1 April 2022.

Total consideration for the acquisition of 100% of the share capital of Luminet was \$8,979,852.

The goodwill of \$1,339,262 represents the expected synergies from integrating this business with the broader Swoop business.

The acquired business contributed revenues of \$252,587 and loss after tax of \$58,338 to the consolidated entity for the period from 1 April to 30 June 2022.

Swoop Holdings Limited
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Note 30. Business combinations (continued)

If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of \$1,701,023 and loss after tax of \$442,668. The values identified in relation to the acquisition of Luminet are final as at 30 June 2022.

Acquisition-related costs of \$302,643 are not included as part of the consideration transferred and have been recognised as an expense, in the consolidated statement of profit or loss, as part of Acquisition and Integration costs.

The values identified in relation to the acquisition of Luminet are final as at 30 June 2022.

Details of the acquisition are as follows:

| | Fair value \$ |
|--|--------------------------------|
| Cash and cash equivalents | 1,074,025 |
| Trade receivables | 15,725 |
| Plant and equipment | 6,280,600 |
| Right-of-use assets | 22,681 |
| Customer contracts & relationships | 366,400 |
| Other non-current assets | 7,000 |
| Trade payables | (68,895) |
| Contract liabilities | (3,920) |
| Provision for income tax | (30,345) |
| Lease liability | (22,681) |
| Net assets acquired | 7,640,590 |
| Goodwill | 1,339,262 |
| Acquisition-date fair value of the total consideration transferred | <u>8,979,852</u> |
| Representing: | |
| Cash paid to vendor (including customary adjustments for net debt and working capital) | 6,554,616 |
| Shares issued to vendor | 1,600,000 |
| Retention amount | 820,000 |
| Cash payable to vendor (completion adjustment) | 5,236 |
| | <u>8,979,852</u> |
| Costs expensed to profit or loss | <u>302,643</u> |
| Reconciliation of net cash on purchase of Luminet | |
| Cash paid to vendor (net cash adjustment only) | (6,554,616) |
| Cash acquired | 1,074,025 |

Countrytell Holdings Pty Ltd

On 1 July 2021, Cirrus Communications Pty Ltd ("Swoop"), a subsidiary of Swoop Holdings Limited, acquired 100% of the ordinary shares of Countrytell Holdings Pty Ltd ("Countrytell"). The acquisition has been assessed to be a Business Combination under AASB 3 and the transaction was completed on 31 October 2021, however Swoop is deemed to have been in control of Countrytell from 1 July 2021.

Total consideration for the acquisition of 100% of the share capital of Countrytell was \$4,936,560. Countrytell was acquired as part of Swoop's infrastructure expansion into regional NSW, given Countrytell is a regional wireless internet provider with a focus on SME customers.

The goodwill of \$1,456,759 represents the expected synergies and organic growth from integrating this business with the broader Swoop business.

Swoop Holdings Limited
Notes to the financial statements
30 June 2022

Note 30. Business combinations (continued)

The acquired business contributed revenues of \$4,382,348 and profit before tax of \$1,398,454 to the consolidated entity for the period from 1 July 2021 to 30 June 2022.

Details of the acquisition are as follows:

| | Fair value |
|--|-------------------|
| | \$ |
| Cash and cash equivalents | 1,620,899 |
| Trade receivables | 287,754 |
| Prepayments | 53,418 |
| Other current assets | 2,199 |
| Plant and equipment | 1,730,347 |
| Right-of-use assets | 1,377,923 |
| Customer relationships | 657,400 |
| Brand | 71,000 |
| Other intangible assets | 107,600 |
| Other non-current assets | 42,934 |
| Trade payables | (704,587) |
| Contract liabilities | (52,000) |
| Employee benefits | (83,997) |
| Lease make good provision | (168,096) |
| Hire purchase | (250,503) |
| Lease liability | (1,212,490) |
| Net assets acquired | 3,479,801 |
| Goodwill | 1,456,759 |
| Acquisition-date fair value of the total consideration transferred | <u>4,936,560</u> |
| Representing: | |
| Cash paid to vendor (including customary adjustments for net debt and working capital) | 2,206,560 |
| Shares issued to vendor | 2,100,000 |
| Retention amount | 630,000 |
| | <u>4,936,560</u> |
| Acquisition costs expensed to profit or loss | <u>174,706</u> |
| Reconciliation of net cash on purchase of Countrytell Holdings Pty Ltd | |
| Cash acquired | <u>1,620,899</u> |

VoiceHub Group Pty Ltd

On 1 November 2021, Cirrus Communications Pty Ltd ("Swoop"), a subsidiary of Swoop Holdings Limited, acquired 100% of the ordinary shares of VoiceHub Group Ltd and controlled entities ("VoiceHub"). The acquisition has been assessed to be a Business Combination under AASB 3 and the transaction was completed on 1 November 2021.

Total consideration for the acquisition of 100% of the share capital of VoiceHub \$9,938,343. VoiceHub was acquired as part of Swoop's infrastructure expansion into regional NSW and provides wholesale and business voice and unified communications services to customers across Australia.

Swoop Holdings Limited
Notes to the financial statements
30 June 2022

Note 30. Business combinations (continued)

The goodwill of \$3,461,925 represents the expected synergies from integrating this business with the broader Swoop business and wholesale service lines.

The acquired business contributed revenues of \$5,718,341 and profit after tax of \$1,203,848 to the consolidated entity for the period from 1 November 2021 to 30 June 2022.

Details of the acquisition are as follows:

| | Fair value \$ |
|--|--------------------------------|
| Cash and cash equivalents | 2,096,383 |
| Trade receivables | 100,612 |
| Prepayments | 577,868 |
| Plant and equipment | 9,452 |
| Customer contracts & relationships | 4,288,400 |
| Brand | 113,200 |
| Security deposits | 120,000 |
| Trade payables | (216,871) |
| Provision for income tax | (228,618) |
| Employee benefits | (34,695) |
| Accrued expenses | (228,137) |
| Other liabilities | (121,176) |
| | <hr/> |
| Net assets acquired | 6,476,418 |
| Goodwill | 3,461,925 |
| | <hr/> |
| Acquisition-date fair value of the total consideration transferred | <u>9,938,343</u> |
| Representing: | |
| Cash paid to vendor (including customary adjustments for net debt and working capital) | 5,514,343 |
| Swoop Holdings Limited shares issued to vendor | 2,000,000 |
| Contingent consideration | 2,424,000 |
| | <hr/> |
| | <u>9,938,343</u> |
| | <hr/> |
| Acquisition costs expensed to profit or loss | <u>390,920</u> |

Kallistrate Pty Ltd

On 1 July 2021, Cirrus Communications Pty Ltd ("Swoop"), a subsidiary of Swoop Holdings Limited, acquired 100% of the ordinary shares of Kallistrate Pty Ltd ("Speedweb"). The acquisition has been assessed to be a Business Combination under AASB 3 and the transaction was completed on 1 July 2021.

Total consideration for the acquisition of 100% of the share capital of Speedweb was \$1,606,525. Speedweb was acquired as part of Swoop's infrastructure expansion into regional Victoria, given Speedweb is a regional wireless internet provider.

Swoop Holdings Limited
Notes to the financial statements
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Note 30. Business combinations (continued)

The goodwill of \$354,195 represents the expected synergies and organic growth from integrating this business with the broader residential service line.

The acquired business contributed revenues of \$1,488,465 and profit before tax of \$845,442 to the consolidated entity for the period from 1 July 2021 to 30 June 2022.

Details of the acquisition are as follows:

| | Fair value |
|--|-------------------|
| | \$ |
| Cash and cash equivalents | 15,612 |
| Trade receivables | 124,888 |
| Inventories | 5,000 |
| Plant and equipment | 394,440 |
| Motor vehicles | 28,538 |
| Right-of-use assets | 65,586 |
| Customer relationship | 869,000 |
| Security deposits | 3,000 |
| Trade payables | (91,992) |
| Contract liabilities | (71,362) |
| Employee benefits | (22,115) |
| Hire purchase | (10,447) |
| Lease liability | (69,379) |
| Other liabilities | (21,848) |
| Net assets acquired | 1,218,921 |
| Goodwill | 354,195 |
| Acquisition-date fair value of the total consideration transferred | <u>1,573,116</u> |
| Representing: | |
| Cash paid to vendor (including customary adjustments for net debt and working capital) | 714,025 |
| Swoop Holdings Limited shares issued to vendor | 525,000 |
| Retention amount | 334,091 |
| | <u>1,573,116</u> |
| Acquisition costs expensed to profit or loss | <u>245,158</u> |

Node One Telecommunications Pty Ltd

On 21 May 2021, Cirrus Communications Pty Ltd (“Swoop”), a subsidiary of Swoop Holdings Limited, acquired 100% of the ordinary shares of Node One Telecommunications Pty Ltd (“Node One”). The acquisition has been assessed to be a Business Combination under AASB 3 and the transaction was completed on 21 May 2021, however Swoop is deemed to have been in control of Node One from 31 May 2021.

The provisionally identified goodwill of \$8,765,782 has increased to \$9,719,216 due to contract liabilities recognised by the Group on acquisition. The values identified in relation to the acquisition are now considered final.

Note 30. Business combinations (continued)

Wan Solutions Pty Ltd

On 1 June 2021, Cirrus Communications Pty Ltd (“Swoop”), a subsidiary of Swoop Holdings Limited, acquired 100% of the ordinary shares of Wan Solutions Pty Ltd (“Beam”). The acquisition has been assessed to be a Business Combination under AASB 3 and the transaction was completed on 19 July 2021, however Swoop is deemed to have been in control of Beam from 1 June 2021.

The provisionally identified goodwill of \$1,163,514 has increased to \$1,708,674 due to contract liabilities recognised by the Group on acquisition. The values identified in relation to the acquisition are now considered final.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Swoop Holdings Limited
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Note 31. 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 % |
| Anycast Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| Anycast Networks (NZ) Ltd | New Zealand | 100.00% | 100.00% |
| Bosley Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| Cirrus Communications Pty Limited | Australia | 100.00% | 100.00% |
| Cirrus Integrations Pty Limited | Australia | 100.00% | 100.00% |
| Countrytell Holdings Pty Ltd | Australia | 100.00% | - |
| Countrytell Management Pty Ltd | Australia | 100.00% | - |
| Harbourtel Pty Ltd | Australia | 100.00% | - |
| Kallistrate Pty Ltd | Australia | 100.00% | - |
| Luminet Fibre Pty Ltd | Australia | 100.00% | - |
| Luminet Pty Ltd | Australia | 100.00% | - |
| MyStemKits, Inc. | United States | 100.00% | 100.00% |
| Node 1 Pty Ltd | Australia | 100.00% | 100.00% |
| N1 Telecommunications Pty Ltd | Australia | 100.00% | 100.00% |
| N1 Wholesale Pty Ltd | Australia | 100.00% | 100.00% |
| STEM Education Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| Voicehub Group Pty Ltd | Australia | 100.00% | - |
| VoiceHub Pty Ltd | Australia | 100.00% | - |
| Wan Solutions Pty Ltd | Australia | 100.00% | 100.00% |

Note 32. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Swoop Holdings Limited (Holding Entity)
 Cirrus Communications Pty Limited
 Cirrus Integration Pty Limited
 STEM Education Holdings Pty Ltd
 Anycast Holdings Pty Ltd
 Bosley Holdings Pty Ltd
 Countrytell Holdings Pty Ltd
 Countrytell Management Pty Ltd
 Kallistrate Pty Ltd
 Wan Solutions Pty Ltd
 Voicehub Group Pty Ltd
 Harbourtel Pty Ltd
 Fiwi Pty Ltd
 N1 Telecommunications Pty Ltd
 Node 1 Pty Ltd
 N1 Wholesale Pty Ltd
 Luminet Pty Ltd
 Luminet Fibre Pty Ltd

By entering into the deed, Cirrus Communications Pty Limited has been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

Note 32. Deed of cross guarantee (continued)

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Swoop Holdings Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Note 33. Events after the reporting period

On 1 July 2022 Swoop entered into an agreement to acquire Queensland-based national mobile virtual network operator Moose Mobile. Moose provides over 95,000 mobile services on the Optus Network via a Mobile Virtual Network Operator agreement to customers across Australia. The purchase price is \$24 million comprising \$19 million cash and \$5m in Swoop shares.

On 14 July 2022, Swoop reached settlement with Carray Group Pty Ltd for proceedings against Swoop alleging trademark infringements with a denial of liability and a payment of an undisclosed sum on this date.

On 15 August 2022, the Company launched an on-market share buy-back of up to 14,532,529 fully paid ordinary shares, representing 10% of the Company's issued share capital.

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.

Note 34. Reconciliation of loss after income tax to net cash from/(used in) operating activities

| | Consolidated | |
|--|---------------------|--------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax benefit for the year | (4,882,810) | (13,788,750) |
| Adjustments for: | | |
| Depreciation and amortisation | 10,632,595 | 4,699,826 |
| Corporate restructure expense | - | 3,008,401 |
| Share based payments expense | 799,596 | 3,330,386 |
| Change in operating assets and liabilities: | | |
| Increase in trade receivables | (260,102) | (2,214,199) |
| Decrease in prepayments | 138,003 | - |
| Increase in inventories | (236,620) | (1,546,385) |
| Increase in deferred tax assets | (378,497) | (849,910) |
| Increase in other financial assets | (239,960) | (1,784,079) |
| Increase in other assets | (195,553) | - |
| Increase in right of use assets / lease liabilities | (490,702) | 775,946 |
| Decrease in working capital on acquisition of subsidiaries | (661,699) | (2,514,147) |
| Increase in trade payables | 2,009,188 | 4,137,329 |
| Increase in accrued expenses | 1,205,438 | 214,071 |
| Increase in other payables | 1,809,673 | (68,886) |
| Decrease in contract liabilities | (1,142,200) | - |
| (Decrease) / increase in current tax payable | (191,413) | 191,414 |
| Increase in deferred tax liabilities | 924,178 | 3,070,444 |
| (Decrease)/increase in employee benefits | (146,035) | 1,255,740 |
| Increase/(decrease) in other liabilities | 168,096 | (118,303) |
| Net cash from/(used in) operating activities | <u>8,861,176</u> | <u>(2,201,102)</u> |

Note 35. Earnings per share

| | Consolidated | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Swoop Holdings Limited | <u>(4,882,810)</u> | <u>(13,788,750)</u> |
| | Cents | Cents |
| Basic earnings per share | (2.55) | (14.01) |
| Diluted earnings per share | (2.55) | (14.01) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>191,820,349</u> | <u>98,409,230</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>191,820,349</u> | <u>98,409,230</u> |

Accounting policy for earnings per share

Basic earnings per share

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

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Note 35. Earnings per share (continued)

Diluted earnings per share does not take into account dilutive instruments when in a loss-making position.

Note 36. Share-based payments

Options

Set out below are summaries of options on issue as at 30 June 2022:

| 2022 | | | | | | | | |
|---------------------------------|-------------|----------------|----------------------------------|----------|------------------|---------------------------|--------------------------------|--|
| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year | |
| 08/08/2017 | 08/08/2021 | \$103.500 | 484 | - | - | (484) | - | |
| 24/08/2017 | 23/08/2021 | \$103.500 | 484 | - | - | (484) | - | |
| 13/08/2018 | 13/08/2021 | \$62.100 | 5,798 | - | - | (5,798) | - | |
| 16/08/2019 | 30/06/2023 | \$1.150 | 1,630,435 | - | - | - | 1,630,435 | |
| 16/08/2019 | 31/12/2022 | \$0.575 | 1,304,348 | - | (304,348) | - | 1,000,000 | |
| 29/11/2019 | 30/06/2023 | \$1.150 | 326,087 | - | - | - | 326,087 | |
| 20/05/2021 | 20/05/2024 | \$0.750 | 1,500,000 | - | - | - | 1,500,000 | |
| | | | <u>4,767,636</u> | <u>-</u> | <u>(304,348)</u> | <u>(6,766)</u> | <u>4,456,522</u> | |
| Weighted average exercise price | | | \$0.962 | \$0.000 | \$0.575 | \$0.097 | \$0.829 | |

| 2021 | | | | | | | | |
|---------------------------------|-------------|----------------|----------------------------------|------------------|-----------|---------------------------|--------------------------------|--|
| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year | |
| 27/06/2017 | 27/06/2021 | \$103.500 | 484 | - | - | (484) | - | |
| 08/08/2017 | 08/08/2021 | \$103.500 | 484 | - | - | - | 484 | |
| 24/08/2017 | 23/08/2021 | \$103.500 | 484 | - | - | - | 484 | |
| 20/11/2017 | 20/11/2020 | \$93.150 | 1,546 | - | - | (1,546) | - | |
| 30/11/2017 | 30/06/2021 | \$77.625 | 4,831 | - | - | (4,831) | - | |
| 13/08/2018 | 13/08/2021 | \$62.100 | 5,798 | - | - | - | 5,798 | |
| 16/08/2019 | 30/06/2023 | \$1.150 | 1,630,435 | - | - | - | 1,630,435 | |
| 16/08/2019 | 31/12/2022 | \$0.575 | 1,304,348 | - | - | - | 1,304,348 | |
| 29/11/2019 | 30/06/2023 | \$1.150 | 326,087 | - | - | - | 326,087 | |
| 20/05/2021 | 20/05/2024 | \$0.750 | - | 1,500,000 | - | - | 1,500,000 | |
| | | | <u>3,274,497</u> | <u>1,500,000</u> | <u>-</u> | <u>(6,861)</u> | <u>4,767,636</u> | |
| Weighted average exercise price | | | \$1.175 | \$0.750 | \$0.000 | \$10.479 | \$0.962 | |

The weighted average remaining contractual life of options outstanding at the end of the financial year is 1.19 years (2021: 2.14 years).

Performance rights

During the previous financial year and prior to re-listing on the ASX, there was an issue of unlisted Performance Rights to the following Directors of the company: James Spenceley, Tony Grist and Jonathan Pearce. The details are as follows:

Swoop Holdings Limited
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Note 36. Share-based payments (continued)

- 6,151,088 unlisted performance rights granted on 20 May 2021. The rights vest upon the meeting of pre-determined performance criteria (as set out in the Prospectus of April 2021) and have an expiry date 3 years from issue. These rights have been valued at a face value of 50 cents/right, with a probability applied to achieving the performance hurdles over the rights period. This has given rise to a total share-based payment of \$2,460,435 in the previous financial year.

Set out below are summaries of performance rights on issue as at 30 June 2022 and 30 June 2021.

| 2022 | | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|----------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| Grant date | Expiry date | | | | | |
| 20/05/2021 | 20/05/2024 | 6,151,088 | - | (6,151,088) | - | - |
| 11/11/2021 | 31/12/2024 | - | 1,200,000 | - | - | 1,200,000 |
| 29/04/2022 | 31/12/2024 | - | 3,350,000 | - | - | 3,350,000 |
| | | <u>6,151,088</u> | <u>4,550,000</u> | <u>(6,151,088)</u> | <u>-</u> | <u>4,550,000</u> |

| 2021 | | Balance at the start of the year* | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|-----------------------------------|------------------|-----------|---------------------------|--------------------------------|
| Grant date | Expiry date | | | | | |
| 14/12/2016 | 22/12/2020 | 38,888 | - | - | (38,888) | - |
| 14/12/2016 | 22/12/2020 | 38,888 | - | - | (38,888) | - |
| 14/12/2016 | 22/12/2020 | 11,668 | - | - | (11,668) | - |
| 14/12/2016 | 22/12/2020 | 19,444 | - | - | (19,444) | - |
| 30/08/2018 | 30/08/2021 | 344,445 | - | - | (344,445) | - |
| 20/05/2021 | 20/05/2024 | - | 6,151,088 | - | - | 6,151,088 |
| | | <u>453,333</u> | <u>6,151,088</u> | <u>-</u> | <u>(453,333)</u> | <u>6,151,088</u> |

* Balance at the start of the year has been restated for the consolidation of shares on a twenty-three (23) for one (1) basis completed on 20 May 2021.

Loan Funded Shares

The Group has previously issued shares to a number of executives for a limited recourse loan consideration. For statutory reporting purposes, these shares have been treated as options as the loan agreements only provide for a limited set of circumstances in which the loan amounts will be repaid and are only recoverable against the shares themselves. No new shares under this loan arrangement have been issued for the ended 30 June 2022 (2021: 15,795,040).

Based on the probability of when these loans may be repaid and the face value of the shares issued at the time, an associated share based payment expense of \$631,802 was recorded in the year ended 30 June 2021.

Reconciliation of share based payments expense for the year:

| | Consolidated 2022 | Consolidated 2021 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Share based payment expense - rights | 799,596 | 2,460,435 |
| Share based payment expense - unexpired Stemify rights | - | 79,585 |
| Non-recourse loan funded share expense | - | 631,802 |
| Share based payment expense - options | - | 158,564 |
| | <u>799,596</u> | <u>3,330,386</u> |

Note 36. Share-based payments (continued)

Accounting policy for share-based payments

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 are treated as if they were a modification.

Swoop Holdings Limited
Directors' declaration
30 June 2022

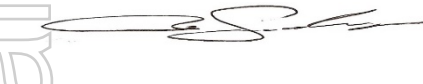
In the directors' opinion:

- 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;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32 to the financial statements.

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



James Spenceley
Chairman

30 September 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SWOOP HOLDINGS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Swoop Holdings Limited (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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group and the consolidated entity comprising the Group and the entities it controlled at the year end or from time to time during the financial year.

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

- (a) Giving a true and fair view of the Group's financial position as at 30 June 2022, and of its financial performance for the year then ended; and
- (b) Complying with the Australian Accounting Standards and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

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ABN 91 850 861 839

Liability limited by a scheme approved
under Professional Standards Legislation

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For our office locations visit www.pkf.com.au

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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. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Acquisition Accounting (AASB 3 – Business Combinations)

| Why significant | How our audit addressed the key audit matter |
|--|---|
| <p>The Group's acquisition of numerous entities during the year involved significant estimates and judgments regarding the fair values of net assets acquired and their accounting treatment.</p> <p>The Luminet Pty Ltd and Luminet Fibre Pty Ltd ("Luminet") acquisition resulted in \$7,640,590 of net assets being acquired and goodwill of \$1,339,262.</p> <p>The Countrytell Holdings Pty Ltd acquisition resulted in \$3,479,801 of net assets being acquired and goodwill of \$1,456,759.</p> <p>The Kallistrate Pty Ltd acquisition resulted in \$1,218,921 of net assets being acquired and goodwill of \$354,195.</p> <p>The VoiceHub Group Ltd and controlled entities ("VoiceHub") acquisition resulted in \$6,476,418 of net assets being acquired and goodwill of \$3,461,925.</p> <p>The Group's accounting policy and judgments in respect of the business combinations is outlined in Note 1 and Note 30.</p> <p>Accordingly, given the significance of the estimates and judgements involved in acquisition accounting we have considered this to be a Key Audit Matter.</p> | <p>Our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> • Assessing the Purchase Price Allocation (PPA) papers as prepared by external advisors and accepted by the Board of Directors; • Reviewing key estimates and judgements applied in the calculation of the acquisition-date fair values of identifiable assets acquired and liabilities assumed; • Assessing the sensitivity of the acquisition-date fair values of identifiable assets acquired and liabilities assumed; • Reviewing and testing of key terms and conditions of the share sale deeds including consideration payable and the timing thereof; • Reviewing of management's financial statement disclosure of the circumstances regarding business combinations, including their "control" assessment; and • Assessing the appropriateness of the disclosures included in Note 30 in respect of the business combinations. |

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Key Audit Matters (cont'd)

2. Application of AASB 136 – Impairment of Assets

Why significant

As at 30 June 2022, the Group recorded the following assets requiring impairment considerations on the financial report:

- Goodwill of \$26,146,671; and
- Intangible assets of \$19,381,218.

The Group's accounting policy in respect of goodwill and intangible assets is outlined in Note 14.

An annual impairment test for goodwill and other indefinite life intangible assets is required under Australian Accounting Standard (AASB) 136 Impairment of Assets.

The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining the key assumptions, which include:

- Future cash flow forecasts;
- Terminal value growth factor;
- Discount rate; and
- Growth rate.

The outcome of the impairment assessment could vary if different assumptions were applied.

Accordingly, given the significance of the estimates and judgements involved the evaluation of the recoverable amount of intangible assets including goodwill, we have considered this to be a Key Audit Matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Assessing the process that management undertakes to evaluate whether there are any indicators of impairment;
- Assessing and challenging the growth rate used in the forecast model, including comparing the growth rate in the industry;
- Assessing and challenging the discount rate applied in the forecast model;
- Testing, on a sample basis, the mathematical accuracy of the cash flow models;
- Agreeing inputs in the cash flow models to relevant data including approved budgets and latest forecasts;
- Performing sensitivity analysis in relation to key assumptions including discount rate, growth rate and terminal value;
- Assessing the Group's determination of Cash Generating Units (CGUs) as approved by the Board; and
- Assessing the appropriateness of the disclosures included in Note 14 in respect of Intangible assets.

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Key Audit Matters (cont'd)

3. Application of AASB 16 - Leases

Why significant

The Group holds a large volume of leases and is required to make significant estimates and judgments regarding lease terms and appropriate discount rates.

As at 30 June 2022, the written down value of right-of-use assets recognised was \$9,297,184 with corresponding lease liabilities of \$10,037,772.

The Group's accounting policy and judgments used in respect of leases is outlined in Note 11.

Accordingly, given the significance of the estimates and judgements involved, especially given the volume of leases within the Group to manage, we have considered this to be a Key Audit Matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Reviewing the appropriateness of key assumptions including the lease terms including options that are reasonably certain to be exercised and the appropriateness of the incremental borrowing rate used;
- Testing, on a sample basis, of lease details to the original lease contract terms or other supporting documentation and the recalculation of the right-of-use asset and lease liability for each to assess the accuracy of the Group's AASB 16 calculations;
- Assessing the completeness of the Group's lease population by making inquiries of management and testing recurrent expenditure to supporting documents; and
- Assessing the appropriateness of the disclosures included in Note 11 in respect of the right-of-use assets and lease liabilities.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

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Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the consolidated entity'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 consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the Group Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Swoop Holdings 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.



PKF



PAUL PEARMAN
PARTNER

30 SEPTEMBER 2022
SYDNEY, NSW

Swoop Holdings Limited
Shareholder information
30 June 2022

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below and was applicable as at 31 August 2022 (unless otherwise stated).

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders | Ordinary shares % of total shares issued | Number of shares |
|---------------------------------------|----------------------|---|---------------------|
| 1 to 1,000 | 427 | 0.09 | 183,298 |
| 1,001 to 5,000 | 634 | 0.92 | 1,889,834 |
| 5,001 to 10,000 | 463 | 1.71 | 3,515,466 |
| 10,001 to 100,000 | 659 | 8.96 | 18,415,300 |
| 100,001 and over | 122 | 88.32 | 181,623,479 |
| | <u>2,305</u> | <u>100.00</u> | <u>205,627,377</u> |
| Holding less than a marketable parcel | <u>453</u> | <u>0.10</u> | <u>211,419</u> |

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number held | Ordinary shares % of total shares issued |
|---|--------------------|---|
| TATTARANG VENTURES PTY LTD | 31,613,809 | 15.37 |
| LYGON WAY PTY LTD | 14,980,418 | 7.29 |
| N & J ENTERPRISES (WA) PTY LTD (THE VAN NAMEN FAMILY A/C) | 13,072,894 | 6.36 |
| CITICORP NOMINEES PTY LIMITED | 9,643,715 | 4.69 |
| SPENCELEY MANAGEMENT PTY LTD (SPENCELEY FAMILY A/C) | 9,575,169 | 4.66 |
| OAKTONE NOMINEES PTY LTD (THE GRIST INVESTMENT A/C) | 6,810,840 | 3.31 |
| TODEBE PTY LTD (THE TDB A/C) | 5,808,793 | 2.82 |
| ERIC CHRISTOPHER HEYDE | 4,387,371 | 2.13 |
| UBS NOMINEES PTY LTD | 4,374,742 | 2.13 |
| FJ CHOPS PTY LTD (THE RECHEL & JACOB FAM A/C) | 4,314,750 | 2.10 |
| JK NOMINEES PTY LTD (THE JK A/C) | 3,873,971 | 1.88 |
| TISIA NOMINEES PTY LTD (THE HENDERSON FAMILY A/C) | 3,873,971 | 1.88 |
| WILLIAM PAUL REID | 3,827,367 | 1.86 |
| MR JAMES DOUGLAS REID | 3,827,367 | 1.86 |
| FRILFORD INVESTMENTS LTD | 3,816,921 | 1.86 |
| MR MATTHEW JOHN HOLLIS | 2,950,636 | 1.43 |
| OAKTONE NOMINEES PTY LTD (THE GRIST INVESTMENT A/C) | 2,641,200 | 1.28 |
| BNP PARIBAS NOMS PTY LTD (DRP) | 2,375,645 | 1.16 |
| ONE FUND SERVICES LTD (CVC EMERGING COMPANIES A/C) | 2,142,467 | 1.04 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,042,815 | 0.99 |
| | <u>135,954,861</u> | <u>66.10</u> |

Swoop Holdings Limited
Shareholder information
30 June 2022

Unquoted equity securities

| | Number of holders | Number on issue |
|------------------------------------|----------------------|--------------------|
| UNL OPT EXP 30/06/2023 at \$1.15 | 3 | 869,564 |
| UNL OPT EXP 30/06/2023 at \$1.15 B | 1 | 543,479 |
| UNL OPT EXP 30/06/2023 at \$1.15 C | 1 | 543,479 |
| UNL OPT EXP 31/12/2022 at \$0.575 | 4 | 1,000,000 |
| UNL OPT EXP 21/05/2024 at \$0.75 | 2 | 1,500,000 |
| Employee Performance Rights | 27 | 4,550,000 |

Substantial holders

The following shareholders hold more than a 5% interest in the Group:

| | Number held | Ordinary shares % of total shares issued |
|---|-------------|---|
| TATTARANG VENTURES PTY LTD | 31,613,809 | 15.37 |
| Lygon Way Pty Ltd ACN 005 901 851 and Frilford Investments Pty Ltd ACN 066 565 142 | 22,684,706 | 11.03 |
| N & J ENTERPRISES (WA) PTY LTD (THE VAN NAMEN FAMILY A/C) | 13,072,894 | 6.36 |
| Derlin Nominees Pty Ltd ACN 008 905 940 and Oaktone Nominees Pty Ltd ACN 074 566 635 as trustee for the Grist Investment Fund (Oaktone) | 12,764,670 | 6.21 |
| Spenceley Management Pty Ltd ACN 127 151 437 as trustee of the Spenceley Family Trust and HSBC Custody Nominees (Australia) Limited (HSBC) as custodian for Spenceley Management | 12,211,350 | 5.94 |

Unquoted equity securities

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares including Voluntary and ASX Escrow shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and Rights

Options and Rights have no voting rights. There are no other classes of equity securities.

On Market Buy Back

On 15 August 2022, the Company launched an on-market share buy-back of up to 14,532,529 fully paid ordinary shares, representing 10 per cent of the Company's issued share capital.

Unmarketable parcels of securities

The number of holders with less than a marketable parcel of fully paid ordinary shares is 453. The definition of an unmarketable parcel of shares is a holding with a current value of less than \$500 as at 31 August 2022 (using a share price of \$0.43).

Use of Proceeds

In accordance with Listing Rule 4.10.19, the Company confirms that it 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 for the financial year ended 30 June 2022.

There are no other classes of equity securities.

Swoop Holdings Limited
Shareholder information
30 June 2022

Securities subject to voluntary escrow

| Class | Expiry date | Number of shares |
|----------------------------|--------------------|-------------------------|
| Fully paid ordinary shares | 30 October 2022 | 1,953,311 |
| Fully paid ordinary shares | 27 May 2023 | 6,151,088 |
| Fully paid ordinary shares | 1 April 2023 | <u>1,482,854</u> |
| | | <u><u>9,587,253</u></u> |

Restricted securities

| Class: | Expiry date | Number of shares |
|----------------------------|--------------------|-------------------------|
| Fully paid ordinary shares | 25 May 2023 | 60,302,085 |

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