

## 1. Company details

Name of entity:	SOCO Corporation Ltd
ABN:	61 660 362 201
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

## 2. Results for announcement to the market

SOCO Corporation Ltd was admitted to the Official List of ASX Limited on 20 December 2022 after completion of its successful Initial Public Offer.

Historically, Singlewave Pty Ltd (as trustee for the Singlewave Unit Trust) operated as the head entity of the SOCO corporate group, with business operations undertaken through a subsidiary, Thesoco Pty Ltd. On 22 June 2022, SOCO was established with the same beneficial ownership as Singlewave Pty Ltd. On 20 July 2022, Singlewave Pty Ltd disposed of its shares in its subsidiaries including Thesoco Pty Ltd, Option Pool Pty Ltd and Wide Net Pty Ltd to SOCO for nil consideration, thereby making SOCO Corporation Ltd the legal parent entity of the Group.

Under AASB 3 'Business Combinations', where a new entity is formed to issue equity interests to affect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. Accordingly, as SOCO Corporation Ltd effectively issued equity instruments to acquire the subsidiaries it cannot be identified as the acquirer. Further, as SOCO Corporation Ltd is not a business the transaction does not comprise a business combination within the scope of AASB 3 'Business Combinations'. The transaction comprises a group restructure that does not result in any change of economic substance. Accordingly, the consolidated financial statements of SOCO Corporation Ltd going forward will be a continuation of the consolidated group prior to restructure.

			\$
Revenues from ordinary activities	up	46.6% to	19,693,164
Profit from ordinary activities after tax	down	17.7% to	1,482,223
Profit for the year	down	17.7% to	1,482,223

### Dividends

	Amount per security Cents	Franked amount per security Cents
Fully franked dividend to Founding Shareholders	3.12	3.12

### Dividend determined

On 24 August 2023, the Directors' determined a fully-franked dividend of 0.5 cents per fully paid ordinary share to be paid on 4 October 2023.

### Comments

The profit for the Group after providing for income tax amounted to \$1,482,223 (30 June 2022: \$1,800,061).

Revenue for the financial year ended 30 June 2023 was \$19,693,164, up 46.6% from \$13,432,984 in the previous corresponding period.

The strong revenue growth resulted in an Operating EBIT of \$3,315,264 (prior to significant items), up 32.8% on the previous financial year of \$2,497,068.

After interest and significant items are deducted (including \$899,523 of IPO expenses), the statutory net profit after tax for the financial year was \$1,482,223.

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There was significant revenue growth from existing clients with 78 retained clients from FY2022 delivering revenue of \$16,730,016 during the year (85% of Group revenue). Pleasingly 90% of the Group's top 20 clients from FY2022 also worked with the Group during the financial year.

The Group also added 27 new clients who delivered \$2,963,148 of revenue during the financial year representing 15% of Group revenue. This included two new Federal Government clients and five new Queensland Government clients.

Continued successful recruitment to support this sustained revenue growth saw employee numbers grow from an average of 51 during FY2022 to an average of 78 during the current financial year. During this period the Company also achieved a Great Place to Work certification for the second year running.

	30 Jun 2023	30 Jun 2022	Change	Prospectus Forecast 30 Jun 2023	Change
	\$	\$	%	\$	%
Revenue	19,693,164	13,432,984	46.6%	18,502,000	6.4%
Operating EBIT *	3,315,264	2,497,068	32.8%	3,640,000	(8.9%)
Net interest income/(expense)	32,665	(8,835)	269.7%	(7,000)	366.6%
Net profit before income tax and significant items	3,347,929	2,488,233	34.6%	3,633,000	(7.8%)
<i>Significant items:</i>					
IPO expense	(899,523)	-	-%	(957,000)	6.0%
Public company cost	(295,610)	(54,500)	-%	(289,000)	(2.3%)
Share-based remuneration	(77,894)	-	-%	(289,000)	73.0%
Net profit before income tax expense	2,074,902	2,433,733	(14.7%)	2,098,000	(1.1%)
Income tax expense	(592,679)	(633,672)	6.5%	(661,000)	10.3%
Net profit after income tax expense	1,482,223	1,800,061	(17.7%)	1,437,000	3.1%

\* Operating EBIT is a non-IFRS metric and is calculated as net profit before interest, IPO expense, public company cost, share-based remuneration, and taxes. These measures, which are unaudited, are important to management as an additional way to evaluate the Group's performance.

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.13	2.75
Calculated as follows:		
	30 Jun 2023 \$	30 Jun 2022 \$
Net assets	6,489,368	2,647,682
Less: Intangibles	(6,982)	(6,982)
Net tangible assets	6,482,386	2,640,700
	30 Jun 2023 Number of shares	30 Jun 2022 Number of shares
Total shares issued at period end	126,292,132	96,000,000

### 4. Control gained over entities

Name of entities (or group of entities)	Thesoco Pty Ltd, Option Pool Pty Ltd and Wide Net Pty Ltd
Date control gained	20 July 2022

### 5. Loss of control over entities

Name of entities (or group of entities)	Option Pool Pty Ltd
Date control lost	25 January 2023

### 6. Dividends

#### Current period

	Amount per security Cents	Franked amount per security Cents
Fully franked dividend to Founding Shareholders	3.12	3.12

#### Dividend determined

On 24 August 2023, the Directors' determined a fully-franked dividend of 0.5 cents per fully paid ordinary share to be paid on 4 October 2023.

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*Previous period*

	Amount per security Cents	Franked amount per security Cents
Fully franked dividend	1.20	1.20

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unmodified opinion has been issued.

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**11. Attachments**

*Details of attachments (if any):*

The Annual Financial Report of SOCO Corporation Ltd for the year ended 30 June 2023 is attached.

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**12. Signed**

Signed \_\_\_\_\_

Date: 24 August 2023

Stephen Parks  
Chief Financial Officer and Company Secretary  
Brisbane



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**SOCO Corporation Ltd**

(Formerly known as SOCO Group Australia Pty Ltd)

ABN 61 660 362 201

**Annual Financial Report - 30 June 2023**

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Directors	Thomas Stianos - Chair Khatiza Brown Sebastian Rizzo Tom Rock
Chief Executive Officer	Simon Forth
Company Secretary	Stephen Parks
Registered office	Level 1 172 Evans Road Salisbury QLD 4107
Principal place of business	Level 4 120 Edward Street Brisbane QLD 4000 Phone: 1300 364 833
Share register	Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000 Phone: 1300 288 664 Email: <a href="mailto:hello@automic.com.au">hello@automic.com.au</a>
Auditor	BDO Audit Pty Ltd Level 10 12 Creek Street Brisbane QLD 4000 <a href="http://www.bdo.com.au">www.bdo.com.au</a>
Solicitors	McCullough Robertson Level 11 66 Eagle Street Brisbane QLD 4000 <a href="http://www.mccullough.com.au">www.mccullough.com.au</a>
Stock exchange listing	SOCO Corporation Ltd shares are listed on the Australian Securities Exchange (ASX code: SOC)
Website	<a href="http://www.soco.com.au">www.soco.com.au</a>
Business objectives	<p>SOCO Corporation Ltd will focus on the provision of information technology services.</p> <p>In accordance with the Listing requirements ASX 4.10.19, the directors confirm that the Group has used cash and cash equivalents that are held at the time of listing in a way consistent with its stated business objectives.</p>
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of SOCO Corporation Ltd in an ethical manner and in accordance with the highest levels of corporate governance. SOCO Corporation Ltd has adopted and complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ("Recommendations"), to the extent appropriate for the size and nature of SOCO Corporation Ltd's operations.</p> <p>The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report, can be found at: <a href="http://www.soco.com.au/corporate-governance/">www.soco.com.au/corporate-governance/</a></p>

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SOCO Corporation Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

The Company was incorporated on 22 June 2022 and was inactive until 20 July 2022, when it acquired Thesoco Pty Ltd, Wide Net Pty Ltd and Option Pool Pty Ltd. under a group restructure. Refer to 'Significant changes in the state of affairs' below for further details. The Group's financial results reflect a continuation as a Group.

### Directors

The following persons were Directors of SOCO Corporation Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Thomas Stianos - Chair	Appointed 10 October 2022
Khatiza Brown	Appointed 10 October 2022
Sebastian Rizzo	
Thomas Rock	
Carlo Liviani	Resigned 30 June 2023
Stevan Simovic	Resigned 16 November 2022
Anand Raju	Resigned 16 November 2022

### Principal activities

During the financial year the principal activities of the Group was as an IT consultancy business, specialising in the delivery of cloud solutions, business applications and integration projects with a focus on Microsoft solutions.

### Dividends

Dividends paid during the financial year were as follows:

	30 Jun 2023	30 Jun 2022
	\$	\$
Franked ordinary dividend of 3.12 (30 June 2022: 1.20*) cents per share	<u>3,125,273</u>	<u>1,153,697</u>
	No.	No.
Number of qualifying shares	<u>100,000,000</u>	<u>96,000,000</u>

\* Cents per share for the comparative period represent Thesoco only.

### Dividend determined

On 24 August 2023, the Directors' determined a fully-franked dividend of 0.5 cents per fully paid ordinary share to be paid on 4 October 2023.

### Review of operations

Revenue for the financial year ended 30 June 2023 was \$19,693,164, up 46.6% from \$13,432,984 in the previous corresponding period.

The strong revenue growth resulted in an Operating EBIT of \$3,315,264 (prior to significant items), up 32.8% on the previous financial year of \$2,497,068.

After interest and significant items are deducted (including \$899,523 of IPO expenses), the statutory net profit after tax for the financial year was \$1,482,223.

There was significant revenue growth from existing clients with 78 retained clients from FY2022 delivering revenue of \$16,730,016 during the year (85% of Group revenue). Pleasingly 90% of the Group's top 20 clients from FY2022 also worked with the Group during the financial year.

The Group also added 27 new clients who delivered \$2,963,148 of revenue during the financial year representing 15% of Group revenue. This included two new Federal Government clients and five new Queensland Government clients.

In addition, the Group continued its geographic expansion by establishing operations in Perth, WA.

Continued successful recruitment to support this sustained revenue growth saw employee numbers grow from an average of 51 during FY2022 to an average of 78 during the current financial year. During this period the Company also achieved a Great Place To Work certification for the second year running.

The strength of the Group's management systems was demonstrated through the achievement of ISO9001 Quality, ISO27001 Information Security, ISO14001 Environmental and ISO45001 Occupational Health and Safety accreditations during the year.

The directors consider Operating Earnings Before Interest and Tax ('EBIT') to reflect the core earnings of the Group. Operating EBIT is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items. The Group's reconciliation of its statutory net profit after tax ('NPAT') for the current and previous year to Operating EBIT is as follows:

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>	<b>Change</b>	<b>Prospectus Forecast 30 Jun 2023</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Revenue	19,693,164	13,432,984	46.6%	18,502,000	6.4%
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Net profit before income tax and significant items	3,347,929	2,488,233	34.6%	3,633,000	(7.8%)
<i>Significant items:</i>					
IPO expense	(899,523)	-	-%	(957,000)	6.0%
Public company cost	(295,610)	(54,500)	-%	(289,000)	(2.3%)
Share-based remuneration	(77,894)	-	-%	(289,000)	73.0%
Net profit before income tax expense	2,074,902	2,433,733	(14.7%)	2,098,000	(1.1%)
Income tax expense	(592,679)	(633,672)	6.5%	(661,000)	10.3%
Net profit after income tax expense	1,482,223	1,800,061	(17.7%)	1,437,000	3.1%

\* Operating EBIT is a non-IFRS metric and is calculated as net profit before interest, IPO expense, public company cost, share-based remuneration, and taxes. These measures, which are unaudited, are important to management as an additional way to evaluate the Group's performance.

### Business risks

SOCO Corporation Ltd ('SOCO') is subject to risks that are specific to the Group and risks that are of a general nature. All these risks may threaten both the current and future operating and financial performance of the Group. A number of these risks are beyond the control and influence of the Directors and management of SOCO Corporation Ltd, but the Group has mitigation strategies in place to manage the impact of these risks should they occur. The material risks and how they are managed are presented below.

#### Competition

The Group believes it has a competitive business model however there is a risk that existing competitors or new entrants may emerge in the market. These competitors may disrupt the market with increased marketing activities, and more competitive pricing. The ability to attract new clients will in part depend on SOCO's reputation along with its ability to communicate the value and security that it offers. As a people business, SOCO seeks to maintain competitive advantage by creating an exceptional employment experience for the SOCO team. In addition, the Group has widened its footprint to include offices in Sydney, Melbourne and Perth.

*Ability to attract and retain key personnel*

The Group's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments and achieve forecast revenues. Additionally, increases in recruitment and salary costs may adversely impact upon the financial performance of the Group. The Group seeks to attract and retain key talent through maintaining a rewarding and flexible workplace as evidenced by SOCO achieving a Great Place to Work score of 97% in June 2023.

*Law and regulatory compliance*

The Group is required to maintain compliance with all applicable laws and regulations. These include requirements related to various Australian employment laws and policies, such as the Fair Work Act 2009 (Cth). Failure to comply with such laws and regulations could result in regulatory action or other claims which could have an adverse impact on SOCO's reputation, financial performance and profitability. SOCO has management processes and quality assurance processes in place to manage compliance with applicable laws and regulations.

*Reliance on Microsoft platform*

SOCO is focussed on the Microsoft platform. If this ecosystem is compromised, Microsoft's reputation is negatively impacted, or if the Federal Government were to change or distance its investment with Microsoft's technology platform, this could negatively affect SOCO's financial results. SOCO would seek to mitigate this through assessing other platforms that may evolve as a result and leverage its reputation with existing clients.

*General economic conditions*

SOCO's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions could have an adverse impact on the Group's operating and financial performance. The Group has a strong balance sheet and maintains a conservative cash position to support the Group if required.

**Significant changes in the state of affairs**

In June 2022, the Founding Shareholders commenced a restructure of the SOCO corporate group in preparation for an initial public offering ('IPO') and listing on the Australian Securities Exchange ('ASX').

Prior to incorporation of SOCO Corporation Ltd (the 'Company'), the parent entity of the SOCO corporate group was a unit trust controlled by the Founding Shareholders (the 'Unit Trust'). The restructure involved the following steps:

- (a) On 22 June 2022, the Company was incorporated, with the initial shareholders being the Founding Shareholders, with shares held in the same proportion as their respective unit holdings in the Unit Trust.
- (b) On 20 July 2022, the share capital held by the Unit Trust in each of Thesoco Pty Ltd, Wide Net Pty Ltd and Option Pool Pty Ltd was transferred to the Company, via standard share transfer. As a result of the transfer, the Company acquired ownership and control of the SOCO business and assets.
- (c) On 21 September 2022, an issue of 4 new shares was made to Beostemis Pty Ltd (as trustee) (a Founding Shareholder) for total consideration of \$418,548, such that on completion of the issue each of the Founding Shareholders held equal interests in the Company. The consideration paid by Beostemis Pty Ltd for the acquisition of the new shares was loaned by the Company and settled by Beostemis Pty Ltd on 17 November 2022 via offset against the dividend payable.
- (d) On 21 September 2022, the Founding Shareholders approved a subdivision of the ordinary share capital of the Company, such that each ordinary share (100 in total) was subdivided into 1,000,000 ordinary shares (100,000,000 in total).
- (e) On 17 November 2022, a fully franked dividend of \$3,125,273 was declared and paid by the Company to the Founding Shareholders.

On 20 December 2022, the Company successfully completed its IPO of 25,000,000 ordinary shares at \$0.20 per share, raising \$5,000,000 before costs, and was admitted to the Official List of ASX Limited with the ASX code 'SOC'. Official quotation of SOC's ordinary fully paid shares commenced on 23 December 2022.

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

**Matters subsequent to the end of the financial year**

On 1 July 2023, 586,615 Existing Employee Options vested. Upon payment of the total exercise price of \$32,498 and the valid exercising of these options, 586,615 fully paid ordinary shares will subsequently be issued.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2023 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

The Group will continue to pursue its principal activities as an IT consultancy, specialising in the delivery of cloud solutions, business applications and integration projects; with a focus on Microsoft solutions. The activities are not expected to materially change in the foreseeable future. The Group intends to build on a successful FY23 and continue to grow the SOCO delivery team and operations across the country. In particular, the Group will look for opportunities to expand its existing Melbourne, Sydney, and Perth operations, and continue to explore targeted merger and acquisition opportunities.

### Environmental regulation

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

### Information on Directors

**Name:** **Thomas Stianos**  
**Title:** Independent Non-Executive Director  
**Qualifications:** Thomas ('Tom') holds a Bachelor of Applied Science from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.  
**Experience and expertise:** Tom has over 30 years' experience in the IT and consulting industry with extensive experience in the governance of ASX listed company boards. Until November 2021 Tom was Non-executive Chair of Empired Limited (ASX:EPD), a Microsoft systems integrator and managed service provider with over 1,000 staff across Australia and New Zealand. He was previously CEO and Managing Director of SMS Management & Technology Ltd (ASX:SMX) an IT consulting and systems integration company employing 1,682 staff and with revenue of \$335.8 million.  
**Other current directorships:** Non-Executive Director of Xref Ltd (appointed October 2021)  
Non-Executive Director of Gale Pacific Ltd (appointed October 2017)  
**Former directorships (last 3 years):** Non-Executive Director of Empired Ltd (appointed November 2016, resigned November 2021)  
**Special responsibilities:** Chair of the Board  
Chair of the Nomination and Remuneration Committee  
Member of the Audit and Risk Committee  
**Interests in shares:** 161,319 ordinary shares (indirectly held)  
**Interests in options:** 1,000,000 options over ordinary shares (indirectly held)

**Name:** **Khatiza Brown**  
**Title:** Independent Non-Executive Director  
**Qualifications:** Khatiza holds a Post Graduate Diploma in Applied Statistics and Computing from Bangor University and is a Member of Australian Institute of Company Directors. She is a Fellow of, and holds a Graduate Diploma, Applied Corporate Governance from The Governance Institute of Australia, and is a Certified Practising Accountant (CPA).  
**Experience and expertise:** Khatiza has over 20 years' experience working as a corporate governance, corporate services and finance executive in Australia, South Africa and the United Kingdom. She has significant company secretarial, financial management, HR and IT experience gained within public and private manufacturing, mining and service sectors. Key experience includes management of company compliance with statutory and regulatory requirements in multiple international jurisdictions and the management of board and shareholder administration, communications and relationships.  
**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chair of the Audit and Risk Committee  
Member of the Nomination and Remuneration Committee  
**Interests in shares:** None  
**Interests in options:** 200,000 options over ordinary shares (directly held)

**Name:** **Sebastian Rizzo**  
**Title:** Executive Director  
**Qualifications:** Sebastian holds a Master of Business Administration (Technology) from the University of New South Wales and is a member of the Australian Institute of Company Directors.  
**Experience and expertise:** Sebastian has over 16 years' over an IT industry technical experience and has spent 6 years as the former chief executive officer of SOCO. Under his leadership SOCO achieved five years of sustained growth and development. Sebastian currently works in the business as an Executive Director with a focus on developing SOCO's growing portfolio of Australian federal government clients.  
**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Audit and Risk Committee  
**Interests in shares:** 20,000,000 ordinary shares (indirectly held)  
**Interests in options:** None

**Name:** **Thomas Rock**  
**Title:** Executive Director  
**Qualifications:** Thomas ('Tom') holds a Master of Engineering specialising in Electronic Engineering and Computer Science from University of Sheffield and is a member of the Australian Institute of Company Directors.  
**Experience and expertise:** Tom has over 15 years' experience working in the IT industry and been a driving force behind SOCO's branding, market offering and methodology, people, culture, and values. Tom currently works in the business as the Executive Director for Strategy, Brand, and Culture, and collaborates closely with the CEO and executive team to shape SOCO's long term vision.  
**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Nomination and Remuneration Committee  
**Interests in shares:** 138,217 ordinary shares (directly held)  
20,000,000 ordinary shares (indirectly held)  
**Interests in options:** None

'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**

**Name:** **Stephen Thomas Parks**  
**Title:** Chief Financial Officer and Company Secretary  
**Qualifications:** Stephen ('Steve') holds a Bachelor of Commerce from the University of Canterbury and is a Fellow of the Institute of Public Accountants.  
**Experience and expertise:** Steve has over 20 years senior financial experience with private and public companies (ranging from \$20 million to \$400 million turnover). He has executed on strategic initiatives, mergers and acquisitions, information technology, and risk management. Before joining SOCO, Steve was the CFO and Company Secretary for Big River Industries Ltd (ASX:BRI) where he played a key role in the transition from family ownership, through to IPO in 2017, subsequent acquisition activity and significant growth.

**Meetings of Directors**

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

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Thomas Stianos	13	13	2	2	2	2
Khatiza Brown	13	13	2	2	2	2
Sebastian Rizzo	16	16	2	2	2	2
Thomas Rock	16	16	2	2	2	2
Carlo Liviani	14	16	1	2	1	2
Stevan Simovic	8	8	-	-	-	-
Anand Raju	7	8	-	-	-	-

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

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### Remuneration report (audited)

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

The policy reflects SOCO Corporation Ltd as a listed entity following the restructure. The policy described heron is for the current year.

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

#### **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 Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Group 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 Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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 Nomination and Remuneration Committee. The Nomination and Remuneration 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 chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive incentives.

ASX listing rules require the aggregate non-executive Directors' remuneration be determined periodically by a general meeting. The most recent determination by the shareholders approved a maximum annual aggregate remuneration of \$400,000.

#### *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
- long-term performance incentives
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group 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 may be granted to senior executives based on achievement of financial hurdles principally relating to revenue and earnings before interest, tax, depreciation and amortisation ('EBITDA')

The long-term incentive ('LTI') program includes the Omnibus Incentive Plan, which offers participants share-based payments. Further details are provided below.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

#### **Share-based payment plans**

The Group has the following options in existence:

##### Omnibus Plan

The Group has adopted a long-term incentive plan in connection with its admission to the ASX, the Omnibus Incentive Plan ('Omnibus Plan').

Key employees identified by the Board will be offered participation under the Omnibus Plan in the form of ordinary shares, options or rights. Each Director is eligible to participate in the Omnibus Plan.

The vesting of the shares, options or rights may be subject to the satisfaction of service-based conditions and performance hurdles which, when satisfied, will allow participating employees to receive shares or vested options or rights which are exercisable over shares.

Awards of fully paid ordinary shares, options, performance rights and share appreciation rights can be made under the Omnibus Plan.

Shares can be granted to the participants under a free grant (receiving an allocation of shares for no consideration) or salary contribution agreement.

An option confers a right to acquire a share during the exercise period, subject to the satisfaction of any vesting conditions, the payment of the exercise price for the option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.

A participant under the Omnibus Plan does not have a right to participate in dividends on shares or a further issue of shares until shares are issued, transferred or allocated under the terms of an offer, including on exercise or vesting of the security or right.

A performance right confers an entitlement to be issued, transferred or allocated one share after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions, and any other requirements contained in the offer.

A share appreciation right confers an entitlement to be issued, transferred or allocated the number of shares calculated under the terms of the Omnibus Plan after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions and any other requirement contained in the offer. The Board may decide, in its absolute discretion to substitute the issue, transfer or allocation of these shares for the payment of a cash amount.

The Omnibus Plan contains provisions for the Board to deal with securities issued under the Omnibus Plan in the event of a change of control trigger event, which includes the ability to:

- (a) buy-back or accelerate the vesting of options or performance rights, arrange replacement securities on similar economic terms in a bidder, allow the options or performance rights to continue on their terms, or proceed with any combination of the alternatives;
- (b) accelerate vesting (including on a pro rata basis) of share appreciation rights; and
- (c) provide under an offer document for a particular treatment of shares issued under the Omnibus Plan upon the occurrence of a change of control trigger event.

Each participant under the Omnibus Plan grants to the Company a power of attorney to perform any act required in respect of actions available to the Company on a change of control trigger event.

The Omnibus Plan includes provisions consistent with the Listing Rules to permit an adjustment to the number of shares that may be issued on exercise or vesting of a security issued under the Omnibus Plan in the event of a reorganisation of the Company's capital.

The maximum number of securities projected to be issued under the Omnibus Plan within the three-year period from completion of the IPO is 7,300,000. This number is not intended to be a prediction of the actual number of securities to be issued by the Company, simply a ceiling for the purposes of ASX Listing Rule 7.2 (Exception 13(a)).

#### *Performance Options*

1,000,000 performance options were granted to the Chief Executive Officer, Simon Forth on 18 November 2022 under the terms of the Omnibus Plan.

The key terms of the Performance Options are:

- (a) *Entitlements:* Each Performance Option entitles the holder to subscribe for one ordinary share upon exercise of the Performance Option.
- (b) *Exercise price:* \$0.00 per option.
- (c) *Vesting conditions:* The total number of FY23 Performance Options that may vest will be determined based on achievement of the following performance milestones. Failure to meet the lower target of any performance milestone will mean no FY23 Performance Options under that milestone will vest.

Milestone <sup>(1)</sup>	Lower target	Upper target	Lower multiplier	Upper multiplier	Weighting <sup>(3)</sup> %
FY23 Revenue from organic business	\$18,500,000	\$20,000,000	0.80	1.00	40%
FY23 Pro forma organic EBITDA <sup>(2)</sup>	\$3,312,000	\$3,500,000	0.80	1.00	60%

(1) Each of the milestones are independent. Vesting of options under one milestone is not conditional on satisfaction of the other milestones. Any fraction of an option (on calculating the number of options that vest) will be rounded up to the nearest whole option.

(2) To be assessed based on the Group's consolidated audited FY23 financial statements.

(3) As a percentage of the total FY23 Performance Options

- (d) *Expiry date:* The expiry date for the Performance Options is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as CEO of the Company; and (ii) the date that is five (5) years after the issue date.

- (e) *Exercise period:* Subject to satisfaction of the vesting conditions, the exercise period for the Performance Options commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

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#### *Non-Executive Director Options*

The Company granted a total of 1,200,000 options to the independent non-executive Directors on 18 November 2022 under the terms of the Omnibus Plan ('NED Options').

The key terms of the NED Options are:

- (a) *Entitlements*: Each NED Option entitles the holder to subscribe for one ordinary share upon exercise of the NED Option.
- (b) *Exercise price*: \$0.20 per option.
- (c) *Vesting conditions*: The holder has not resigned as a director of the Company on the date that is two (2) years after the issue date of the NED Options, or a change of control transaction occurs.
- (d) *Expiry date*: The expiry date for the NED Options is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as a director of the Company; and (ii) the date that is five (5) years after the issue date.
- (e) *Exercise period*: Subject to satisfaction of the vesting conditions, the exercise period for the NED Options commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

#### *Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the Group. 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 Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last two years.

#### *Use of remuneration consultants*

During the financial year ended 30 June 2023, the Group did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

#### **Details of remuneration**

##### *Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following Directors of SOCO Corporation Ltd:

- Thomas Stianos - Chair (appointed 10 October 2022)
- Khatiza Brown (appointed 10 October 2022)
- Sebastian Rizzo (appointed 22 June 2022)
- Thomas Rock (appointed 22 June 2022)
- Carlo Liviani (resigned 30 June 2023)
- Stevan Simovic (resigned 16 November 2022)
- Anand Raju (resigned 16 November 2022)

And the following persons:

- Simon Forth - Chief Executive Officer (appointed CEO 23 July 2022)
- Stephen Parks - Chief Financial Officer and Company Secretary (appointed CFO 4 July 2022 and Company Secretary 10 October 2022)

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Leave benefits <sup>(3)</sup>	Non-monetary <sup>(4)</sup>	Super-annuation	Leave benefits <sup>(1)</sup>	Equity-settled <sup>(2)</sup>	
30 Jun 2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
T Stianos*	84,782	-	-	2,602	-	20,801	108,185
K Brown*	29,655	-	-	3,114	-	4,163	36,932
C Liviani**	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
A Raju**	45,000	10,608	5,254	10,313	5,347	-	76,522
S Simovic**	-	-	-	-	-	-	-
S Rizzo	120,000	5,438	13,461	27,500	6,517	-	172,916
T Rock	120,000	(13,506)	13,461	27,500	8,018	-	155,473
<i>Other Key Management Personnel:</i>							
S Forth*	250,000	6,299	-	26,250	4,200	263,801	550,550
S Parks*	248,397	14,423	13,757	26,082	4,155	-	306,814
	<u>897,834</u>	<u>23,262</u>	<u>45,933</u>	<u>123,361</u>	<u>28,237</u>	<u>288,765</u>	<u>1,407,392</u>

\* Remuneration is disclosed from period of appointment to 30 June 2023.

\*\* Remuneration is disclosed from 1 July 2022 to date of resignation.

(1) Long-term "leave benefits" represent movements in accrued long service leave entitlements.

(2) The value of the "equity settled" remuneration was determined as the fair value of the options or shares at the grant date. The value disclosed is the portion of the fair value recognised as an expense in the reporting period of \$63,801 and \$200,000 as an Initial Public Offer cost.

(3) Short-term "leave benefits" represent movements in accrued annual leave entitlements.

(4) The "non-monetary" component primarily represents the cost (including fringe benefits tax) of providing a car parking space.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Leave benefits <sup>(3)</sup>	Non-monetary <sup>(4)</sup>	Super-annuation	Leave benefits <sup>(1)</sup>	Equity-settled <sup>(2)</sup>	
30 Jun 2022	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>							
C Liviani*	80,000	1,408	9,112	27,500	1,333	-	119,353
A Raju	80,000	2,193	9,112	27,500	1,333	-	120,138
S Simovic	64,000	1,556	9,112	27,500	1,333	-	103,501
S Rizzo	80,000	273	9,112	27,500	1,333	-	118,218
T Rock	80,000	(2,131)	9,112	27,500	1,333	-	115,814
<i>Other Key Management Personnel:</i>							
S Forth**	198,859	12,426	-	19,886	3,356	-	234,527
	<u>582,859</u>	<u>15,725</u>	<u>45,560</u>	<u>157,386</u>	<u>10,021</u>	<u>-</u>	<u>811,551</u>

\* C Liviani ceased being an executive director on 30 June 2022, but remained on the board as a non-executive director.

\*\* S Forth commenced employment on 9 September 2021.

- (1) Long-term "leave benefits" represent movements in accrued long service leave entitlements.
- (2) The value of the "equity settled" remuneration was determined as the fair value of the options or shares at the grant date. The value disclosed is the portion of the fair value recognised as an expense in the reporting period.
- (3) Short-term "leave benefits" represent movements in accrued annual leave entitlements.
- (4) The "non-monetary" component primarily represents the cost (including fringe benefits tax) of providing a car parking space.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
<i>Non-Executive Directors:</i>						
T Stianos	81%	-	-	-	19%	-
K Brown	89%	-	-	-	11%	-

*Other Key Management*

*Personnel:*

S Forth	52%	100%	48%	-	-	-
S Parks	100%	-	-	-	-	-

The proportion of the equity-settled bonus paid/payable or forfeited is as follows:

	Maximum	Actual	Equity-settled bonus payable		Equity-settled bonus forfeited	
	STI	STI	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	\$	\$	%	%	%	%
<i>Other Key Management</i>						
<i>Personnel:</i>						
S Forth	163,700	62,801	38%	-	62%	-
S Parks	-	-	-	-	-	-

**Service agreements**

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

Name: **Sebastian Rizzo**  
 Title: Executive Director  
 Agreement commenced: 1 July 2022  
 Term of agreement: No fixed term  
 Details: A total fixed remuneration ('TFR') cost of \$147,500 per annum including statutory superannuation contributions. The TFR increases to \$222,000 from 1 July 2023. Either Seb or the Company may terminate the employment contract by giving three months' written notice to the other party.

Name: **Thomas Rock**  
 Title: Executive Director  
 Agreement commenced: 1 July 2022  
 Term of agreement: No fixed term  
 Details: A TFR cost of \$147,500 per annum including statutory superannuation contributions. The TFR increases to \$222,000 from 1 July 2023. Either Tom or the Company may terminate the employment contract by giving three months' written notice to the other party.

**Name:** **Simon Forth**  
**Title:** Chief Executive Officer  
**Agreement commenced:** 23 July 2022  
**Term of agreement:** No fixed term  
**Details:** A TFR cost of \$276,250 per annum including statutory superannuation contributions. The TFR increases to \$291,375 from 1 October 2023. Either Simon or the Company may terminate the employment contract by giving three months' written notice to the other party. A Short Term Incentive ('STI') consisting of the grant of 1,000,000 Options with a nil exercise price is payable as set out in the 'Performance Options' section above, subject to the achievement of financial hurdles which are determined each year.

The performance milestones in respect of FY2023 are set out in note 33 and the achievement is summarised below:

Performance milestone	Lower target	Upper target	Lower multiplier	Upper multiplier	Weighting %	Achievement	Options vesting	Fair value
FY23 Revenue from organic business	\$18,500,000	\$20,000,000	0.80	1.00	40%	Partial	383,635	\$62,801
FY23 Pro forma organic EBITDA	\$3,312,000	\$3,500,000	0.80	1.00	60%	No	-	\$0

**Name:** **Stephen Parks**  
**Title:** Chief Financial Officer and Company Secretary  
**Agreement commenced:** 4 July 2022  
**Term of agreement:** No fixed term  
**Details:** A TFR cost of \$276,250 per annum including statutory superannuation contributions. The TFR increases to \$291,375 from 1 October 2023. Either Steve or the Company may terminate the employment contract by giving three months' written notice to the other party. From FY2024, a STI of up to 22% of TFR is payable through the grant of Options with a nil exercise price subject to the achievement of financial hurdles, primarily relating to EBITDA performance.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Total fixed remuneration consists of base salary plus statutory superannuation contributions.

**Share-based compensation**

*Issue of shares*

Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Date	Shares	Issue price	\$
S Forth	19 December 2022	1,005,000	\$0.00	201,000

*Options*

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

Name	Number of options granted	Grant date	Expiry date	% vested	Exercise price	Fair value per option at grant date
T Stianos	1,000,000	18/11/2022	18/11/2027	0%	\$0.20	\$0.0675
K Brown	200,000	18/11/2022	18/11/2027	0%	\$0.20	\$0.0675
S Forth*	1,000,000	18/11/2022	18/11/2027	0%	\$0.00	\$0.1637

\* 383,635 options will vest under the FY23 performance milestones as outlined in the service agreement details above.

Options granted carry no dividend or voting rights.

Refer to the 'Share-based payment plans' section above for details of the vesting conditions and dates.

**Additional information**

The earnings of the Group for the two years to 30 June 2023 are summarised below:

	2023 \$	2022 \$
Sales revenue	19,693,164	13,432,984
EBITDA	2,342,903	2,692,739
Profit after income tax	1,482,223	1,800,061

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022
Total dividends declared (cents per share)	3.62	1.20
Basic earnings per share (cents per share)	1.31	1.88
Diluted earnings per share (cents per share)	1.29	1.88

**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 prior to share split	Share split	Received as part of remuneration	Additions after share split	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>							
T Stianos	-	-	-	-	161,319	-	161,319
K Brown	-	-	-	-	-	-	-
C Liviani	20	-	19,999,980	-	-	(20,000,000)	-
A Raju	20	-	19,999,980	-	-	(20,000,000)	-
S Simovic	16	4	19,999,980	-	-	(20,000,000)	-
S Rizzo	20	-	19,999,980	-	-	-	20,000,000
T Rock	20	-	19,999,980	-	138,217	-	20,138,217
S Forth**	-	-	-	1,005,000	-	-	1,005,000
S Parks	-	-	-	-	750,000	-	750,000
	<u>96</u>	<u>4</u>	<u>99,999,900</u>	<u>1,005,000</u>	<u>1,049,536</u>	<u>(60,000,000)</u>	<u>42,054,536</u>

\* Disposals/other represents no longer a key management personnel and not necessarily a disposal of holding.

\*\* S Forth was issued 1,000,000 shares for nil consideration upon the Company being admitted to the Official List of ASX Limited, and 5,000 shares as a full-time employee at 1 May 2022 under the employee gift offer.

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*Option holding*

The number of options over ordinary 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	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
T Stianos	-	1,000,000	-	-	1,000,000
K Brown	-	200,000	-	-	200,000
C Liviani	-	-	-	-	-
A Raju	-	-	-	-	-
S Simovic	-	-	-	-	-
S Rizzo	-	-	-	-	-
T Rock	-	-	-	-	-
S Forth	-	1,000,000	-	-	1,000,000
S Parks	-	-	-	-	-
	-	2,200,000	-	-	2,200,000

*Other transactions with key management personnel and their related parties*

The 4 shares issued to Beostemis Pty Ltd (a Founding Shareholder) on 21 September 2022 were settled via offset against the dividend on 17 November 2022.

***This concludes the remuneration report, which has been audited.***

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**Shares under option**

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

Grant date	Expiry date	Exercise price	Number under option
1 July 2020*	30 August 2023	\$0.06	586,615
8 December 2021*	6 February 2025	\$0.08	500,636
18 November 2022	18 November 2027	\$0.00	1,000,000
18 November 2022	18 November 2027	\$0.20	1,200,000
23 December 2022	20 December 2026	\$0.30	<u>3,125,000</u>
			<u><u>6,412,251</u></u>

\* Refer 'Existing Employee Options' in note 33 for details relating to these options.

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

**Shares issued on the exercise of options**

There were no ordinary shares of SOCO Corporation Ltd issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

**Indemnity and insurance of officers**

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

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

**Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the Company**

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

**Non-audit services**

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 24 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 24 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 partners of BDO Audit Pty Ltd**

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

**Auditor's independence declaration**

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

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



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Thomas Stianos  
Chair

24 August 2023  
Brisbane

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## DECLARATION OF INDEPENDENCE BY R J LIDDELL TO THE DIRECTORS OF SOCO CORPORATION LTD

As lead auditor of SOCO Corporation Ltd for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of SOCO Corporation Ltd and the entities it controlled during the period.

**R J Liddell**  
Director

**BDO Audit Pty Ltd**

Brisbane, 24 August 2023

SOCO Corporation Ltd  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**



	Note	30 Jun 2023 \$	30 Jun 2022 \$
<b>Revenue</b>			
Revenue from contracts with customers	6	19,693,164	13,432,984
Cost of providing services		<u>(12,309,016)</u>	<u>(7,847,231)</u>
Gross margin		<u>7,384,148</u>	<u>5,585,753</u>
<b>Other revenue</b>			
Other income		4,200	-
Interest revenue calculated using the effective interest method		41,065	3,503
<b>Expenses</b>			
Depreciation expense	7	(300,666)	(250,171)
Selling and marketing expense		(279,606)	(202,302)
Occupancy expense		(129,658)	(62,481)
General and administrative expense		(3,441,048)	(2,573,731)
Public company costs		(295,610)	(54,500)
Initial Public Offer costs	18	(899,523)	-
Finance costs	7	<u>(8,400)</u>	<u>(12,338)</u>
<b>Profit before income tax expense</b>		2,074,902	2,433,733
Income tax expense	8	<u>(592,679)</u>	<u>(633,672)</u>
<b>Profit after income tax expense for the year</b>		1,482,223	1,800,061
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u><u>1,482,223</u></u>	<u><u>1,800,061</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	32	1.31	1.88
Diluted earnings per share	32	1.29	1.88

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

	Note	30 Jun 2023 \$	30 Jun 2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,488,826	2,807,390
Trade and other receivables	10	1,728,700	1,453,247
Other assets	11	355,978	91,202
Total current assets		<u>8,573,504</u>	<u>4,351,839</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	240,889	313,620
Right-of-use assets	13	102,432	249,630
Intangibles		6,982	6,982
Deferred tax	8	413,164	95,791
Total non-current assets		<u>763,467</u>	<u>666,023</u>
<b>Total assets</b>		<u>9,336,971</u>	<u>5,017,862</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,205,492	1,088,660
Contract liabilities	15	333,599	19,656
Lease liabilities	16	106,091	145,664
Income tax	8	316,291	370,683
Employee benefits	17	657,360	532,544
Total current liabilities		<u>2,618,833</u>	<u>2,157,207</u>
<b>Non-current liabilities</b>			
Lease liabilities	16	-	106,091
Employee benefits	17	228,770	106,882
Total non-current liabilities		<u>228,770</u>	<u>212,973</u>
<b>Total liabilities</b>		<u>2,847,603</u>	<u>2,370,180</u>
<b>Net assets</b>		<u>6,489,368</u>	<u>2,647,682</u>
<b>Equity</b>			
Issued capital	18	5,245,411	96
Reserves	19	239,421	-
Retained profits		<u>1,004,536</u>	<u>2,647,586</u>
<b>Total equity</b>		<u>6,489,368</u>	<u>2,647,682</u>

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

**SOCO Corporation Ltd**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**



	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	33	-	2,001,222	2,001,255
Profit after income tax expense for the year	-	-	1,800,061	1,800,061
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,800,061	1,800,061
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	63	-	-	63
Dividends paid (note 20)	-	-	(1,153,697)	(1,153,697)
Balance at 30 June 2022	96	-	2,647,586	2,647,682
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	96	-	2,647,586	2,647,682
Profit after income tax expense for the year	-	-	1,482,223	1,482,223
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,482,223	1,482,223
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	5,245,315	-	-	5,245,315
Share-based payments (note 33)	-	239,421	-	239,421
Dividends paid (note 20)	-	-	(3,125,273)	(3,125,273)
Balance at 30 June 2023	5,245,411	239,421	1,004,536	6,489,368

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

**SOCO Corporation Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2023**



	Note	30 Jun 2023 \$	30 Jun 2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		21,700,970	14,661,301
Payments to suppliers and employees (inclusive of GST)		<u>(18,836,897)</u>	<u>(11,110,787)</u>
		2,864,073	3,550,514
Interest received		41,065	-
Other revenue		4,200	-
Interest and other finance costs paid		(8,400)	-
Income taxes paid		<u>(865,971)</u>	<u>(857,749)</u>
Net cash from operating activities	31	<u>2,034,967</u>	<u>2,692,765</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	12	(80,737)	(192,630)
Payments for security deposits		<u>(25,262)</u>	<u>-</u>
Net cash used in investing activities		<u>(105,999)</u>	<u>(192,630)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	18	5,000,000	6
Share issue transaction costs		(395,143)	6,981
Dividends paid		(2,706,725)	(1,153,699)
Repayment of lease liabilities		<u>(145,664)</u>	<u>(125,199)</u>
Net cash from/(used in) financing activities		<u>1,752,468</u>	<u>(1,271,911)</u>
Net increase in cash and cash equivalents		3,681,436	1,228,224
Cash and cash equivalents at the beginning of the financial year		<u>2,807,390</u>	<u>1,579,166</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>6,488,826</u></u>	<u><u>2,807,390</u></u>

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

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### **Note 1. General information**

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

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

<b>Registered office</b>	<b>Principal place of business</b>
Level 1 172 Evans Road Salisbury QLD 4107	Level 4 120 Edward Street Brisbane QLD 4000

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 24 August 2023. The Directors have the power to amend and reissue the financial statements.

### **Note 2. Restructure accounting and comparative information**

Historically, Singlewave Pty Ltd (as trustee for the Singlewave Unit Trust) operated as the head entity of the SOCO corporate group, with business operations undertaken through a subsidiary, Thesoco Pty Ltd. On 22 June 2022, SOCO Corporation Ltd was established with the same beneficial ownership as Singlewave Pty Ltd. On 20 July 2022, Singlewave Pty Ltd disposed of its shares in its subsidiaries including Thesoco Pty Ltd, Option Pool Pty Ltd and Wide Net Pty Ltd to SOCO Corporation Ltd for nil consideration, thereby making SOCO Corporation Ltd the legal parent entity of the Group.

Thesoco Pty Ltd has been operating since 2013 as an Australian IT consultancy business, specialising in the delivery of cloud solutions, business applications and integration projects with a focus on Microsoft solutions.

Under AASB 3 'Business Combinations', where a new entity is formed to issue equity interests to affect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. Accordingly, as SOCO Corporation Ltd effectively issued equity instruments to acquire the subsidiaries it cannot be identified as the acquirer. Further, as SOCO Corporation Ltd is not a business the transaction does not comprise a business combination within the scope of AASB 3 'Business Combinations'. The transaction comprises a group restructure that does not result in any change of economic substance. Accordingly, the consolidated financial statements of SOCO Corporation Ltd going forward will be a continuation of the consolidated group prior to restructure:

- the equity structure in the consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of SOCO Corporation Ltd, including the equity instruments issued by SOCO Corporation Ltd to effect the acquisition;
- the results for the year ended 30 June 2023 comprises the consolidated results of SOCO Corporation Ltd and its controlled entities; and
- the comparative statement of financial position as at 30 June 2022 comprises the consolidated position of Thesoco Pty Ltd, the comparative results in the statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 30 June 2022 comprise the consolidated results for the year of Thesoco Pty Ltd.

### **Note 3. Significant accounting policies**

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

#### **New or amended Accounting Standards and Interpretations adopted**

The 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

### Note 3. Significant accounting policies (continued)

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 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.

#### *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 4.

#### **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 SOCO Corporation Ltd ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. SOCO Corporation Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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.

#### **Operating segments**

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

#### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is SOCO Corporation Ltd's functional and presentation currency.

### Note 3. Significant accounting policies (continued)

#### *Foreign currency transactions*

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

#### *Foreign operations*

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

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

#### **Revenue recognition**

The Group is in the business of providing IT consultancy, specialising in the delivery of cloud-based solutions, business applications and integration projects.

The Group typically generates revenue from the following broad categories:

- (a) Project based services;
- (b) Support services; and
- (c) Software licensing.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements.

#### **Services Revenue**

Revenue from the provision of services is recognised over time when services are rendered.

#### *Services Revenue – time and materials agreements*

Where the Group provides services charged based on time and materials, revenue is recognised based on actual time to complete the work and agreed hourly rates and cost of materials. The normal credit term is 14 to 30 days upon providing the service. If services have not been invoiced at reporting date but are billable by the Group, an amount is recorded as Accounts Receivable.

#### *Service Revenue – fixed price agreements*

Where the Group provides services under a fixed price agreement, revenue is recognised based on the proportion of work completed to date relative to the total contract. The customer pays the fixed consideration based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced. The Group has adopted the practical expedient available under AASB 15 paragraph B16, where the Group recognises revenue in the amount to which the Group has right to consideration from the customer for work completed to date.

#### **Software Licensing Revenue**

Revenue from the sale of term (subscription) licences are recognised at a point in time when the customer is able to use and benefit from the licence (typically on granting of the licence key).

The nature of the Group's promise in granting the licence to a customer is to provide the customer with a right to use the software as it exists at a point in time at which the licence is granted.

For licences subject to renewal periods, the Group recognises revenue at the beginning of the licence renewal period.

The normal credit term is 14 to 30 days upon providing the licence.

### Note 3. Significant accounting policies (continued)

#### *Contract assets and contract liabilities*

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or the before payment is due, the Group recognises a contract asset, unless the Group's rights to that amount of consideration are unconditional, in which case the Group recognises a receivable.

When an amount of consideration is received from a customer prior to the Group transferring a good or service to the customer, the Group recognises a contract liability.

#### **Interest**

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

#### **Other revenue**

Other revenue is recognised on an accruals basis when the Group is entitled to it.

#### **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.

#### **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.

### Note 3. Significant accounting policies (continued)

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.

#### 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.

#### Trade and other receivables

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

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

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

#### Property, plant and equipment

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

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

Leasehold improvements	Unexpired period of the lease
Furniture, fixtures and fittings	20% diminishing value
Office equipment	40% diminishing value

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

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

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

#### Right-of-use assets

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

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

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

### Note 3. Significant accounting policies (continued)

#### Intangible assets

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

#### Trademarks

Trademarks are capitalised as an asset. These costs are not subsequently amortised. Instead, trademarks are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. They are carried at cost less accumulated impairment losses. Management consider trademarks to have indefinite useful lives because the potential to generate cash flows is unlimited.

#### Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

#### Trade and other payables

Trade and other payables 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.

#### Lease liabilities

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

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

#### 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.

### Note 3. Significant accounting policies (continued)

#### *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. 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.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

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

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

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

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

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

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

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

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

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

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

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

### Note 3. Significant accounting policies (continued)

#### Fair value measurement

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

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

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

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

#### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

#### 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.

### Note 3. Significant accounting policies (continued)

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.

### Earnings per share

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

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

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

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

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

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

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

#### *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2024. Early adoption is permitted where AASB 2020-1 is also early adopted.

### Note 3. Significant accounting policies (continued)

These standards amend AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

The directors consider that the adoption of these amendments will not have a material impact on the financial statements of the Group in future periods.

### Note 4. Critical accounting judgements, estimates and assumptions

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

#### *Share-based payment transactions*

The 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. Refer to note 33 for the fair value measurement of share-based payment transactions.

#### *Recovery of deferred tax assets*

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

#### *Software Licensing Revenue – agent vs principal in software licensing arrangements*

Firstly, management determined that software licensing is a distinct performance obligation as other entities could provide configuration (the underlying software code is not customised by the Group but rather configured to optimise its operation within the customers environment), support and advice services. That is, the software licence and the other services do not significantly affect each other and, therefore, are not highly interdependent or highly interrelated, because the Group would be able to fulfil its promise to transfer the initial software licence independently from its promise to subsequently provide the installation service, advice or technical support.

**Note 4. Critical accounting judgements, estimates and assumptions (continued)**

The Group determined that it is acting as principal in its licensing arrangements based on the following:

- The Group is responsible for fulfilling the promise to provide the licences to the customer. For example, engaging with the customer before and after the software licences are provided to the customer and taking unaccepted licences (once the Group requests a licence from the software manufacturer/supplier, the Group is legally responsible for payment to the software manufacturer/supplier. If there is a dispute with the customer leading to non-acceptance of the software licence, the Group incurs inventory risk in relation to this licence).
- With the Group's arrangements with the software manufacturer/supplier, the Group either has the right to direct the software manufacturer/supplier to provide the software to the customer on its behalf or the Group obtains the license keys from the software manufacturer/supplier and passes the licence keys onto the customer.
- Although the Group has no inventory risk before the licences are provided to the customer, the Group has inventory risk until the customer accepts the licences and credit risk in the instance of failure to pay by the customer.
- The Group has discretion in establishing the price for the software licences with a reasonable amount of flexibility.

**Note 5. Operating segments**

*Identification of reportable operating segments*

The Group is organised into one operating segment as the Group operated mainly in Australia and in one industry being the supply of IT consulting services. This assessment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Accordingly, the information provided reflects the one operating segment.

The CODM reviews EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	\$	\$
Profit after income tax expense for the year	1,482,223	1,800,061
Income tax expense	592,679	633,672
Net interest (income)/expense	(32,665)	8,835
EBIT	2,042,237	2,442,568
Depreciation expense	300,666	250,171
EBITDA	<u>2,342,903</u>	<u>2,692,739</u>

**Note 6. Revenue from contracts with customers**

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	\$	\$
Provision of IT consulting services	<u>19,693,164</u>	<u>13,432,984</u>

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**Note 6. Revenue from contracts with customers (continued)**

*Disaggregation of revenue*

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

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	\$	\$
<i>Major service lines</i>		
Provision of IT consulting services	18,077,877	12,190,219
Sale of software licenses	<u>1,615,287</u>	<u>1,242,765</u>
	<u><u>19,693,164</u></u>	<u><u>13,432,984</u></u>
<i>Geographical regions</i>		
Australia	<u>19,693,164</u>	<u>13,432,984</u>
<i>Timing of revenue recognition</i>		
Services transferred over time	18,077,877	12,190,219
Licenses transferred at a point in time	<u>1,615,287</u>	<u>1,242,765</u>
	<u><u>19,693,164</u></u>	<u><u>13,432,984</u></u>

Revenue of approximately \$7,812,346 (30 June 2022: \$4,906,560) was attributable to 2 customers (30 June 2022: 2).

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**Note 7. Expenses**

	30 Jun 2023	30 Jun 2022
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	9,235	9,235
Furniture, fixtures and fittings	2,690	3,360
Office equipment	141,543	122,631
Buildings right-of-use assets	147,198	114,945
	<hr/>	<hr/>
Total depreciation	300,666	250,171
<i>Finance costs</i>		
Interest and finance charges paid/payable on other liabilities	978	7,950
Interest and finance charges paid/payable on lease liabilities	7,422	4,388
	<hr/>	<hr/>
Finance costs expensed	8,400	12,338
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	65	307
	<hr/>	<hr/>
<i>Leases</i>		
Short-term lease payments	110,070	34,966
	<hr/>	<hr/>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	253,160	191,561
	<hr/>	<hr/>
<i>Share-based payments expense</i>		
Share-based payments expense	77,894	-
	<hr/>	<hr/>
<i>Employee benefits expense</i>		
Included in cost of providing services	10,548,149	6,609,281
Included in general and administrative expense	3,025,580	2,200,336
	<hr/>	<hr/>
Total employee benefits expense	13,573,729	8,809,617

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**Note 8. Income tax**

	30 Jun 2023	30 Jun 2022
	\$	\$
<i>Income tax expense</i>		
Current tax	816,478	658,741
Deferred tax - origination and reversal of temporary differences	(218,900)	(57,182)
Adjustment recognised for prior periods	(4,899)	32,113
	<u>592,679</u>	<u>633,672</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(199,310)	(67,967)
Increase/(decrease) in deferred tax liabilities	(19,590)	10,785
	<u>(218,900)</u>	<u>(57,182)</u>
Deferred tax - origination and reversal of temporary differences	(218,900)	(57,182)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	2,074,902	2,433,733
Tax at the statutory tax rate of 25%	518,726	608,433
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	25,714	-
Non-deductible initial public offer costs	50,000	-
Sundry items	5,387	5,396
	<u>599,827</u>	<u>613,829</u>
Adjustment recognised for prior periods	(7,148)	18,358
Adjustment to tax balances as a result of change in statutory tax rate	-	1,485
	<u>-</u>	<u>1,485</u>
Income tax expense	<u>592,679</u>	<u>633,672</u>

30 June 2023	1 Jul 2022	Profit or loss	Direct to equity	30 Jun 2023
	\$	\$	\$	\$
<i>Deferred tax movements</i>				
Allowance for expected credit losses	-	776	-	776
Employee benefits	162,891	88,379	-	251,270
Leases	62,939	(36,416)	-	26,523
Right-of-use assets	(62,408)	36,800	-	(25,608)
Initial public offer costs	-	110,022	98,473	208,495
Sundry items	11,376	(251)	-	11,125
Deferred tax asset	<u>174,798</u>	<u>199,310</u>	<u>98,473</u>	<u>472,581</u>
Property, plant and equipment	(74,557)	15,874	-	(58,683)
Prepayments	(4,450)	3,716	-	(734)
Deferred tax liability	<u>(79,007)</u>	<u>19,590</u>	<u>-</u>	<u>(59,417)</u>
Net deferred tax asset	<u>95,791</u>	<u>218,900</u>	<u>98,473</u>	<u>413,164</u>

**Note 8. Income tax (continued)**

30 June 2022	1 Jul 2021 \$	Profit or loss \$	Direct to equity \$	30 Jun 2022 \$
<i>Deferred tax movements</i>				
Allowance for expected credit losses	-	-	-	-
Employee benefits	111,050	51,841	-	162,891
Leases	36,944	25,995	-	62,939
Right-of-use assets	(34,867)	(27,541)	-	(62,408)
Initial public offer costs	-	-	-	-
Sundry items	(6,296)	17,672	-	11,376
Deferred tax asset	<u>106,831</u>	<u>67,967</u>	-	<u>174,798</u>
Property, plant and equipment	(60,213)	(14,344)	-	(74,557)
Prepayments	(8,009)	3,559	-	(4,450)
Deferred tax liability	<u>(68,222)</u>	<u>(10,785)</u>	-	<u>(79,007)</u>
Net deferred tax asset	<u>38,609</u>	<u>57,182</u>	-	<u>95,791</u>
			<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
			\$	\$
<i>Provision for income tax</i>			<u>316,291</u>	<u>370,683</u>
Provision for income tax			<u>316,291</u>	<u>370,683</u>

**Note 9. Cash and cash equivalents**

	30 Jun 2023 \$	30 Jun 2022 \$
<i>Current assets</i>		
Cash on hand	96	96
Cash at bank	2,488,730	2,807,294
Cash on deposit	4,000,000	-
	<u>6,488,826</u>	<u>2,807,390</u>

**Note 10. Trade and other receivables**

	30 Jun 2023 \$	30 Jun 2022 \$
<i>Current assets</i>		
Trade receivables	1,729,068	1,383,118
Less: Allowance for expected credit losses	(3,105)	-
	<u>1,725,963</u>	<u>1,383,118</u>
Other receivables	2,737	70,129
	<u>1,728,700</u>	<u>1,453,247</u>

*Allowance for expected credit losses*

The Group has recognised a loss of \$35,572 (30 June 2022: \$5,945) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

**Note 10. Trade and other receivables (continued)**

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	%	%	\$	\$	\$	\$
Current	-	-	1,444,208	1,259,072	-	-
0 to 3 months overdue	-	-	277,644	124,046	-	-
Over 3 months overdue	43%	-	7,216	-	3,105	-
			<u>1,729,068</u>	<u>1,383,118</u>	<u>3,105</u>	<u>-</u>

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

	30 Jun 2023	30 Jun 2022
	\$	\$
Opening balance	-	-
Additional provisions recognised	38,677	5,945
Receivables written off during the year as uncollectable	(35,572)	(5,945)
Closing balance	<u>3,105</u>	<u>-</u>

**Note 11. Other assets**

	30 Jun 2023	30 Jun 2022
	\$	\$
<i>Current assets</i>		
Prepayments	257,316	17,802
Security deposits	98,662	73,400
	<u>355,978</u>	<u>91,202</u>

**Note 12. Property, plant and equipment**

	30 Jun 2023	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	54,938	54,938
Less: Accumulated depreciation	(48,780)	(39,545)
	<u>6,158</u>	<u>15,393</u>
Furniture, fixtures and fittings - at cost	22,215	22,215
Less: Accumulated depreciation	(11,455)	(8,765)
	<u>10,760</u>	<u>13,450</u>
Office equipment - at cost	576,789	496,052
Less: Accumulated depreciation	(352,818)	(211,275)
	<u>223,971</u>	<u>284,777</u>
	<u>240,889</u>	<u>313,620</u>

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**Note 12. Property, plant and equipment (continued)**

*Reconciliations*

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

	Leasehold improvements \$	Furniture, fixtures and fittings \$	Office equipment \$	Total \$
Balance at 1 July 2021	24,628	16,810	214,778	256,216
Additions	-	-	192,630	192,630
Depreciation expense	(9,235)	(3,360)	(122,631)	(135,226)
Balance at 30 June 2022	15,393	13,450	284,777	313,620
Additions	-	-	80,737	80,737
Depreciation expense	(9,235)	(2,690)	(141,543)	(153,468)
Balance at 30 June 2023	<u>6,158</u>	<u>10,760</u>	<u>223,971</u>	<u>240,889</u>

**Note 13. Right-of-use assets**

	30 Jun 2023 \$	30 Jun 2022 \$
<i>Non-current assets</i>		
Buildings - right-of-use	230,472	517,839
Less: Accumulated depreciation	(128,040)	(268,209)
	<u>102,432</u>	<u>249,630</u>

The Group leases land and buildings for its commercial office premises under agreements of up to 2 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

*Reconciliations*

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

	Buildings - right-of-use \$
Balance at 1 July 2021	134,103
Additions	230,472
Depreciation expense	(114,945)
Balance at 30 June 2022	249,630
Disposals*	-
Depreciation expense	(147,198)
Balance at 30 June 2023	<u>102,432</u>

\* Right-of-use asset with a cost of \$287,367 and fully depreciated, ended during the period.

**Note 13. Right-of-use assets (continued)**

For other lease related disclosures refer to the following:

- note 7 for details of interest on lease liabilities and other lease payments;
- note 16 for lease liabilities at the end of the reporting period;
- note 21 for undiscounted future lease commitments; and
- consolidated statement of cash flows for repayment of lease liabilities.

**Note 14. Trade and other payables**

	30 Jun 2023	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	42,492	178,309
Goods and services tax payable	483,834	482,133
Employment related payables	614,140	372,041
Other payables	65,026	56,177
	<u>1,205,492</u>	<u>1,088,660</u>

Refer to note 21 for further information on financial instruments.

**Note 15. Contract liabilities**

	30 Jun 2023	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>333,599</u>	<u>19,656</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	19,656	190,195
Payments received in advance	333,599	-
Transfer to revenue - other balances	<u>(19,656)</u>	<u>(170,539)</u>
Closing balance	<u>333,599</u>	<u>19,656</u>

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**Note 16. Lease liabilities**

	30 Jun 2023 \$	30 Jun 2022 \$
<i>Current liabilities</i>		
Lease liability	<u>106,091</u>	<u>145,664</u>
<i>Non-current liabilities</i>		
Lease liability	<u>-</u>	<u>106,091</u>

Refer to note 21 for further information on financial instruments.

Refer to note 27 for further information on short-term lease commitments.

**Note 17. Employee benefits**

	30 Jun 2023 \$	30 Jun 2022 \$
<i>Current liabilities</i>		
Annual leave	<u>657,360</u>	<u>532,544</u>
<i>Non-current liabilities</i>		
Long service leave	<u>228,770</u>	<u>106,882</u>

**Note 18. Issued capital**

	30 Jun 2023 Shares	30 Jun 2022 Shares	30 Jun 2023 \$	30 Jun 2022 \$
Ordinary shares - fully paid	<u>126,292,132</u>	<u>96</u>	<u>5,245,411</u>	<u>96</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	33		33
Issue of shares	22 June 2022	63	\$1.00	63
Balance	30 June 2022	96		96
Issue of shares to Beostemis Pty Ltd*	21 September 2022	4	\$104,637.09	418,548
Share split each ordinary share (100 in total) was subdivided into 1,000,000 ordinary shares**	21 September 2022	99,999,900		-
Issue of shares to CEO***	19 December 2022	1,000,000	\$0.20	200,000
Issue of shares to employees	19 December 2022	265,000	\$0.20	53,000
Issue of shares on completion of Initial Public Offer	23 December 2022	25,000,000	\$0.20	5,000,000
Share issue transaction costs, net of tax	23 December 2022			(431,983)
Issue of shares to employees	3 April 2023	27,132	\$0.26	7,000
Share issue transaction costs, net of tax	3 April 2023			(1,250)
Balance	30 June 2023	<u>126,292,132</u>		<u>5,245,411</u>

**Note 18. Issued capital (continued)**

- \* On 21 September 2022, an issue of 4 new shares was made to Beostemis Pty Ltd (as trustee) (a Founding Shareholder) for total consideration of \$418,548, such that on completion of the issue each of the Founding Shareholders held equal interests in the Company. The consideration paid by Beostemis Pty Ltd for the acquisition of the new shares was loaned by the Company and settled by Beostemis Pty Ltd on 17 November 2022 via offset against the dividend payable.
- \*\* On 21 September 2022, the Founding Shareholders approved a subdivision of the ordinary share capital of the Company, such that each ordinary share (100 in total) was subdivided into 1,000,000 ordinary shares (100,000,000 in total).
- \*\*\* On 19 December 2022, the CEO (S Forth) was issued 1,000,000 shares for nil consideration upon the Company being admitted to the Official List of ASX Limited.

*Ordinary shares*

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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.

*Share buy-back*

There is no current on-market share buy-back.

*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.

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

*Initial Public Offering*

On 20 December 2022, the Company successfully completed its IPO of 25,000,000 ordinary shares at \$0.20 per share, raising \$5,000,000 before costs, and was admitted to the Official List of ASX Limited with the ASX code 'SOC'. Official quotation of SOC's ordinary fully paid shares commenced on 23 December 2022.

The Initial Public Offer costs were recognised in the financial year as follows:

	<b>Expensed \$</b>	<b>Equity \$</b>	<b>Total IPO costs \$</b>
<i>Initial public offer costs:</i>			
Cash component	699,523	393,893	1,093,416
Non-cash component (refer note 31 for details)	200,000	136,563	336,563
Share issue transaction costs	899,523	530,456	1,429,979
Tax expense	(174,882)	(98,473)	(273,355)
Initial Public Offer costs, net of tax	<u>724,641</u>	<u>431,983</u>	<u>1,156,624</u>

## Note 19. Reserves

	30 Jun 2023	30 Jun 2022
	\$	\$
Share-based payments reserve	239,421	-

### *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 20. Dividends

### *Dividends*

Dividends paid during the financial year were as follows:

	30 Jun 2023	30 Jun 2022
	\$	\$
Franked ordinary dividend of 3.12 (30 June 2022: 1.20*) cents per share	3,125,273	1,153,697
	<b>No.</b>	<b>No.</b>
Number of qualifying shares	100,000,000	96,000,000

\* Cents per share for the comparative period represent Thesoco only.

### *Dividend determined*

On 24 August 2023, the Directors' determined a fully-franked dividend of 0.5 cents per fully paid ordinary share to be paid on 4 October 2023.

### *Franking credits*

	30 Jun 2023	30 Jun 2022
	\$	\$
Franking credits available at the reporting date based on a tax rate of 25%	501,109	676,895
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 25%	316,291	370,682
Franking credits available for subsequent financial years based on a tax rate of 25%	817,400	1,047,577

## Note 21. Financial instruments

### ***Financial risk management objectives***

The Group'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 Group'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 Group. The Group 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 and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

## Note 21. Financial instruments (continued)

### **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 arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group is not exposed to any significant foreign currency risk.

#### *Price risk*

The Group is not exposed to any significant price risk.

#### *Interest rate risk*

The Group is not exposed to any significant interest rate 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 Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Group is not exposed to any significant credit risk.

### **Liquidity risk**

Vigilant liquidity risk management requires the Group 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 Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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**Note 21. Financial instruments (continued)**

*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.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>30 Jun 2023</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,205,492	-	-	-	1,205,492
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.00%	108,101	-	-	-	108,101
Total non-derivatives		<u>1,313,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,313,593</u>
<b>30 Jun 2022</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,088,660	-	-	-	1,088,660
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.00%	179,420	105,447	-	-	284,867
Total non-derivatives		<u>1,268,080</u>	<u>105,447</u>	<u>-</u>	<u>-</u>	<u>1,373,527</u>

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

**Note 22. Fair value measurement**

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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**Note 23. 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:

	30 Jun 2023	30 Jun 2022
	\$	\$
Short-term employee benefits	967,029	644,144
Post-employment benefits	123,361	157,386
Long-term benefits	28,237	10,021
Share-based payments	288,765	-
	<u>1,407,392</u>	<u>811,551</u>

**Note 24. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

	30 Jun 2023	30 Jun 2022
	\$	\$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>85,000</u>	<u>-</u>
<i>Other services - network firms</i>		
Due diligence	227,396	-
Taxation services	2,150	-
	<u>229,546</u>	<u>-</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	-	54,500
<i>Other services - unrelated firms</i>		
Due diligence	1,500	-
	<u>1,500</u>	<u>54,500</u>

**Note 25. Contingent assets**

The Group has no contingent assets as at 30 June 2023 and 30 June 2022.

**Note 26. Contingent liabilities**

The Group has no contingent liabilities as at 30 June 2023 and 30 June 2022.

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**Note 27. Commitments**

The Group has no capital commitments as at 30 June 2023 and 30 June 2022.

	<b>30 Jun 2023</b>
	\$
<i>Lease commitments - short-term</i>	
Committed at the reporting date but not recognised as liabilities, payable	80,309

**Note 28. Related party transactions**

*Parent entity*

SOCO Corporation Ltd is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 30.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the Directors' report.

*Transactions with related parties*

The 4 shares issued to Beostemis Pty Ltd on 21 September 2022 were settled via offset against the dividend paid on 17 November 2022.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

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

**Note 29. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	\$	\$
Profit after income tax	3,252,416	-
Total comprehensive income	3,252,416	-

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**Note 29. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Total current assets	5,680,424	96
Total assets	5,888,919	96
Total current liabilities	276,944	-
Total liabilities	276,944	-
Equity		
Issued capital	5,245,411	96
Share-based payments reserve	239,421	-
Retained profits	127,143	-
Total equity	<u>5,611,975</u>	<u>96</u>

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 3, except for the following:

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

**Note 30. 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 3:

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
		<b>%</b>	<b>%</b>
Thesoco Pty Ltd	Australia	100.00%	-
Wide Net Pty Ltd	Australia	100.00%	-

**Note 31. Cash flow information**

*Reconciliation of profit after income tax to net cash from operating activities*

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	1,482,223	1,800,061
Adjustments for:		
Depreciation and amortisation	300,666	254,563
Share-based payments	362,858	-
Other	-	276
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(275,453)	318,054
Increase in deferred tax assets	(317,373)	(57,181)
Increase in accrued revenue	-	(170,539)
Increase in prepayments	(239,514)	-
Increase in trade and other payables	116,832	500,857
Increase in contract liabilities	313,943	-
Increase/(decrease) in provision for income tax	44,081	(166,897)
Increase in employee benefits	246,704	213,571
Net cash from operating activities	<u>2,034,967</u>	<u>2,692,765</u>

*Non-cash investing and financing activities*

	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Additions to the right-of-use assets	-	230,472
Shares issued to Beostemis Pty Ltd*	418,548	-
Shares issued to CEO (S Forth)	200,000	-
Options issued to Lead Manager	136,563	-
	<u>755,111</u>	<u>230,472</u>

\* The 4 shares issued to Beostemis Pty Ltd on 21 September 2022 were settled via offset against the dividend paid on 17 November 2022.

*Changes in liabilities arising from financing activities*

	Lease liabilities \$
Balance at 1 July 2021	142,094
Net cash used in financing activities	(120,811)
Acquisition of leases	<u>230,472</u>
Balance at 30 June 2022	251,755
Net cash used in financing activities	<u>(145,664)</u>
Balance at 30 June 2023	<u>106,091</u>

**Note 32. Earnings per share**

	30 Jun 2023 \$	30 Jun 2022 \$
Profit after income tax	1,482,223	1,800,061
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	112,794,040	96,000,000
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,163,153	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	114,957,193	96,000,000
	Cents	Cents
Basic earnings per share	1.31	1.88
Diluted earnings per share	1.29	1.88

The comparatives weighted average number of ordinary shares has been determined as if the share consolidation had occurred from the beginning of that period.

**Note 33. Share-based payments**

The Group has the following options in existence:

**Existing Employee Options**

The Company has on issue 1,087,251 options over shares, which are held by seven employees of the Group ('Existing Employee Options'). The Existing Employee Options are governed by the terms of a historical share option plan, which has been adopted by the Company.

An option confers a right to acquire an ordinary share during the exercise period, subject to the satisfaction of any vesting conditions, the payment of the exercise price for the option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.

Persons issued options under the Existing Employee Options Plan may not dispose of an option or share issued on exercise of an option until three (3) years after the issue of the option.

The Existing Employee Options Plan contains provisions for the Board to deal with securities issued under the Existing Employee Options Plan in the event of a change of control trigger event, which includes the ability to:

- (a) buy-back or accelerate the vesting of options or performance rights, arrange replacement securities on similar economic terms in a bidder, allow the options or performance rights to continue on their terms, or proceed with any combination of the alternatives;
- (b) accelerate vesting (including on a pro rata basis) of share appreciation rights; and
- (c) provide under an offer document for a particular treatment of shares issued under the Existing Employee Options Plan upon the occurrence of a change of control trigger event.

The Existing Employee Options will only vest and become capable of exercise upon the holder remaining employed with the Group on the third anniversary of the date of issue of the relevant options. Any Existing Employee Options not capable of being exercised by the holder of the option on the date that the relevant employee ceases to be employed with the Group will automatically lapse.

A holder may exercise an Existing Employee Option within 60 days upon satisfaction of the vesting conditions, upon expiry of which the option will lapse.

### Note 33. Share-based payments (continued)

#### *Omnibus Plan*

The Group has adopted a long-term incentive plan in connection with its admission to the ASX, the Omnibus Incentive Plan ('Omnibus Plan').

Key employees identified by the Board will be offered participation under the Omnibus Plan in the form of ordinary shares, options or rights. Each Director is eligible to participate in the Omnibus Plan.

The vesting of the shares, options or rights may be subject to the satisfaction of service-based conditions and performance hurdles which, when satisfied, will allow participating employees to receive shares or vested options or rights which are exercisable over shares.

Awards of fully paid ordinary shares, options, performance rights and share appreciation rights can be made under the Omnibus Plan.

Shares can be granted to the participants under a free grant (receiving an allocation of shares for no consideration) or salary contribution agreement.

An option confers a right to acquire a share during the exercise period, subject to the satisfaction of any vesting conditions, the payment of the exercise price for the option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.

A participant under the Omnibus Plan does not have a right to participate in dividends on shares or a further issue of shares until shares are issued, transferred or allocated under the terms of an offer, including on exercise or vesting of the security or right.

A performance right confers an entitlement to be issued, transferred or allocated one share after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions, and any other requirements contained in the offer.

A share appreciation right confers an entitlement to be issued, transferred or allocated the number of shares calculated under the terms of the Omnibus Plan after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions and any other requirement contained in the offer. The Board may decide, in its absolute discretion to substitute the issue, transfer or allocation of these shares for the payment of a cash amount.

The Omnibus Plan contains provisions for the Board to deal with securities issued under the Omnibus Plan in the event of a change of control trigger event, which includes the ability to:

- (a) buy-back or accelerate the vesting of options or performance rights, arrange replacement securities on similar economic terms in a bidder, allow the options or performance rights to continue on their terms, or proceed with any combination of the alternatives;
- (b) accelerate vesting (including on a pro rata basis) of share appreciation rights; and
- (c) provide under an offer document for a particular treatment of shares issued under the Omnibus Plan upon the occurrence of a change of control trigger event.

Each participant under the Omnibus Plan grants to the Company a power of attorney to perform any act required in respect of actions available to the Company on a change of control trigger event.

The Omnibus Plan includes provisions consistent with the Listing Rules to permit an adjustment to the number of shares that may be issued on exercise or vesting of a security issued under the Omnibus Plan in the event of a reorganisation of the Company's capital.

The maximum number of securities projected to be issued under the Omnibus Plan within the three-year period from completion of the IPO is 7,300,000. This number is not intended to be a prediction of the actual number of securities to be issued by the Company, simply a ceiling for the purposes of ASX Listing Rule 7.2 (Exception 13(a)).

#### *Performance Options*

1,000,000 performance options were granted to the Chief Executive Officer, Simon Forth on 18 November 2022 under the terms of the Omnibus Plan.

### Note 33. Share-based payments (continued)

The key terms of the Performance Options are:

- (a) *Entitlements*: Each Performance Option entitles the holder to subscribe for one ordinary share upon exercise of the Performance Option.
- (b) *Exercise price*: \$0.00 per option.
- (c) *Vesting conditions*: The total number of FY23 Performance Options that may vest will be determined based on achievement of the following performance milestones. Failure to meet the lower target of any performance milestone will mean no FY23 Performance Options under that milestone will vest.

Milestone <sup>(1)</sup>	Lower target	Upper target	Lower multiplier	Upper multiplier	Weighting <sup>(3)</sup> %
FY23 Revenue from organic business	\$18,500,000	\$20,000,000	0.80	1.00	40%
FY23 Pro forma organic EBITDA <sup>(2)</sup>	\$3,312,000	\$3,500,000	0.80	1.00	60%

(1) Each of the milestones are independent. vesting of options under one milestone is not conditional on satisfaction of the other milestones. Any fraction of an option (on calculating the number of options that vest) will be rounded up to the nearest whole option.

(2) To be assessed based on the Group's consolidated audited FY23 financial statements.

(3) As a percentage of the total FY23 Performance Options

(d) *Expiry date*: The expiry date for the Performance Options is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as CEO of the Company; and (ii) the date that is five (5) years after the issue date.

(e) *Exercise period*: Subject to satisfaction of the vesting conditions, the exercise period for the Performance Options commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

#### Non-Executive Director Options

The Company granted a total of 1,200,000 options to the independent non-executive Directors on 18 November 2022 under the terms of the Omnibus Plan ('NED Options').

The key terms of the NED Options are:

- (a) *Entitlements*: Each NED Option entitles the holder to subscribe for one ordinary share upon exercise of the NED Option.
- (b) *Exercise price*: \$0.20 per option.
- (c) *Vesting conditions*: The holder has not resigned as a director of the Company on the date that is two (2) years after the issue date of the NED Options, or a change of control transaction occurs.
- (d) *Expiry date*: The expiry date for the NED Options is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as a director of the Company; and (ii) the date that is five (5) years after the issue date.
- (e) *Exercise period*: Subject to satisfaction of the vesting conditions, the exercise period for the NED Options commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

#### Lead Manager Options

The Company agreed to issue 3,125,000 unquoted options to the Lead Manager and/or its nominee(s) as a component of the fees payable to the Lead Manager in connection with the IPO.

The Company and the Lead Manager entered into a Lead Manager Options Deed which governs the terms of the options. Each option issued to the Lead Manager or its nominee(s) is convertible into one (1) ordinary share on exercise.

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**Note 33. Share-based payments (continued)**

The key terms of the Lead Manager Options are:

- (a) *Entitlement:* Each Lead Manager Option entitles the holder to subscribe for one ordinary share upon exercise of the Lead Manager Option.
- (b) *Allotment Date:* The date that is three (3) business days after the date on which the Company received unconditional approval from the ASX for the admission of the Company to the official list and quotation of the shares on the ASX.
- (c) *Exercise Price:* \$0.30 per option, representing a 50% premium to the IPO offer price.
- (d) *Exercise Period:* Commencing from the date of the Lead Manager Options Deed and ending on the date that is 48 months from the date on which the Company was admitted to the official list. The options will expire if not exercised during the exercise period.
- (e) *Adjustments:* If the Company makes a pro rata issue, there will be no adjustment to the exercise price of an option. In the event of a bonus issue, the number of ordinary shares issued on exercise of each option will be increased in accordance with Rule 6.22.3 of the Listing Rules. No change will be made to the exercise price of an option. If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, the rights of the option holder in respect of any unexercised options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

**Summary**

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

30 Jun 2023

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
01/07/2020	30/08/2023	\$0.06	586,615	-	-	-	586,615
08/12/2021	06/02/2025	\$0.08	500,636	-	-	-	500,636
18/11/2022	18/11/2027	\$0.00	-	1,000,000	-	-	1,000,000
18/11/2022	18/11/2027	\$0.20	-	1,200,000	-	-	1,200,000
23/12/2022	20/12/2026	\$0.30	-	3,125,000	-	-	3,125,000
			1,087,251	5,325,000	-	-	6,412,251

30 Jun 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
01/07/2020	30/08/2023	\$0.06	586,615	-	-	-	586,615
08/12/2021	06/02/2025	\$0.08	-	500,636	-	-	500,636
			586,615	500,636	-	-	1,087,251

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.33 years (30 June 2022: 1.83 years).

For the options granted during the current financial year, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate
18/11/2022	18/11/2027	\$0.20	\$0.00	50.00%	4.00%	3.22%
18/11/2022	18/11/2027	\$0.20	\$0.20	50.00%	4.00%	3.22%
23/12/2022	20/12/2026	\$0.20	\$0.30	50.00%	4.00%	3.34%

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**Note 34. Events after the reporting period**

On 1 July 2023, 586,615 Existing Employee Options vested. Upon payment of the total exercise price of \$32,498 and the valid exercising of these options, 586,615 fully paid ordinary shares will subsequently be issued.

Apart from the dividend declared as disclosed in note 20, no other matter or circumstance has arisen since 30 June 2023 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.

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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 3 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 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors



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Thomas Stianos  
Chair

24 August 2023  
Brisbane

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## INDEPENDENT AUDITOR'S REPORT

To the members of SOCO Corporation Ltd

### Report on the Audit of the Financial Report

#### Opinion

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

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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.

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

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

#### 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.

## Restructure accounting

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 2 of the financial report, on 20 July 2022, Singlewave Pty Ltd disposed of its shares in its subsidiaries including Thesoco Pty Ltd, Option Pool Pty Ltd and Wide Net Pty Ltd to SOCO Corporation Ltd for nil consideration, thereby making SOCO Corporation Ltd the legal parent entity of the Group.</p> <p>The accounting for this transaction was a complex matter and required significant auditor effort.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing the relevant contracts to understand the key terms and conditions of the transaction.</li> <li>• Evaluating management’s assessment of the accounting for the restructure including identification of the accounting acquirer, whether the transaction was considered a business combination under AASB 3 <i>Business Combinations</i> and how the combined entity should be accounted for post restructure.</li> <li>• Involving our internal specialists to review the treatment of the transaction.</li> <li>• Reviewing the disclosures and presentation of the financial statements for accuracy.</li> </ul>

## Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group generates revenue from multiple streams, including IT consultancy services and licence sales.</p> <p>Revenue recognition under AASB 15 <i>Revenue from Contracts with Customers</i> is complex and subject to error, especially where revenue is recognised over time or with multiple performance obligations.</p> <p>The Group’s disclosures about revenue recognition are included in Note 3, which detail the accounting policies applied under the requirements of AASB 15 <i>Revenue from Contracts with Customers</i>, and Note 6, which includes the disclosures required under the standard.</p> <p>The assessment of the Group’s revenue recognition was significant to our audit due to the materiality of revenue to the financial report, and the complex nature of accounting for the appropriate timing of revenue related to the sale of licences under the requirements of AASB 15 <i>Revenue from Contracts with Customers</i>.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing the revenue recognition policy for compliance with AASB 15 <i>Revenue from Contracts with Customers</i>.</li> <li>• Involving our internal specialists to review management’s expert’s position paper on the treatment of licence revenue.</li> <li>• Selecting a sample of licence sales, support services and consulting fees recognised as revenue, and agreeing to supporting invoices, signed customer contracts and timesheet records where applicable.</li> <li>• Completing invoice cut-off testing, to ensure an appropriate revenue cut-off was achieved at balance sheet date.</li> <li>• Analytical review procedures on all significant revenue streams on a disaggregated balance against expected trends and prior year levels.</li> <li>• Assessing the adequacy of the Group’s revenue recognition disclosures within the financial statements.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

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

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

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

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

## Responsibilities of the directors for the Financial Report

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

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

## Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of SOCO Corporation Ltd, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

BDO Audit Pty Ltd



R J Liddell  
Director

Brisbane, 24 August 2023

The shareholder information set out below was applicable as at 15 August 2023.

### Distribution of equitable securities

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

	Ordinary shares		% of total shares issued
	Number of holders	Number of shares	
1 to 1,000	8	1,384	-
1,001 to 5,000	96	363,727	0.29
5,001 to 10,000	75	702,674	0.56
10,001 to 100,000	165	5,169,535	4.09
100,001 and over	38	120,054,812	95.06
	<b>382</b>	<b>126,292,132</b>	<b>100.00</b>
Holding less than a marketable parcel	22	25,583	0.02

### Equity security holders

*Twenty largest quoted equity security holders*

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

	Ordinary shares	
	Number held	% of total shares issued
BEOSTEMIS PTY LTD	20,000,000	15.84
SEANRICA PTY LTD	20,000,000	15.84
ULIN HOLDINGS PTY LTD	20,000,000	15.84
ROCK FAMILY PTY LTD	19,108,383	15.13
CASTELFRENTANO PTY LIMITED	18,695,652	14.80
WESTFERRY OPERATIONS PTY LTD (THE WESTFERRY FUND A/C)	3,500,000	2.77
DMX CAPITAL PARTNERS LIMITED	3,125,000	2.47
SNOWBALL ASSET MANAGEMENT PTY LTD (SNOWBALL ASSET MGMT A/C)	2,085,003	1.65
VANWARD INVESTMENTS LIMITED	1,418,000	1.12
NATIONAL NOMINEES LIMITED	1,375,000	1.09
2LIFE SUPER PTY LTD (2LIFE SUPER FUND A/C)	1,304,348	1.03
NORFOLK ENCHANTS PTY LTD (TROJAN RETIREMENT FUND A/C)	1,125,000	0.89
MR SIMON CRAIG FORTH	1,005,000	0.80
EXTREMISTAN NATIVE PTY LTD	891,617	0.71
BOND STREET CUSTODIANS LIMITED (TAMOFF - D91880 A/C)	875,000	0.69
CERTANE CT PTY LTD (BC2)	766,700	0.61
VESKAY PTY LTD (VESKAY SUPER FUND A/C)	750,000	0.59
DAWNEY & CO LTD	375,000	0.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	335,000	0.27
GOFFPORT PTY LTD	300,000	0.24
	<b>117,034,703</b>	<b>92.68</b>

*Unquoted equity securities*

	Number on issue	Number of holders
Options over ordinary shares issued	6,412,251	15

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
ULIN HOLDINGS PTY LTD	20,000,000	15.84
BEOSTEMIS PTY LTD	20,000,000	15.84
SEANRICA PTY LTD	20,000,000	15.84
ROCK FAMILY PTY LTD	19,108,383	15.13
+ EXTREMISTAN NATIVE PTY LTD	891,617	
CASTELFRENTANO PTY LIMITED	18,695,652	14.80
+ 2LIFE SUPER PTY LTD	1,304,348	

**Voting rights**

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

*Ordinary 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.

There are no other classes of equity securities.

**Securities subject to voluntary escrow**

<b>Class</b>	<b>Expiry date</b>	<b>Number of shares</b>
Ordinary shares	22 December 2023	100,000,000

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