

For personal use only



ANNUAL REPORT FY23

CHAIRMAN & CEO'S MESSAGE

Dear Shareholders,

I am pleased to present ActivePort's annual report for the first full year of trading on the ASX since listing in late 2021.

ActivePort delivered outstanding results across all facets of its business in 2023, resulting in a revenue increase of 82%. Most impressive was the 572% growth in software revenue from \$1.2M in FY22 to \$7.8M in FY23. ActivePort set out to create a global software business and is well on the way to achieving that goal with less than two years of ASX trading history behind us.

2023 was transformative for ActivePort as it evolved from start-up mode to scale-up mode. We've delivered our software to more than 25 global telecommunications carrier locations in the past 18 months creating a significant opportunity for revenue growth in 2024 and beyond.

Our second software-led initiative, launched in June 2023, is Global Edge network-as-a-service solution, based on ActivePort technology. Global Edge promises to deliver strong recurring revenue growth from enterprise customers seeking a simple and cost-effective method of buying connectivity to the Cloud. Global Edge will feature strongly in 2024 as new features and products are integrated into this ecosystem.

Our managed services businesses performed very well with the focus turning to profit rather than growth in the latter half of the year. Our managed services team is becoming more involved in supporting our growing customer base in our software-led businesses and this should deliver more revenue and higher margins for our managed services group in 2024.

CEO, Karim Nejaim took leave for health reasons late in FY23. A great deal of our early success is due to his dedication and hard work that carried us through the IPO and on to a highly successful year in 2023. On behalf of the board and staff, I thank Karim for his immense contribution. Mark Middleton, our founder and Chief Technology Officer and I have picked up the reigns and will continue to power through the challenges ahead of us as we scale-up the business.



“2023 was transformative for ActivePort as it evolved from start-up mode to scale-up mode”

I can't complete this report without thanking our team and I can't thank our team enough. Start-ups are hard. People have to be resourceful, they have to be self-sufficient, and they have to go beyond the normal call of duty each and every day of the year. Our team continues to do all of this and more as they work around the clock to support new customers in almost every continent and every time-zone and for that I thank you all. We have an outstanding team of highly talented people at ActivePort and I'm looking forward to working with you all in 2024.

I'd like to acknowledge our board for their outstanding effort this year. Every member makes a practical contribution to the business and its fantastic to have the support of such a talented team.

Which finally brings me to our shareholders, who since our IPO have held steadfast in their support of the ActivePort vision, to create a world-class software business. Thank you for backing ActivePort and I look forward to delivering more good news on our progress throughout 2024.



Peter Christie
Chairman & CEO

For personal use only

Annual Report

30 June 2023

**ActivePort Group Ltd
and Controlled Entities**

ABN 24 636 569 634

Table of Contents

<i>General Information</i>	3
<i>Directors' Report</i>	4
<i>Corporate Governance</i>	23
<i>Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023</i>	39
<i>Consolidated Statement of Financial Position as at 30 June 2023</i>	40
<i>Consolidated Statement of Changes in Equity for the year ended 30 June 2023</i>	41
<i>Consolidated Statement of Cash Flows for the year ended 30 June 2023</i>	42
<i>Notes to the Consolidated Financial Statements</i>	43
<i>Directors' Declaration</i>	90
<i>Independent Auditor's Report to the Members of ActivePort Group Ltd</i>	91
<i>Additional Information ASX as at 1 September 2023</i>	94
<i>Corporate Directory</i>	102

For personal use only

General Information

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

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

Level 28, 140 St Georges Terrace
Perth WA 6000

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 29 September 2023. The directors have the power to amend and reissue the financial statements.

For personal use only

Directors' Report

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

Directors

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

P Christie	Executive chairman
K Nejaim	Managing director (resigned 28 April 2023)
C Daly	Non-executive director
K Soares	Executive director
M Middleton	Executive director (appointed 12 May 2023)

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

Directors	Number of Ordinary Shares	Number of Performance Rights
P Christie	44,792,900	1,530,800
C Daly	2,426,356	229,620
K Soares	21,286,749	-
M Middleton	21,004,480	3,827,000
	<hr/> 89,510,485	<hr/> 5,587,420

Principal activities

The principal activity of the Group for the financial year ended 30 June 2023 was information technology related business involving unique edge-to-cloud integrated service. The Group's core asset, the ActivePort software, is used to orchestrate network connectivity from the "Virtual Edge" of the network at a customer's premises to data and Cloud services.

Financial position

The Group reported a net asset position of \$28,088,299 (2022: \$28,083,908) and net current assets of (\$1,077,210) (2022: \$1,427,707) as at 30 June 2023 and incurred a loss of \$3,405,093 (2022: \$ 6,676,170) and net operating cash outflow of \$1,275,830 (2022: \$ 7,766,962) for the year ended 30 June 2023.

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

Dividends

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

Review of operations

FY23 was the transformative year ActivePort had hoped for. The combined revenue from our software driven businesses exceeded the revenue of our managed service business, putting ActivePort on a trajectory to deliver the financial performance expected of a successful software business being strong revenue growth, profit and positive free cash flow.

Directors' Report (continued)

ActivePort has been highly successful in the global telecommunications sector with 65 telecommunications carriers seeking to install our software at the end of FY23. Those carriers use ActivePort's software to orchestrate connectivity for their users at the edge of the networks to services in the Cloud and we generate license revenue for every connection made. Enterprise software has traditionally been a source of significant gross margins and strong free cash flow if its done well and we hope to capitalise on the success of FY23 to become one of those successful software businesses in FY24 and beyond.

In June we launched our Global Edge network as a service product. Retail customers can login to Global Edge and start building their edge to Cloud network immediately using our points-of-presence integrated networks operated by third-party carriers. We will scale up the Global Edge platform throughout FY24 and hope to show great results of accelerated recurring revenue with relatively high margins as utilisation of this innovative product grows.

Our managed services businesses performed well with the focus on profit rather than growth in the latter half of the year. As we increase our activity in Australia across both the Software business and the Global Edge business, its anticipated that the managed services team will become more involved in supporting our growing customer base. This should deliver more revenue and higher margins in this segment of our business.

If FY23 was about start-up then FY24 is about scale-up for ActivePort. The potential for our software-led business to grow is immense and we have to take advantage of that opportunity as it is presented to us right now. We plan to increase our technical delivery capacity across three geographic regions and leverage our managed services team to get as many new software customers live as possible, quickly. To accelerate our growth, we might consider some strategic acquisitions where we obtain complimentary software and a technical team that can accelerate our growth plans but also come additional recurring revenue.

Profitability remains a constraint to our growth aspirations. We have to balance growth with profitability in FY24 and to that end will continue to trim our administrative footprint to focus our investment on sales, engineering, and technical delivery skills.

ATV operating environment and risk

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

In the year ended 30 June 2023, our business drivers were focused on:

- People- attracting, developing, and retaining highly skilled, diverse and engaged talent and building a community where people can truly be themselves.
- Customers- provide unique software technology solutions for customers focusing on consistent delivery and excellent customer experience.
- Systems and processes- strengthen our ways of working, data, and customer systems to manage business risks and build for our future.
- Finance- build a robust financial position from which to scale business operations and new growth opportunities.

For personal use only

Directors' Report (continued)

Managing our limited history

Throughout the year ended 30 June 2023, we set out to build a solid foundation of principles and practices within our people, our capabilities, and our Board to establish and scale the business.

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

Contractual and customer risk

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

Customer - in the year ended 30 June 2023, our customer feedback and rapid uplift in our sales pipeline has increased our market presence and on-going business with existing customers. This has generated a strong customer base and pipeline within several countries including Australia, India, Malaysia, Indonesia, Canada, USA, and Africa.

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

Supplier relationships

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

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

Privacy and data

Collection risk and cyber security

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

Technological developments

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

For personal use only

Directors' Report (continued)

In the year ended 30 June 2023, our customers and demand for our product validated the technical capability of ActivePort software. There is minimal direct competition in the Orchestration market, and we have proven the value of our product in the SD-WAN market.

Protection of intellectual property rights

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

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

In the year ended 30 June 2023, we completed Trademarks for SD-WAN Service Injection and Virtual Service Injection (VSI) as these terms and capabilities are unique in our market and needed to be protected.

Rapid growth risk

The Group has experienced significant growth over the year ended 30 June 2023 and this is expected to continue into the year ended 30 June 2024. Management has started several projects to develop operational capabilities both onshore and off, and has expansion plans for Africa, Middle East, South East Asia and India.

Future acquisitions

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

Foreign exchange

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

Insurance coverage

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

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

Price of shares

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

Operating results for the year

	2023	2022	Change	Change
	\$	\$	\$	%
Revenue	19,404,574	10,638,545	8,766,029	82,4%
Net loss for the year	(3,405,093)	(6,676,170)	3,271,077	49.0%
Basic loss per share (cents)	(1.24)	(3.03)	1.79	59.0%
Diluted loss per share (cents)	(1.24)	(3.03)	1.79	59.0%

Directors' Report (continued)

Directors and key management personnel

Peter Christie (Executive Chairman and Interim Chief Executive Officer)

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

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

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

Securities held or deemed to be interested in by Mr Christie at the date of this report — 44,792,900 fully paid ordinary shares and 1,530,800 performance rights.

Current directorships of other ASX listed companies: Nexion Group Ltd (ASX: NNG).

Former directorship in the 3 years: None.

Chris Daly (Non-executive Director)

Chris has 30 years of management experience operating in the contracting, fabrication, equipment rental, mining and construction sectors. Chris has extensive experience in managing businesses with a keen focus on financial management, job costing, business processes and safety and standards accreditation.

Chris has a strong background in design, estimating and management of infrastructure installation projects and more recently in development and construction of multi-level commercial and domestic buildings.

Securities held or deemed to be interested in by Mr Daly at the date of this report — 2,426,356 fully paid ordinary shares and 229,620 performance rights.

Current directorships of other ASX listed companies: Nexion Group Ltd (ASX: NNG).

Former directorship in the 3 years: None.

Kathryn Soares (Executive Director)

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

In 2009, Kathryn established Perth-based ICT provider Vizstone. She has a Masters in Digital Communications and is a champion for women in STEM.

Securities held or deemed to be interested in by Ms Soares at the date of this report — 21,286,749 fully paid ordinary shares and NIL performance rights.

Current directorships of other ASX listed companies: None.

Former directorship in the 3 years: None.

For personal use only

Directors' Report (continued)

Mark Middleton (Executive Director and Chief Technical Officer)

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

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

Securities held or deemed to be interested in by Mr Middleton at the date of this report – 21,004,480 fully paid ordinary shares and 3,827,000 performance rights.

Current directorships of other ASX listed companies: None.

Former directorship in the 3 years: None.

Steven Norris (Head of Global Sales)

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

Steven brings experience of multi-channel sales with roles responsible for Direct, Wholesale and Dealer in the Systems Integration, Hardware Distribution and Telecommunications sectors.

Simon Love (Global Head Infrastructure)

Simon began his career as a Transmission Engineer 28 years ago and has built a career in leadership roles including VP Fixed and Satellite Services, GM Technology Strategy & Planning and Director of Transmission & Access Engineering for Optus. Simon joined ActivePort from his role as General Manager, Fixed Networks for Visionstream. Simon has a Bachelor of Applied Science, Physics, from the University of Technology, Sydney.

Jack Toby (Company Secretary)

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

Meetings of directors

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

Directors' Meetings	Number of meetings held	Number of meetings attended:
Mr P Christie	12	12
Mr C Daly	12	12
Ms Soares	12	12
Mr K Nejaim (1)	9	9
Mr M Middleton (2)	2	2

(1) Resigned 28 April 2023

(2) Appointed 12 May 2023

For personal use only

Directors' Report (continued)

Likely developments and expected results of operations

The Group is actively working to enhance its existing products and develop new products to assist in strengthening its revenue base in 2024. The marketing campaigns in Australia, the Middle East, India and Asia are continuing and are showing positive results.

Significant changes in the state of affairs

Other than as mentioned in the Review of Operations, no significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

Significant events subsequent to reporting period

In August 2023, the Company raised \$2,500,000 issuing 25,000,000 fully paid ordinary shares at an issue price of \$0.10 per share plus 12,500 000 unlisted attaching options. The options have an exercise price of \$0.20 and an expiry date of 30 November 2026.

Of the 25,000,000 new shares, 1,500,000 are to be issued to directors of the Company subject to shareholder approval. The attaching options will be issued subject to approval by shareholders.

A further 7,000,000 options will be issued by the Company in the form of 4,000,000 Broker Options and 3,000,000 Lead Manager Options. The additional options will have the same terms as the attaching options and will be issued subject to approval by shareholders at the General Meeting.

There are no other matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Environmental Issues

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

Indemnification and insurance of directors

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

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

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

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

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

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

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

Directors' Report (continued)

Indemnification of auditors

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

Remuneration report (audited)

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

Details of key management personnel

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

Parent Entity Directors

Mr P Christie	Executive Chairman and Interim Chief Executive Officer (appointed Interim CEO 28 April 2023)
Mr K Nejaim	Executive Director and Chief Executive Officer (resigned 28 April 2023)
Mr C Daly	Non-executive Director
Ms K Soares	Executive Director
Mr M Middleton	Executive Director and Chief Technology Officer (appointed Executive Director 12 May 2023)

Other Key Management Personnel

Mr Z Friend	Chief Financial Officer (appointed 10 October 2022 and resigned 14 June 2023)
Mr S Norris	Head of Global Sales
Mr S Love	Head of Global Infrastructure (resigned 17 January 2023)

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

Remuneration Policy

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

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

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

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

Directors' Report (continued)

To incentivise the executives with the strategic objectives of the Group to maximise shareholders wealth, the Group has previously offered key executives of the Group the ability to acquire shares in-lieu of remuneration.

The Board will continue to monitor appropriate incentive schemes, including cash and share ownership plans, for the Group in future years.

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

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

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

Executive Directors and other Key Management Personnel Remuneration

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

Other key management personnel

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

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

Issue of shares

There were no shares issued to directors during the year except for pursuant to vesting of Performance Rights as outlined below.

For personal use only

Directors' Report (continued)

Compensation of key management personnel (KMP)

30 June 2023	Short-term benefits			Post employment Super- annuation	Share-based payments		Total	Proportion of remuneration based on performance based %
	Salary & fees	Cash bonus	Non-monetary benefits		Shares	Performance rights		
Directors								
Mr P Christie	251,499	-	-	26,169	-	1,107	278,775	1%
Mr K Nejaim (1)	326,906	-	-	32,275	-	3,875	363,056	3%
Mr C Daly	60,000	-	-	-	-	166	60,166	1%
Mr M Middleton (2)	289,195	-	-	29,986	-	2,768	321,949	3%
Ms K Soares	217,735	-	-	15,019	-	-	232,754	NA
Sub-total directors	1,145,335	-	-	103,449	-	7,916	1,256,700	
Other KMP								
Mr Z Friend (3)	131,777	-	-	13,669	-	-	145,446	NA
Mr S Norris	209,960	-	-	21,808	-	-	231,768	NA
Mr S Love (4)	148,273	-	-	15,023	-	-	163,296	NA
Sub-total KMP	490,010	-	-	50,500	-	-	540,510	
Totals	1,635,345	-	-	153,949	-	7,916	1,797,210	

(1) Mr K Nejaim resigned 28 April 2023

(2) Mr M Middleton was appointed as Executive Director 12 May 2023

(3) Mr Z Friend was appointed 10 October 2022 and subsequently resigned 14 July 2023

(4) Mr S Love resigned 17 January 2023

Directors' Report (continued)

For personal use only

	Short-term benefits			Post employment Super- annuation	Share-based payments		Total	Proportion of remuneration performance based
	Salary & fees	Cash bonus	Non-monetary benefits		Shares	Performance rights		
30 June 2022	\$	\$	\$	\$	\$	\$	\$	%
Directors								
Mr P Christie	240,000	-	-	24,000	-	95,522	359,522	27%
Mr K Nejaim	337,211	-	-	33,654	-	334,327	705,191	47%
Mr C Daly (2)	60,000	-	-	-	-	14,328	74,328	19%
Ms K Soares (1)	40,000	-	-	-	-	-	40,000	NA
Sub-total directors	677,211	-	-	57,654	-	444,177	1,179,042	
Other KMP								
Mr M Middleton	265,395	-	-	26,442	-	238,805	530,642	45%
Mr R Molkenthin (3)	283,636	-	-	-	-	-	283,635	NA
Mr S Norris	234,646	-	-	23,397	-	-	258,044	NA
Mr S Love (4)	329,903	-	-	12,923	-	-	342,826	NA
Sub-total KMP	1,113,580	-	-	62,762	-	238,805	1,415,147	
Totals	1,790,791	-	-	120,416	-	682,982	2,594,189	

(1) Kathryn Soares was appointed as an executive Director of the Company as part of the Share Exchange Agreement. Her appointment was executed on the Circular Resolution dated 27 September 2022 effective from 28 September 2021.

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

(3) Mr Molkenthin was retained as part of a contract with his company Captiva Investments Pty Ltd, resigned 24 June 2022.

(4) Mr Love was employed as a contractor until 1 December 2021 and subsequently employed as a full-time employee 1 December 2021.

Directors' Report (continued)

Performance rights

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

Name	Number granted	Grant date	Vesting date & exercisable date	Expiry date	Exercise price	Fair value at grant date
Christopher Daly						
Class D	137,772	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$22,044
Class E	45,924	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$7,348
Class F	45,924	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$7,348

Karim Nejaim (1)						
Class D	3,214,680	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$514,349
Class E	1,071,560	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$171,450
Class F	1,071,560	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$171,450

Peter Christie						
Class D	918,480	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$146,957
Class E	306,160	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$48,986
Class F	306,160	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$48,986

Mark Middleton						
Class D	2,296,200	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$367,392
Class E	765,400	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$122,464
Class F	765,400	13/08/2021	30/06/2023	31/10/2023	\$0.16	\$122,464

(1) Karim resigned 28 April 2023

Performance rights granted carry no dividend or voting rights.

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

Based on Company's audited accounts and verified by the Company's auditor at that time, 100% of the Class A Performance Rights, and 100% of the Class B Performance Rights and 0% of the Class C Performance Rights have vested and resolved based on Circular Resolution passed on 28 October 2022. The Company issued 8,878,640 fully paid ordinary shares pursuant to the vesting of Class A and Class B Performance Rights. The performance rights have been included in 2022 as share based payment.

Directors' Report (continued)

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:	Peter Christie
Title:	Executive Chairman and Interim Chief Executive Officer
Agreement commenced:	2 October 2019
Term of agreement	Ongoing
Details:	Base salary for the year ending 30 June 2023 of \$180,000 plus superannuation, to be reviewed annually, \$60,000 director's fee as governed by clause 14.7 of the Constitution (as amended from time to time), 6-month termination notice by either party, and performance based bonuses.
Name:	Chris Daly
Title:	Non-Executive Director
Agreement commenced:	18 November 2019
Term of agreement	Ongoing
Details:	\$60,000 director's fee as governed by clause 14.7 of the Constitution (as amended from time to time).
Name:	Kathryn Soares
Title:	Executive Director and Head of Global Partner
Agreement commenced:	28 September 2021
Term of agreement	Ongoing
Details:	Base salary for the year ending 30 June 2023 of \$170,000 plus superannuation, to be reviewed annually, \$60,000 director's fee as governed by clause 14.7 of the Constitution (as amended from time to time), 1 month termination notice by either party, and performance based bonuses
Name:	Mark Middleton
Title:	Executive Chairman and Interim Chief Technology Officer
Agreement commenced:	21 January 2021
Term of agreement	Ongoing
Details:	Base salary for the year ending 30 June 2023 of \$275,000 plus superannuation, to be reviewed annually, 1 month termination notice by either party, and performance based bonuses.
Name:	Steven Norris
Title:	Head of Global Sales
Agreement commenced:	1 June 2021
Term of agreement	Ongoing
Details:	Base salary for the year ending 30 June 2023 of \$200,000 plus superannuation, to be reviewed annually, 1 month termination notice by either party, and performance based bonuses.

For personal use only

Directors' Report (continued)

Name:	Simon Love (Resigned 17 January 2023)
Title:	Global Head Infrastructure
Agreement commenced:	1 December 2021.
Term of agreement	Ongoing
Details:	Base salary for the year ending 30 June 2023 of \$240,000 plus superannuation, to be reviewed annually, 1 month termination notice by either party, and performance based bonuses.

Additional disclosures relating to key management personnel.

Shareholding

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

30 June 2023	Balance at the start of year	Received in lieu of cash	Additions	Balance at the end of the year
Mr P Christie	43,568,260	-	1,224,640	44,792,900
Mr K Nejaim	906,563	-	4,286,240	5,192,803
Mr C Daly	1,842,660	-	583,696	2,426,356
Ms K Soares	8,703,125	-	12,583,624	21,286,749
Mr M Middleton	17,942,880	-	3,061,600	21,004,480
Mr S Norris	-	-	-	-
Mr S Love (1)	-	795,125	-	795,125
Mr Z Friend	-	-	-	-
	72,963,488	795,125	21,739,800	95,498,413

30 June 2022	Balance at the start of year	Received in lieu of cash	Additions	Balance at the end of the year
Mr P Christie	39,250,000	353,250	3,965,010	43,568,260
Mr K Nejaim	-	906,563	-	906,563
Mr C Daly	-	609,375	1,233,285	1,842,660
Ms K Soares	-	-	8,703,125	8,703,125
Mr M Middleton	17,942,880	-	-	17,942,880
Mr S Norris	-	-	-	-
Mr S Love	-	-	-	-
	57,192,880	1,869,188	13,901,420	72,963,488

(1) Mr S Love received 795,125 shares at an issued price of \$0.16 on 31 March 2023 in lieu of cash.

Performance rights

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

Directors' Report (continued)

30 June 2023					
	Balance at the start of year	Granted	Exercised	Balance at the end of the year	Vested
Mr P Christie	2,755,440	-	(1,224,640)	1,530,800	1,107
Mr K Nejaim	9,644,040	-	(4,286,240)	5,357,800	3,875
Mr C Daly	413,316	-	(183,696)	229,620	166
Mr M Middleton	6,888,600	-	(3,061,600)	3,827,000	2,768
Ms K Soares	-	-	-	-	-
Mr S Norris	-	-	-	-	-
Mr S Love	-	-	-	-	-
Mr Z Friend	-	-	-	-	-
	19,701,396	-	(8,756,176)	10,945,220	7,916

30 June 2022					
	Balance at the start of year	Granted	Expired/forfeited/other	Balance at the end of the year	Vested
Mr P Christie	-	3,061,640	(306,180)	2,755,440	1,224,660
Mr K Nejaim	-	10,715,600	(1,071,560)	9,644,040	4,286,240
Mr C Daly	-	459,240	(45,924)	413,316	183,696
Mr M Middleton	-	7,654,000	(765,400)	6,888,600	3,061,600
Robert Molkenthin	-	1,530,800	(1,530,800)	-	-
Mr S Norris	-	-	-	-	-
Mr S Love	-	-	-	-	-
	-	23,421,280	(3,719,864)	19,701,396	8,756,196-

Other transactions with key management personnel and their related parties

The following transactions occurred with related parties:

	2023	\$
Sales to related parties:		
Radian Arc Limited (a director-related entity of Peter Christie)	3,165,208	
Nexion Networks (a director-related entity of Peter Christie)	58,800	
Purchases from related parties:		
Radian Arc Limited (a director-related entity of Peter Christie)	57,311	
Acurix Networks Pty Ltd (a related entity of Mark Middleton)	6,027	

Receivable from and payable to related parties

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

	Consolidated		
	2023	2022	
	\$	\$	
Current receivables:			
Radian Arc Limited (a director-related entity of Peter Christie)	2,051,959	505,117	
Radian Arc Limited – hardware lease receivable (a director-related entity of Peter Christie)	-	1,174,534	
Nexion Networks (a director-related entity of Peter Christie)	62,821	-	

Directors' Report (continued)

Current payables:

Radian Arc Limited (a director-related entity of Peter Christie)	-	472,828
Acurix Networks Pty Ltd (a related entity of Mark Middleton)	-	23,940

Additional information

Classes A to F Performance Rights

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

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

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

Class D Performance Rights: the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2023 of at least 135% of the total ActivePort consolidated revenue for the financial year ending on 30 June 2022 (FY23 Deadline);

Class E Performance Rights: the vesting condition for some or all of the Class D Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 50% of the value of the Total Pro-forma Revenue counted towards the Class D Performance Rights Vesting Condition; and

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

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

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

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

Directors' Report (continued)

Additional information

The earnings of the consolidated entity for the three years (from listing date) to 30 June 2023 are summarised below:

	2023	2022	2021
	\$	\$	\$
Sales revenue	19,404,574	10,638,545	425,638
EBITDA	(1,093,438)	(6,104,398)	2,642,907
EBIT	(2,835,056)	(7,020,809)	2,621,811
Loss after income tax	(3,405,093)	(6,676,170)	(2,679,934)

The Company was listed on 20 October 2021.

This is the end of the remuneration report.

Shares under option

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

Grant date	Expiry date	Exercise Price	Number Under Option
20/10/2020	31/10/2023	\$0.30	1,890,000
28/07/2021	30/09/2024	\$0.40	9,811,475
20/10/2020	31/10/2024	\$0.35	630,000
			12,331,475

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

Shares issued on the exercise of options

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

Additional disclosure

Proceedings on behalf of the Group

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

Auditor

Nexia Perth Audit Services Pty Ltd were in office until 17 May 2023 and RSM Australia Partners were appointed auditors of the Company effective 17 May 2023 in accordance with section 327 of the Corporations Act 2001.

Directors' Report (continued)

Non-audit services

Consolidated	2023	2022
	\$	\$
Nexia Perth Pty Ltd:		
Assurance on Compliance	6,500	-
Taxation services	6,444	31,686
Corporate and consulting	5,359	15,000
	18,303	46,686
RSM Australia Partners		
Assurance on Compliance	23,970	-
Taxation services	128,610	-
Corporate and consulting	119,990	-
	272,570	-

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

The directors are of the opinion that the services as disclosed in note 34 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Group who are former partners of RSM Australia Partners.

There are no officers of the Group who are former partners of RSM Australia Partners.

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



Peter Christie
Executive Chairman
29 September 2023



RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 9261 9100
F +61(0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

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

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be a stylized "M" or a similar mark.

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 29 September 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

Corporate Governance

Principles of good corporate governance and recommendations

Introduction

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

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

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

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

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

Principle 1: Lay solid foundations for management and oversight

Board Charter

The Board has adopted the following Board Charter:

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

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

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

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

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

The directors must elect one of their number as chairman.

The chairman will be responsible for leading the Board, facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the Board and management.

Corporate Governance (continued)

The chair will also usually be responsible for approving board agendas and ensuring that adequate time is available for discussion of all agenda items, including strategic issues.

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

Role and responsibilities of the Board

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

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

Role and responsibilities of senior executives

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

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

Corporate Governance (continued)

Background checks on persons proposed for election as a Director

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

Written agreement with each Director and senior executive

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

Group secretary

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

Diversity policy

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

There is one woman on the Board. There are three women in senior executive positions in the Group. The proportion of women employees in the whole organisation is 26%.

Evaluation of the performance of directors and senior executives

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

Corporate Governance (continued)

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

Composition of the Board

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

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

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

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

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

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

Peter Christie was appointed a director on 2 October 2019, Karim Nejaim was appointed a director on 20 May 2021 and resigned 28 April 2023, Christopher Daly was appointed a director on 18 November 2019, Kathryn Soares was appointed a director on 28 September 2021 and Mark Middleton was appointed 12 May 2023. Karim Nejaim was the Chief Executive Officer of the Group until his resignation and Peter Christie took over this role on an interim basis.

Nomination of other board members

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

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

Corporate Governance (continued)

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

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

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

Code of conduct

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

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

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

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

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

Corporate Governance (continued)

Policy for trading in the securities of the Group

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

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

Definitions

Insider trading:

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

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

Group securities:

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

Closed periods:

Closed Periods means the following periods of time:

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

Key management personnel:

Key management personnel are defined in the ASX Listing Rules.

Declaration:

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

Excluded trading:

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

- Transfers of Group’s securities already held into a superannuation fund or other saving scheme in which the restricted person is a beneficiary;
- An investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;

Corporate Governance (continued)

- Where a restricted person is a trustee, trading in the Group's securities of the entity by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a closed period is taken by the other trustees or by the investment managers independently of the restricted person;
- Undertakings to accept, or the acceptance of, a takeover offer;
- Trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- A disposal of the Group's Securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement, provided that the restricted person obtained the consent of the chairman or Chief Executive Officer of the Group to enter into agreements that provide lenders with rights over their interests in the entity's securities;
- Acquisition of the Group's securities through an issue of securities by the Group;
- The exercise (but not the sale of securities following exercise) of an option or a right, or the conversion of a convertible security; or
- Trading under a non-discretionary trading plan for which prior clearance by the chairman or Chief Executive Officer of the Group has been provided and where:
 - a) the restricted person did not enter into the plan or amend the plan during a closed period;
 - b) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and
 - c) there was no cancellation of the trading plan during a closed period other than in exceptional circumstances.

Trading in exceptional circumstances:

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

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

Trading restrictions

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

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

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

Corporate Governance (continued)

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

Whistleblower policy

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

Who is a Whistleblower

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

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

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

Who you can make disclosure to

You can disclose your concerns anonymously to any one of these people or organisations:

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

Code of conduct

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

Subject of disclosure

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

- misconduct;
- a breach of the Group's code of conduct;
- an improper state of affairs or circumstances;
- This information can be about the Group or organisation, or an officer or employee of the Group or organisation, engaging in conduct that:
 - 1) breaches the Corporations Act,
 - 2) breaches other financial sector laws enforced by ASIC or APRA,
 - 3) breaches an offence against any other law of the Commonwealth that is punishable by imprisonment for a period of 12 months, or

Corporate Governance (continued)

4) represents a danger to the public or the financial system;

- A public Interest disclosure as defined below; or
- An emergency disclosure as defined below.

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

Public interest disclosures

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

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

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

Emergency disclosures

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

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

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

Protections available to whistleblowers

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

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

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

Corporate Governance (continued)

How the Group will support and protect whistleblowers

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

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

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

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

How investigations into a disclosure will proceed

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

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

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

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

A person may be causing you detriment if they:

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

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

The Group will comply with the above legal obligations.

Policy review

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

Corporate Governance (continued)

Employee and manager training

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

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

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

Anti-bribery and corruption policy

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

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

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

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

Principle 4: Safeguard integrity in corporate reporting

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

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

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

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

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

Corporate Governance (continued)

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

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

Principle 5: Make timely and balanced disclosure

Compliance with ASX listing rules

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

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

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

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

Principle 6: Respect the rights of security holders

The Group's corporate governance procedures and policies can be viewed at:

<https://www.activeport.com.au/corporate-governance-and-board-charter/>

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

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

- preparing half yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly reports in accordance with the listing rules and announcing these reports to the ASX;

Corporate Governance (continued)

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

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

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

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

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

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

Principle 7: Recognise and manage risk

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

- liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole;
- define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process;
- identify the risks to be managed;
- identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur;
- compare estimated levels of risk against pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities;
- develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date for action;

Corporate Governance (continued)

- the chairman and Chief Executive Officer are responsible for the implementation and maintenance of sound risk management. In carrying out this responsibility, senior managers review the adequacy of internal controls to ensure that they are operating effectively and are appropriate for achieving corporate goals and objectives;
- the Board is responsible for oversight and for providing corporate assurance on the adequacy of risk management procedures; and
- managers at all levels are to create an environment where managing risk forms the basis of all activities

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

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

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

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

Principle 8: Remunerate fairly and responsibly

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

- The remuneration of executive directors is determined by the Board as a whole. The remuneration of non-director senior executives is determined by the Chief Executive Officer.
- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive director. In determining the allocation of remuneration to each non-executive director, the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.
- When the board as a whole considers the remuneration of a particular director, that director will take no part in the decision-making process or discussions.
- Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Group. One third of the directors retires annually in accordance with the constitution and is free to seek re-election by shareholders.

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

Corporate Governance (continued)

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

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

For personal use only

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

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Note	Consolidated	
		2023 \$	2022 \$
Revenue			
Sales of goods and services	3	19,404,574	10,638,545
Cost of goods sold		(9,851,980)	(6,256,672)
Gross profit		<u>9,552,594</u>	<u>4,381,873</u>
Other income	5	<u>1,874,111</u>	<u>1,808,181</u>
Expenses			
Distribution and marketing expenses		(131,800)	(132,950)
Administration expense	6	(2,100,791)	(1,985,328)
Employee benefits expense	7	(9,653,694)	(8,854,780)
Depreciation and amortisation	8	(1,741,618)	(916,411)
Net fair value loss on financial assets	9	(94,257)	(107,686)
Fair value loss on deferred consideration	27	(523,419)	(1,166,324)
Other expenses		(16,182)	(47,384)
Operating loss		<u>(2,835,056)</u>	<u>(7,020,809)</u>
Finance income	10	30,979	33,772
Finance costs	11	(564,472)	(246,133)
Loss before income tax benefit		<u>(3,368,549)</u>	<u>(7,233,170)</u>
Income tax (expense)/ benefit	12	<u>(36,544)</u>	<u>557,000</u>
Loss after income tax expense for the year		<u>(3,405,093)</u>	<u>(6,676,170)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		394	(394)
Other comprehensive income/(loss) for the year, net of tax		<u>394</u>	<u>(394)</u>
Total comprehensive loss for the year		<u>(3,404,699)</u>	<u>(6,676,564)</u>
Cents			
Earnings per share for loss			
Basic earnings loss share	44	(1.24)	(3.03)
Diluted loss per share	44	(1.24)	(3.03)

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

For personal use only

Consolidated Statement of Financial Position as at 30 June 2023

		Consolidated	
	Note	2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	13	1,157,074	3,169,444
Trade and other receivables	14	6,263,199	5,417,971
Income tax receivables		34,484	-
Contract assets	15	184,763	141,349
Inventories	16	63,192	74,303
Financial assets at fair value through profit or loss	17	57,231	151,488
Financial asset at amortised cost	18	2,450	116,704
Total current assets		7,762,393	9,071,259
Non-current assets			
Property, plant and equipment	19	1,177,929	255,604
Right-of-use assets	20	1,178,012	2,101,130
Intangibles	21	28,062,067	27,773,797
Financial asset at amortised cost	18	277,906	494,998
Total non-current assets		30,695,914	30,625,529
Total assets		38,458,307	39,696,788
Liabilities			
Current liabilities			
Trade and other payables	22	4,192,343	3,627,674
Contract liabilities	23	189,670	118,297
Borrowings	24	3,580,874	234,933
Lease liabilities	25	327,839	352,729
Employee benefits	26	548,877	512,046
Provisions	27	-	2,697,873
Total current liabilities		8,839,603	7,543,552
Non-current liabilities			
Borrowings	24	375,792	2,016,109
Lease liabilities	25	1,104,613	1,953,219
Provisions	27	50,000	100,000
Total non-current liabilities		1,530,405	4,069,328
Total liabilities		10,370,008	11,612,880
Net assets		28,088,299	28,083,908
Equity			
Issued capital	28	41,001,655	36,970,539
Reserves	29	406,407	1,028,039
Accumulated losses	30	(13,319,763)	(9,914,670)
Total equity		28,088,299	28,083,908

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

For personal use only

Consolidated Statement of Changes in Equity for the year ended 30 June 2023

For personal use only

	Issued capital	Reserves	Foreign exchange translation reserve	Accumulated losses	Total equity
Consolidated					
Balance at 1 July 2021	\$ 10,949,988	\$ 59,451	\$ -	\$ (3,238,500)	\$ 7,770,939
Loss after income tax benefit for the year	-	-	-	(6,676,170)	(6,676,170)
Other comprehensive loss for the year, net of tax	-	-	(394)	-	(394)
Total comprehensive loss for the year	-	-	(394)	(6,676,170)	(6,676,564)
Transactions with owners in their capacity as owners:					
Issue of shares (note 28)	27,116,073	-	-	-	27,116,073
Issue of performance rights (note 29)	-	968,982	-	-	968,982
Share issue expenses (note 28)	(1,095,522)	-	-	-	(1,095,522)
Balance at 30 June 2022	36,970,539	1,028,433	(394)	(9,914,670)	28,083,908
Consolidated					
Balance at 1 July 2022	36,970,539	1,028,433	\$ (394)	\$ (9,914,670)	\$ 28,083,908
Loss after income tax benefit for the year	-	-	-	(3,405,093)	(3,405,093)
Other comprehensive loss for the year, net of tax	-	-	394	-	394
Total comprehensive loss for the year	-	-	394	(3,405,093)	(3,404,699)
Transactions with owners in their capacity as owners:					
Issue of shares (note 28)	3,338,582	-	-	-	3,338,582
Performance rights vested (note 29)	-	70,508	-	-	70,508
Exercised performance rights (note 29)	692,534	(692,534)	-	-	-
Balance at 30 June 2023	41,001,655	406,407	-	(13,319,763)	28,088,299

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

Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Note	Consolidated	
		2023	2022
		\$	\$
Operating activities:			
Receipts from customers (Gross of GST)		19,529,132	9,517,552
Payments to suppliers and employees		(21,930,899)	(17,627,400)
Interest and lease charges paid		(143,311)	(246,133)
Interest received		30,979	33,772
Government grant received		1,309,297	117
Income tax (paid)/received		(71,028)	555,130
Net cash used in operating activities	41	<u>(1,275,830)</u>	<u>(7,766,962)</u>
Investing activities:			
Cash acquired on business combination		-	770,326
Payments for financial assets		-	(259,174)
Payments for property, plant and equipment		(35,016)	-
Proceeds from sale of property, plant and equipment		5,936	-
Payments for intangible assets		(1,429,199)	(1,771,019)
Additional cost in relation to acquisition		-	(24,002)
Net cash used in investing activities		<u>(1,458,279)</u>	<u>(1,283,869)</u>
Financing activities:			
Proceeds from issue of shares		-	12,052,628
Payments for principal portion of lease liabilities		(322,976)	(263)
Proceeds from borrowings		3,414,867	-
Repayment of borrowings		(2,370,153)	-
Share issue transaction costs		-	(819,079)
Net cash from financing activities		<u>721,739</u>	<u>11,233,286</u>
Net (decrease)/increase in cash and cash equivalents		(2,012,372)	2,182,455
Cash and cash equivalents at the beginning of the financial year		3,169,444	986,989
Cash and cash equivalents at the end of the financial year	13	<u>1,157,074</u>	<u>3,169,444</u>

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

For personal use only

Notes to the Consolidated Financial Statements

Note 1. Significant accounting policies

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

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

Going concern

The Group reported a net asset position of \$28,088,299 (2022: \$28,083,908) and net current liabilities of \$1,077,210 (2022 net current asset: \$1,527,707) as at 30 June 2023 and incurred a loss of \$3,405,093 (2022: \$ 6,676,170) and net operating cash outflow of \$1,275,830 (2022: \$ 7,766,962) for the year ended 30 June 2023.

Since 30 June 2023, the Group raised \$2,400,000 as set out in note 46.

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

- delivery of existing and new products through the Group's distribution network to generate sales revenues and positive cash flows;
- As disclosed in Note 46, the Company raised \$2.5m through the issue of equity instruments in August 2023. The directors are confident in the Company's ability to raise further funding as necessary.; and
- the capacity to implement certain measures to reduce cash flows in the area of corporate and administration.

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

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

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 38.

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ActivePort Group Ltd and Controlled Entities ('Group') as at 30 June 2023 and the results of all subsidiaries for the year then ended.

ActivePort Group Ltd and Controlled Entities and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Note 1. Significant accounting policies (continued)

Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

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

The Group is operating in four segment being:

- 1) ActivePort Software – which consist of
 - a. The provision of (MANO) Management and Orchestration software.
 - b. SD-WAN (Software Defined Wide Area Networking) software.
 - c. Services across both MANO and SD-WAN including, Professional Services, Managed Services, Support Service and Product Integration Services.
- 2) Managed Service Provider
- 3) Network – ActivePort Software to end user
- 4) Corporate Services

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

Current and non-current classification

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

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

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

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

Investments and other financial assets

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

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

Note 1. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss

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

Impairment of financial assets

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

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

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

Recognition and de-recognition

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

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Note 1. Significant accounting policies (continued)

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

Share based payment transactions

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

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

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

New or amended Accounting Standards and Interpretations adopted

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Revenue from contracts with customers involving sale of goods

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

Revenue from sales of services

When recognising revenue in relation to the sale of services to customers, the key performance obligation of the consolidated entity is considered to be the point of services rendered to the customer, as this is deemed to be the time that the performance obligation has been achieved.

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

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.

Impairment assessment of goodwill

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

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

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

Income tax

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

R&D tax rebate

Significant judgement is required in determining the R&D tax rebate receivable. There are many processes undertaken in determining the claim and satisfying the statutory eligibility requirements for which the ultimate outcome is uncertain. The Company recognises a R&D tax rebate when a reliable estimate of the receivable can be determined in consultation with its independent R&D tax advisors.

Where the outcome of the R&D tax rebate claim is different from the carrying amounts, such differences will impact the statement of profit or loss and other comprehensive income or, where appropriate, as an offset against the asset in the period in which such determination is made.

Recovery of deferred tax assets

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

Note 3. Sales of goods and services

	Consolidated	
	2023	2022
	\$	\$
<i>Revenue from contracts with customers</i>		
Hardware	4,712,240	3,202,700
ActivePort software	6,490,386	864,289
Professional fees	2,983,364	4,189,819
Managed services	1,676,687	1,359,662
Network revenue	2,272,302	363,243
Other revenue	1,269,596	658,832
	19,404,574	10,638,545

Disaggregation of revenue

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

	Consolidated	
	2023	2022
	\$	\$
<i>Geographical regions</i>		
Australia	14,927,168	10,516,383
Rest of the World	4,477,406	122,162
	19,404,574	10,638,545

Timing of revenue recognition

Goods transferred at a point in time	10,370,986	5,366,183
Services transferred over time	9,033,588	5,272,362
	19,404,574	10,638,545

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Note 3. Sales of goods and services (continued)
Sale of goods

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

Rendering of services

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

Note 4. Operating segment information

The consolidated entity is organised into four operating segments: ActivePort Software, Managed Service Provider (MSP), Network and Corporate Services.

	ActivePort Software	MSP	Network	Corporate services	Total
Consolidated - 2023	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	7,810,286	9,173,290	2,272,302	148,696	19,404,574
Intersegment sales	508,484	30,599	-	95,829	634,912
Total sales revenue	8,318,770	9,203,889	2,272,302	244,525	20,039,486
Other income	1,671,976	62,470	-	140,406	1,874,852
Total segment revenue	9,990,746	9,266,359	2,272,302	384,931	21,914,338
Intersegment eliminations					(691,922)
<i>Unallocated revenue:</i>					
Net realised/unrealised forex gain					56,269
Total revenue and other income					21,278,685
EBITDA	4,130,558	(900,797)	(187,911)	(4,135,288)	(1,093,438)
Depreciation and amortisation					(1,741,618)
Interest income					30,979
Finance costs					(564,472)
Loss before income tax expense					(3,368,549)
Income tax expense					(36,544)
Loss after income tax expense					(3,405,093)
<i>Material items include:</i>					
Fair value loss on deferred consideration	-	-	-	(523,419)	(523,419)
Net fair value loss on financial assets	-	-	-	(94,257)	(94,257)
Assets					
Segment assets	5,611,264	378,800	48,587	32,667,059	38,705,710
Intersegment eliminations					(247,403)
Total assets					38,458,307
<i>Total assets include:</i>					
Acquisition of non-current assets	1,492,508	7,903	-	7,244	1,507,555
Liabilities					
Segment liabilities	2,275,099	2,417,443	1,395,025	4,529,844	10,617,411
Intersegment eliminations					(247,403)
Total liabilities					10,370,008

Note 4. Operating segment information (continued)

Consolidated - 2022	ActivePort Software	MSP	Network	Corporate services	Total
	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	1,161,677	9,102,764	363,243	10,861	10,638,545
Intersegment sales	323,234	47,732	-	23,411	394,377
Total sales revenue	1,484,911	9,150,496	363,243	34,272	11,032,922
Other income	1,799,528	8,653	-	-	1,808,181
Total segment revenue	3,284,439	9,159,149	363,243	34,272	12,841,103
Intersegment eliminations					(394,377)
Total revenue and income	3,284,439	9,159,149	363,243	34,272	12,446,726
EBITDA					
Depreciation and amortisation	2,150,999	(80,169)	(342,273)	(7,832,955)	(6,104,398)
Interest revenue					(916,411)
Finance costs					33,772
Loss before income tax expense					(246,133)
Income tax benefit					(7,233,170)
Loss after income tax expense					557,000
<i>Material items include:</i>					
FV on deferred consideration	-	-	-	(1,166,324)	(1,166,324)
Net fair value loss on financial assets	-	-	-	(107,686)	(107,686)
Assets					
Segment assets	1,351,900	1,178,554	278,289	36,999,515	39,808,258
Intersegment eliminations					(111,470)
Total assets					39,696,788
<i>Total assets include:</i>					
Acquisition of non-current assets	46,681	82,866	-	2,359,439	2,488,985
Liabilities					
Segment liabilities	1,832,409	2,160,169	1,390,843	6,340,929	11,724,350
Intersegment eliminations					(111,470)
Total liabilities					11,612,880

Note 5. Other income**Consolidated**

	2023	2022
	\$	\$
Sundry income	202,136	8,770
Research and development tax incentive rebate		
Research and development tax incentive rebate	2,475,446	2,298,534
Transferred to capitalised R&D	(859,892)	(499,123)
R&D tax on previous year balance	56,421	-
Other income	1,874,111	1,808,181

Note 5. Other Income (continued)
Accounting policy for other income
Other revenue

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

Research and development tax incentive rebate

The research and development tax incentive rebate is recognised when a reliable estimate of the amounts receivable can be made. For the year ended 30 June 2023, the Group has estimated the rebate which will be received and has accrued that amount. The rebate has been allocated in proportion to the amount of costs capitalised. The remaining amount is recognised as income in the statement of profit or loss and other comprehensive income.

Note 6. Administration expense

	Consolidated	
	2023	2022
	\$	\$
Professional fees	944,332	1,294,929
Occupancy expenses	289,708	137,261
Impairment of receivables	42,235	104,296
Other administration expenses	824,516	448,842
	<u>2,100,791</u>	<u>1,985,328</u>

Note 7. Employee benefits expense

	Consolidated	
	2023	2022
	\$	\$
Wages and salaries	8,556,122	7,118,291
Superannuation expense	941,024	634,097
Other employment expense	148,520	409,858
Share based payment expense	8,028	692,534
	<u>9,653,694</u>	<u>8,854,780</u>

Note 8. Depreciation and amortisation

	Consolidated	
	2023	2022
	\$	\$
Depreciation for property, plant and equipment	159,996	78,808
Depreciation for right-of-use assets	440,693	205,078
Amortisation for intangibles	1,140,929	632,525
	<u>1,741,618</u>	<u>916,411</u>

Note 9. Net fair value loss on financial assets

	Consolidated	
	2023	2022
	\$	\$
Net fair value loss on investments in listed ordinary shares	94,257	107,686

Note 10. Finance income

	Consolidated	
	2023	2022
	\$	\$
Interest income	30,979	33,772

*Accounting policy for other income**Interest income*

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

Note 11. Finance costs

	Consolidated	
	2023	2022
	\$	\$
Other finance costs	429,487	178,064
Interest and finance charges paid on lease liabilities	134,985	68,069
	564,472	246,133

Accounting policy for finance costs

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

	Consolidated	
	2023	2022
	\$	\$
Note 12. Income tax benefit		
<i>Income tax benefit</i>		
Deferred tax - reversal of temporary differences from business combinations	-	(557,000)
Adjustments in relation to prior periods	36,544	-
Aggregate income tax benefit	(36,544)	(557,000)

Numerical reconciliation of income tax benefit and tax at the statutory rate

Loss before income tax benefit	(3,368,549)	(7,233,170)
Tax at the statutory tax rate of 25% (2022: 25%)	(842,138)	(1,808,293)

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Non-deductible expenses	689,054	78,218
Non-assessable income	(424,409)	17,123
Amount recognised in current year in respect of current tax of previous years	36,544	(558,128)
Tax losses and temporary differences not recognised	450,173	1,714,080
Income tax expense/ (benefit)	36,544	(557,000)

The franking account balance at year end was \$Nil (2022: \$Nil)

Note 12. Income tax benefit (continued)

Unrecognised temporary differences

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

Deferred tax assets and liabilities

At 30 June 2023, the Group has unused tax losses of \$7,989,751 (2022: \$7,396,866) available for offset against future taxable profits. Such losses may be carried forward indefinitely subject to meeting relevant statutory tests.

A net deferred tax asset of \$2,165,440 (2022: \$1,895,775) arises from temporary differences but has not been recognised due to the unpredictability of future profit streams. Deferred income tax at 30 June relates to the following:

	Consolidated	
	2023	2022
	\$	\$
Deferred tax assets at 25% (2022: 25%)		
Provisions and accruals	338,422	244,140
Lease liabilities	360,740	586,030
Tax losses carried forward	1,997,438	1,849,217
Other future deductions	304,116	190,839
Gross deferred tax asset	<u>3,000,715</u>	<u>2,870,226</u>
Deferred tax asset not recognised	(2,165,440)	(1,697,053)
Deferred tax liabilities transferred	<u>(687,054)</u>	<u>(1,173,173)</u>
	-	-

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

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

	Consolidated	
	2023	2022
	\$	\$
Deferred tax liabilities at 25% (2022:25%)		
Deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Trade and other receivables	46,191	200,127
Other adjustments	346,360	447,764
Right of use	294,503	525,282
Gross deferred tax liabilities	<u>687,054</u>	<u>1,173,173</u>
Transferred to deferred tax assets	<u>(687,054)</u>	<u>(1,173,173)</u>
	-	-

Change in Corporate Tax rate

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

Note 12. Income tax benefit (continued)
Accounting policy for income tax

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

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

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

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

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

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

Note 13. Cash and cash equivalents
Consolidated

	2023	2022
	\$	\$
Current assets		
Cash on hand	1,157,074	<u>3,169,444</u>

Accounting policy for cash and cash equivalents

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

Note 14. Trade and other receivables
Consolidated

	2023	2022
	\$	\$
Current assets		
Trade receivables (note a)	3,545,674	1,674,899
Less: Allowance for expected credit losses (note b)	(147,089)	(199,639)
	<u>3,398,585</u>	<u>1,475,260</u>
Other receivables	285,302	82,148
Prepayments	103,866	891,040
Research and development receivables	2,475,446	1,794,989
Related party receivable - Radian Arc	-	1,174,534
	<u>6,263,199</u>	<u>5,417,971</u>

(a) Trade receivables

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

The ageing analysis of trade receivables are as follows and includes an allowance for expected credit losses of \$147,089 (2022: \$199,639) during this financial year:

Trade receivables include amounts owing to director related entries as at 30 June 2023 at \$2,051,959 (2022:\$505,117)

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023	2022	2023	2022	2023	2022
	%	%	\$	\$	\$	\$
Not overdue	-	-	1,225,949	931,267	-	-
0 to 3 months overdue	-	-	422,688	610,296	-	-
3 to 6 months overdue	-	(44.9%)	1,140,020	(82,197)	-	36,890
Over 6 months overdue	19%	75.5%	757,016	215,533	147,089	162,749
			<u>3,545,674</u>	<u>1,674,899</u>	<u>147,089</u>	<u>199,639</u>

(b) Movements in the allowance for expected credit losses are as follows:
Consolidated

	2023	2022
	\$	\$
Opening balance	199,639	95,343
Additional provisions recognised	44,042	87,204
Additions through business combinations	-	36,387
Receivables written off during the year	(96,578)	(19,295)
Closing balance	<u>147,089</u>	<u>199,639</u>

Accounting policy for trade and other receivables

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

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

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

Note 15. Contract assets

	Consolidated	
	2023	2022
	\$	\$
Current assets		
Contract assets	184,763	<u>141,349</u>

Reconciliation

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

Opening balance	141,349	-
Additions	2,280,118	141,349
Billed as trade receivables	(2,236,704)	-
Closing balance	<u>184,763</u>	<u>141,349</u>

Accounting policy for contract assets

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

Note 16. Inventories

	Consolidated	
	2023	2022
	\$	\$
Current assets		
Inventories	63,192	<u>74,303</u>

Accounting policy for inventories

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

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

Note 17. Financial assets at fair value through profit or loss

	Consolidated	
	2023	2022
	\$	\$
Current assets		
Listed ordinary shares	57,231	<u>151,488</u>

Reconciliation

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

Opening fair value	151,488	-
Additions	-	259,174
Revaluation decrements	(94,257)	(107,686)
Closing fair value	<u>57,231</u>	<u>151,488</u>

Note 18. Financial asset at amortised cost

	Consolidated	
	2023	2022
	\$	\$
Current assets		
Pledged bank deposits	-	20,000
Term deposits	2,450	96,704
	<u>2,450</u>	<u>116,704</u>
Non-current assets		
Term deposits	277,906	494,998

Accounting policy for loans and receivables

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

Note 19. Property, plant and equipment

	Consolidated	
	2023	2022
	\$	\$
Non-current assets		
Plant and equipment - at cost	1,535,053	235,924
Less: Accumulated depreciation	(401,673)	(48,753)
	<u>1,133,380</u>	<u>187,171</u>
Office furniture and equipment - at cost	95,547	88,362
Less: Accumulated depreciation	(58,322)	(29,278)
	<u>37,225</u>	<u>59,084</u>
Leasehold improvements - at cost	10,126	10,126
Less: Accumulated depreciation	(2,802)	(777)
	<u>7,324</u>	<u>9,349</u>
	1,177,929	255,604

Reconciliations

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

	Plant and equipment	Office furniture and equipment	Leasehold improvement	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1 July 2021	101,025	-	-	101,025
Additions through business combinations	135,512	88,362	10,126	234,000
Disposals	(613)	-	-	(613)
Depreciation expense	(48,753)	(29,278)	(777)	(78,808)
Balance at 30 June 2022	187,171	59,084	9,349	255,604
Additions	29,380	5,636	-	35,016
Reclassification of lease receivables	1,053,240	-	-	1,053,240
Disposals	(1,298)	(4,637)	-	(5,935)
Depreciation expense	(135,113)	(22,858)	(2,025)	(159,996)
Balance at 30 June 2023	1,113,380	37,225	7,324	1,177,929

Note 19. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment

Recognition

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

Depreciation and amortisation

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

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

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

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

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

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

De-recognition

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

Note 20. Right-of-use assets

	Consolidated	
	2023	2022
	\$	\$
Non-current assets		
Right-of-use assets - at cost	1,633,934	2,339,641
Less: Accumulated depreciation	<u>(455,922)</u>	<u>(238,511)</u>
	<u>1,178,012</u>	<u>2,101,130</u>

Additions to the right-of-use assets during the year were \$nil.

The Group surrendered its office in Perth during the financial year. It has resulted in derecognition of its right of use of the property.

Reconciliations

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

Note 20. Right of use assets (continued)

	Consolidated	
	2023	2022
	\$	\$
Net carrying amount at beginning of the year	2,101,130	52,476
Add: leases entered into during the financial year	-	2,253,501
Less: lease modified	(482,425)	-
Adjustment in relation to prior period	-	231
Depreciation expense during the financial year	(440,693)	(205,078)
Net carrying amount as at end of the year	1,178,012	2,101,130

Gain on modification of lease

	Consolidated	
	2023	2022
	\$	\$
Reduction in carrying value of the ROU asset as at 30 June 2023	(596,593)	-
Less: Lease liability	533,386	-
Less: Make good provision	(50,000)	-
Less: Settlement on termination	-	-
Other income – gain on modification of lease	(113,207)	-

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

Accounting policy for right-of-use assets

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

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

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

Note 21. Intangibles

	Consolidated	
	2023	2022
	\$	\$
Non-current assets		
Goodwill	<u>24,110,937</u>	<u>24,110,937</u>
Developed software - at cost	4,355,935	2,884,579
Less: Accumulated amortisation	<u>(1,166,198)</u>	<u>(432,873)</u>
	<u>3,189,737</u>	<u>2,451,706</u>
Developed intellectual property - at cost	303,750	303,750
Less: Accumulated amortisation	<u>(114,842)</u>	<u>(43,599)</u>
	<u>188,908</u>	<u>260,151</u>
Customer relationships - at cost	1,007,219	1,007,219
Less: Accumulated amortisation	<u>(469,048)</u>	<u>(122,774)</u>
	<u>538,171</u>	<u>884,445</u>
Purchased software - at cost	101,121	99,837
Less: Accumulated amortisation	<u>(66,807)</u>	<u>(33,279)</u>
	<u>34,314</u>	<u>66,558</u>
	28,062,067	27,773,797

Reconciliations

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

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

Note 21. Intangibles (continued)

	Goodwill	Developed software	Developed intellectual property	Customer relationship	Purchased software	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 30 June 2022	24,110,937	2,451,706	260,151	884,445	66,558	27,773,797
Additions	-	1,471,356	-	-	1,284	1,472,640
Tax adjustment on previous year balance.	-	(43,441)	-	-	-	(43,441)
Amortisation expense	-	(689,884)	(71,243)	(346,274)	(33,528)	(1,140,929)
Balance at 30 June 2023	24,110,937	3,189,737	188,908	538,171	34,314	28,062,067

Goodwill Impairment Testing

The Group tests whether goodwill and other intangible assets have suffered any impairment on an annual basis. The recoverable amounts of the cash-generating units (CGUs) were determined by a value-in-use calculations using a discounted cash flow mode, based on a five to ten year project period together with a terminal value approved by management. The forecast budget process was developed based revenue expectation on existing customer contracts along with ongoing opportunities. Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow models for each CGU identified in the Group:

	ActivePort Pty Ltd	Global Edge Network Pty Ltd	Future Broadband	Starboard IT Pty Ltd	Vizstone Pty Ltd
Goodwill					
Balance	7,825,621	8,215,930	142,130	3,069,625	4,857,631
Pre-tax discount rate	40%	40%	19%	23%	19%
Average projected revenue growth rate	50.3%	76.7%	9.2%	15.5%	6.4%
Cash flow growth rate for terminal value	3%	3%	3%	3%	3%

Sensitivity

As disclosed in note 2, judgements and estimates in respect of impairment testing have been made. Should these judgments and estimates not occur the recoverable amount of the CGUs may be lower than the carrying amount.

The sensitivities are as follows:

	ActivePort Pty Ltd	Global Edge Network Pty Ltd	Future Broadband	Starboard IT Pty Ltd	Vizstone Pty Ltd
Increase in pre-tax discount rate	2%	4%	0%	1%	0%

Note 21. Intangibles (continued)

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

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

There were no other key assumptions.

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

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

Accounting policy for intangible assets

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

Goodwill

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

Intellectual property

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

Customer relationship

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

Software - purchased

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

Software - developed

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

Note 22. Trade and other payables

	Consolidated	
	2023	2022
	\$	\$
Trade payables	2,302,880	2,369,087
PAYG withholding payables	277,035	459,909
Superannuation payables	250,545	122,777
GST payables	637,445	94,612
Other payables and accruals	724,438	581,289
	4,192,343	3,627,674

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

Refer to note 32 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 23. Contract liabilities

	Consolidated	
	2023	2022
	\$	\$
Current liabilities		
Contract liabilities	189,670	118,297

Reconciliation

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

	Consolidated	
	2023	2022
	\$	\$
Opening balance	118,297	177,130
Payments received in advance	71,373	-
Performance obligations satisfied in previous period	-	(58,833)
	189,670	118,297

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$487,956 as at 30 June 2023 (\$118,297 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2023	2022
	\$	\$
Within 6 months	189,670	118,297

Accounting policy for contract liabilities

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

Note 24. Borrowings

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Loan - Glenn & Marlyn Farrow	-	121,021
Loan - Mark Middleton (1)	157,386	90,714
Loan - Acurix Networks Pty Ltd (1)	832,347	420,248
Loan - Grant Farrow (1)	26,738	19,075
Loan - Kathryn Soares	6,756	-
Loan - R&D financing	1,861,593	-
Loan - Wentworth Williams Auditing Pty Ltd (2)	300,000	-
Loan - SK Advisory Pty (2)	71,454	-
Loan - R4 Trading (2)	283,000	-
Loan – other	41,600	-
	3,580,874	764,969
<i>Non-current liabilities</i>		
Loan - Mark Middleton (1)	113,509	307,849
Loan - Acurix Networks Pty Ltd (1)	94,882	995,195
Loan - Grant Farrow (1)	17,745	58,611
Loan - Kathryn Soares	90,140	-
Loan - Wentworth Williams Auditing Pty Ltd (2)	-	300,000
Loan - SK Advisory Pty (2)	-	71,454
Loan - R4 Trading (2)	-	283,000
Loan - other	59,516	-
	375,792	2,016,109

- 1) This loan arose following the acquisition of ActivePort Pty Ltd in January 2021, incurs interest at 8% per annum, and is a related party loan.
- 2) These loans arose as part of the Global Edge Network Limited (previously Datacenter Limited) acquisition. They are under review with the relevant parties and disclosed as current liabilities as at 30 June 2023.

Accounting policy for interest-bearing loans and borrowings

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

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

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

Note 25. Lease liabilities

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Lease liability	327,839	<u>352,729</u>
<i>Non-current liabilities</i>		
Lease liability	<u>1,104,613</u>	1,953,219
The Group leases certain plant and equipment under leases expiring from 1 to 5 years. At the end of the lease terms the Group owns the equipment outright or has the option to purchase the equipment for the residual amount owing. The Group's obligations under leases are secured by the lessors' title to the leased assets.		
Within one year	327,839	352,729
After one year but not more than five years	1,104,613	1,953,219
Total minimum lease payments	<u>1,432,452</u>	2,305,948
Less: amounts representing finance charges	(201,372)	(412,777)
Present value of minimum lease payments	<u>1,231,080</u>	1,893,171

Accounting policy for lease liabilities

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

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

Note 26. Employee benefits

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Employee benefits	<u>548,877</u>	512,046

Amounts not expected to be settled within the next 12 months

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

Note 26. Employee benefits (continued)

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

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Employee benefits obligation expected to be settled after 12 months	476,584	444,604

Accounting policy for employee benefits
Wages, salaries, annual leave and non-monetary benefits

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

Long service leave

Long service leave including on costs, payable later than one year have been measured at the present value of estimated future cash outflows to be made for those benefits using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

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

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

Note 27. Provisions

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Deferred consideration	-	2,697,873
<i>Non-current liabilities</i>		
Lease make good	50,000	100,000

Deferred consideration

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

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

Note 27. Provisions (continued)

Deferred Consideration Shares for the Starboard acquisition

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

The number of ActivePort shares, with a deemed issue price of \$0.20, equivalent to 1x revenue valuation for any revenue invoiced in FY21 by Starboard which exceeds \$3,500,000 – **Starboard Tranche 1 Consideration**

The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – Starboard Tranche 2 Consideration

<u>(Starboard's FY22 revenue – (Starboard's FY21 revenue x 1.1) x 1</u>
The higher of 80% of ActivePort's 3 month VWAP (April to June 2022) and \$0.08

On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:

- 80% of the Company's 3-month VWAP (April to June 2023); and
- \$0.08 – **Starboard Tranche 3 Consideration**, (together “**the Starboard Consideration**”)

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

Deferred Consideration Shares for the Vizstone acquisition

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

The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000

Vizstone Tranche 1 Consideration:

<u>(Vizstone's FY22 revenue – (Vizstone's FY21 revenue x 1.1) x 1</u>
The higher of 80% of ActivePort's 3 month VWAP (April to June 2022) and \$0.08

On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:

- 80% of the Company's 3-month VWAP (April to June 2023); and
- \$0.08 – **Vizstone's Tranche 2 Consideration**, (together “**the Vizstone Consideration**”)

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

During the year, the Group settled deferred consideration through the issue of 22,591,784 shares with a total fair value of \$2,174,454 which give rise to a net fair value loss recorded in the profit and loss of \$523,419.

Note 27. Provisions (continued)
Lease make good

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

Movements in provisions

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

	Lease make good \$	Deferred consideration \$
Consolidated - 2023		
Carrying amount at the start of the year	100,000	2,697,873
Amount vested and transferred to capital and reserves	-	(2,174,454)
Fair value loss as at 30 June 2023	-	523,419
Amount unused	<u>(50,000)</u>	-
Carrying amount at the end of the year	<u><u>50,000</u></u>	-

Accounting policy for provisions

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

Note 28. Issued capital
Consolidated

	2023 \$	2022 \$
Paid up capital - ordinary shares (note a)	42,570,593	38,539,477
Capital raising costs capitalised	<u>(1,568,938)</u>	<u>(1,568,938)</u>
	<u>41,001,655</u>	<u>36,970,539</u>

(b) Ordinary shares

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

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

Note 28. Issued capital (continued)

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

Details	Date	Shares	Issue price	\$
Shares on issue 30 June 2021		113,208,290		10,949,988
In lieu of directors' fees	28 Jul 2021	1,869,188	\$0.16	299,070
Global Edge Acquisition	9 Aug 2021	39,287,515	\$0.20	7,857,503
Starboard, Vizstone Acquisition and IPO	27 Sept 2021	93,125,000	\$0.20	18,625,000
Share based payment - KP	20 May 2022	187,500	\$0.16	30,000
Future broadband Acquisition	28 May 2022	2,175,000	\$0.14	304,500
Capital raising costs				(1,095,522)
Shares on issue 30 June 2022		249,852,493		36,970,539
Class A and Class B Performance				
Rights converted to shares	28 Oct 2022	8,878,640	\$0.00	692,534
Deferred Consideration shares for acquisition of Starboard IT Pty Ltd	7 Dec 2022	8,996,327	\$0.10	899,633
Deferred shares to non-related party for acquisition of Vizstone Pty Ltd	7 Dec 2022	10,008,160	\$0.10	1,000,816
Deferred shares to related party for acquisition of Vizstone Pty Ltd	7 Dec 2022	12,583,624	\$0.10	1,258,362
In lieu of service fees	27 April 2023	328,438	\$0.16	52,550
In lieu of service fees	31 Mar 2023	795,125	\$0.16	127,220
Shares on issue 30 June 2023		291,442,807		41,001,655

(b) Share options

Date	Expiry	Options	Exercise price
20 October 2020 (1)	31 October 2022	126,000	\$1.25
20 October 2020 (1)	31 October 2023	378,000	\$1.50
20 October 2020 (1)	31 October 2024	126,000	\$1.75
		630,000	
Option on issue after 5 for 1 securities split			
20 October 2020 (2)	31 October 2022	630,000	\$0.25
20 October 2020 (2)	31 October 2023	1,890,000	\$0.30
20 October 2020 (2)	31 October 2024	630,000	\$0.35
28 July 2021	30 September 2024	9,811,475	\$0.40
		12,961,475	
Options on issue 30 June 2022			
20 October 2020 (3)	31 October 2022	(630,000)	\$0.25
Options on issue 30 June 2023		12,311,475	

- 1) These options were valued at \$59,451.
- 2) On 1 April 2021, the Group received shareholder approval for a 5 for 1 share split of its issued share capital. This resulted in every 1 option on issue (630,000) being subdivided into 5 new options (3,150,000) of which 630,000 was unexercised.
- 3) These options were expired and unexercised.

Note 28. Issued capital (continued)

Capital risk management

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

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

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

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

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

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

Accounting policy for issued capital

Ordinary shares are classified as equity.

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

Note 29. Reserves

	Consolidated	
	2023	2022
	\$	\$
Foreign currency reserve	-	(394)
Share options / performance rights reserve	406,407	1,028,433
	406,407	1,028,039

Share option/performance rights reserve

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

	Share options / performance rights on issue		Weighted average exercise price
	Number	\$	
Balance at 1 July 2021	3,150,000	59,451	1.50
Share options/ performance rights issued	9,811,475	276,448	0.40
Fair value of performance rights	8,878,640	692,534	0.08
Balance at 30 June 2022	21,840,115	1,028,433	0.05
Performance rights converted to shares	(8,878,640)	(692,534)	0.08
Share options expired / forfeited / other	(630,000)	-	-
Performance right vested	705,067	70,508	0.10
Balance at 30 June 2023	13,034,542	406,407	0.02

Note 29. Reserves (continued)

Foreign currency reserve

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

Movements in reserves

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

	Foreign currency	Share option / performance rights reserve	Total
	\$	\$	\$
Consolidated			
Balance at 1 July 2021	-	59,451	59,451
Issue of option/ performance right	-	276,448	276,448
Foreign currency translation	(394)	-	(394)
Fair value of performance rights	-	692,534	692,534
Balance at 30 June 2022	(394)	1,028,433	1,028,039
Foreign currency translation	394	-	394
Performance rights converted to shares	-	(692,534)	(692,534)
Fair value of performance rights	-	70,508	87,294
Balance at 30 June 2023	-	406,407	423,193

Note 30. Accumulated losses

	Consolidated	
	2023	2022
	\$	\$
Accumulated losses at the beginning of the financial year	(9,914,670)	(3,238,500)
Loss after income tax benefit for the year	(3,405,093)	(6,676,170)
Accumulated losses at the end of the financial year	(13,319,763)	(9,914,670)

Note 31. Dividends

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

Note 32. Financial risk management

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

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

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

Market risk

Foreign currency risk

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

Note 32. Financial risk management (continued)

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

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

	2023	2022
	US\$	US\$
Trade and other receivables	1,203,885	347,463
Cash and cash equivalents	199,026	547,902
Trade and other payables	(94,011)	(340,071)
	1,308,900	555,294

The Group had net assets denominated in foreign currencies of \$1,816,400 (assets of \$1,910,411 less liabilities of \$94,011) as at 30 June 2023 (2021: \$555,294). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2022: weakened by 10%/strengthened by 10%) against these foreign currency with all other variables held constant, the Group's loss before tax for the year would have been \$191,041 higher/\$191,041 lower (2022: \$55,529 lower/\$55,529 higher) and equity would have been \$191,041 higher/\$191,041 lower (2022: \$55,529 lower/\$55,529 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months year and the spot rate at reporting date. The actual foreign exchange gain for the year ended 30 June 2023 was \$56,269 (2022: loss of \$9,962).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

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

Year ended 30 June 2023	Floating interest rate \$	Fixed interest rate \$	Total \$
Financial assets			
Cash and cash equivalents	1,157,074	-	1,157,074
Financial asset at amortised cost	280,355	-	280,355
	1,437,429	-	1,437,429
Financial liabilities			
Lease liabilities	-	(1,432,452)	(1,432,452)
Short term loan	-	(3,580,874)	(2,926,420)
Long term loans	-	(375,792)	(1,030,246)
	-	(5,389,118)	(5,389,118)
Net exposure	1,437,429	(5,389,118)	(3,951,689)

Note 32. Financial risk management (continued)

Year ended 30 June 2022	Floating interest rate	Fixed interest rate	Total
	\$	\$	\$
Financial assets			
Cash and cash equivalents	3,169,44	-	3,169,444
Financial asset at amortised cost	514,998	-	514,998
	<hr/>	<hr/>	<hr/>
	3,684,442	-	3,684,442
Financial liabilities			
Lease liabilities	-	(2,305,948)	(2,305,948)
Short term loan	-	(234,933)	(234,933)
Long term loans	-	(2,016,109)	(2,016,109)
	<hr/>	<hr/>	<hr/>
Net exposure	3,684,442	(4,556,989)	(872,548)

The interest rates and terms of repayment of the Group's borrowings are disclosed in note 24 to the financial statements.

Cash flow sensitivity analysis for floating rate instruments

An increase of 100 basis points in interest rates at the reporting date would have increased net loss and accumulated losses by \$14,374 (2022: \$36,844). A decrease of 100 basis points in interest rates will have the same amount but opposite financial effect on net loss and accumulated losses.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date based on historical market trend. The analysis is performed on the same basis for 2021. There would be no impact on equity.

Credit risk

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 14.

Liquidity risk

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

Note 32. Financial risk management (continued)

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

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractua l maturities
Consolidated-2023	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables		4,192,343		-	-	4,192,343
<i>Interest-bearing - variable</i>						
Lease liabilities	6.0%	415,199	413,797	804,829	-	1,633,825
Short term loans	9.3%	3,881,029	-	-	-	3,881,029
Long term loans	8.1%	-	294,020	54,121	68,942	417,083
Total non-derivatives		8,488,571	707,817	858,950	68,942	10,124,280

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated-2022	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables		3,489,495		-	-	3,489,495
<i>Interest-bearing - variable</i>						
Lease liabilities	6.0%	502,027	2,221,821	-	-	2,723,848
Short term loans	8.0%	299,709	-	-	-	299,709
Long term loans	4.0%	-	1,259,268	794,298	-	2,053,566
Total non-derivatives		4,291,231	3,481,089	794,298	-	8,566,617

Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2023 and 2022.

The carrying value of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, as detailed in note 24. The directors consider that the change in interest rates will not cause a significant impact on the fair values of the financial liabilities.

No financial liabilities instruments are carried at fair value.

Note 33. Key management personnel disclosures
Compensation

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

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	1,635,345	1,790,791
Post-employment benefits	153,949	120,417
Share-based payments	7,916	682,982
	1,797,210	2,594,190

Note 34. Remuneration of auditors

RSM Australia Partners were appointed the Group's auditors on 6 June 2023. Prior to this date Nexia Perth Audit Services Pty Ltd were the auditors of the Group.

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

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services</i>		
Audit and review of the financial report - <i>Nexia Perth Audit Services Pty Ltd</i>	96,912	102,000
<i>Other services – Nexia Perth Audit Services Pty Ltd's network firms</i>		
Assurance on Compliance	6,500	-
Taxation services	6,444	31,686
Corporate and consulting	5,359	15,000
	18,303	46,686
<i>Audit services</i>		
Audit and review of the financial report – <i>RSM Australia Partners</i>	70,000	-
<i>Other services – RSM Australia Partner's' network firms</i>		
Assurance on Compliance	23,970	-
Taxation services	128,610	-
Corporate and consulting	119,990	-
	272,570	-

Note 35. Contingencies

There are no contingent assets or liabilities as at 30 June 2023 (2022: Nil).

Note 36. Capital commitments

As at 30 June 2023 and 2022, the Group did not have any outstanding capital commitments in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements.

Note 37. Related party transactions
Ultimate parent entity

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

Note 37. Related party transactions (continued)
Subsidiaries

Interests in subsidiaries are set out in note 40.

Key management personnel

Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2023	2022
	\$	\$
Sales to related parties:		
Radian Arc Limited (a director-related entity of Peter Christie)	3,165,208	474,623
Nexion Networks (a director-related entity of Peter Christie)	58,800	-
Purchases from related parties:		
Radian Arc Limited (a director-related entity of Peter Christie)	57,311	719,598
Acurix Networks Pty Ltd (a related entity of Mark Middleton)	6,027	33,744

Receivable from and payable to related parties

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

	Consolidated	
	2023	2022
	\$	\$
Current receivables:		
Radian Arc Limited (a director-related entity of Peter Christie)	2,051,959	505,117
Radian Arc Limited – hardware lease receivable (a director-related entity of Peter Christie)	-	1,174,534
Nexion Networks (a director-related entity of Peter Christie)	62,821	-
Current payables:		
Radian Arc Limited (a director-related entity of Peter Christie)	-	472,828
Acurix Networks Pty Ltd (a related entity of Mark Middleton)	-	23,940

Loans to/from related parties

Please refer to note 24 for interest-bearing related party loans.

Terms and conditions

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

Note 38. Parent entity information
Information relating to ActivePort Group Ltd

	2023	2022
	\$	\$
Current assets	7,013,344	9,967,720
Non-current assets	24,544,165	21,751,403
Total assets	31,557,509	31,719,123
Current liabilities	3,082,019	3,635,215
Non-current liabilities	-	-
Total liabilities	3,082,019	3,635,215
Net Asset	28,475,490	28,083,908
Contributed equity	41,001,655	36,970,539
Reserve	406,407	1,028,433
Accumulated losses	(12,932,572)	(9,915,064)
Total shareholders' equity	28,475,490	28,083,908
	2023	2022
	\$	\$
Loss after income tax	(3,017,508)	(4,621,672)
Total comprehensive loss	(3,017,508)	(4,621,672)

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

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

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 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 consolidated entity, as disclosed in note 1, except for the following:

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

Note 39. Business combinations

There were no business combinations undertaken in the year ended 30 June 2023.

Vizstone Pty Ltd (Acquired during the financial year ended 30 June 2022 on 28 September 2021)

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

Details of the acquisition are as follows:

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

The deferred considerations shares were issued on 7 December 2022.

Note 39. Business combinations (continued)
Starboard IT Pty Ltd (Acquired during the financial year ended 30 June 2022 on 28 September 2021)

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

Details of the acquisition are as follows:

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

The deferred considerations shares were issued on 7 December 2022

For personal use only

Note 39. Business combinations (continued)
Global Edge Network Ltd

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

Details of the acquisition are as follows:

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

For personal use only

Note 39. Business combinations (continued)
Future Broadband

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

Details of the acquisition are as follows:

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

Accounting policy for business combinations

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

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

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

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

Note 39. Business combinations (continued)

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

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

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

Note 40. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023	2022
		%	\$
ActivePort Pty Ltd	Australia	100%	100%
ActivePort (Infrastructure) Pty Ltd (1)	Australia	100%	100%
ActivePort (New Zealand) Limited (2)	Australia	100%	100%
ActivePort (Singapore) PTE. Ltd (3)	Australia	100%	100%
ActivePort (Finance) Pty Ltd (4)	Australia	100%	100%
Vizstone Pty Ltd (5)	Australia	100%	100%
Starboard IT Pty Ltd (6)	Australia	100%	100%
Global Edge Network Ltd (7)	Australia	100%	100%
Future Broadband (8)	Australia	100%	100%

(1) Incorporated on 5 May 2021.

(2) Incorporated on 5 July 2021.

(3) Incorporated on 12 January 2022.

(4) Incorporated on 3 March 2022.

(5) Acquired on 27 September 2021.

(6) Acquired on 27 September 2021.

(7) Acquired on 9 August 2021.

(8) Acquired on 16 April 2022.

Note 41. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax expense for the year	(3,405,093)	(6,676,170)
Adjustments for:		
Depreciation and amortisation	1,741,619	916,411
Income tax benefit	-	(557,000)
Net fair value loss on financial assets	94,257	107,686
Share-based payments	8,191	692,534
Research and development costs	-	(1,799,411)
Fair value loss on deferred consideration	523,419	1,166,324
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,976,551)	(364,941)
Decrease in inventories	11,111	(74,303)
Decrease in prepayments and other receivables	620,360	(1,917,980)
Decrease in other non-current assets	217,092	(254,998)
Decrease in trade and other payables	113,563	(77,450)
Decrease in employee benefits and provision	(13,169)	264,105
Increase in payables and accruals	702,248	714,291
Increase in amounts due to related companies	1,174,534	(461,190)
Income tax	(71,028)	555,130
Net cash used in operating activities	<u>(1,275,830)</u>	<u>(7,766,962)</u>

Note 42. Non-cash investing and financing activities

	Consolidated	
	2023	2022
	\$	\$
Additions to the right-of-use assets	-	2,253,501
Derecognition to the right of use assets	(533,386)	-
Lease make good	(50,000)	100,000
Options issued pursuant to commission under Capital Raising arrangement	-	276,448
	<u>(583,386)</u>	<u>2,629,949</u>

Note 43. Changes in liabilities arising from financing activities

Consolidated	Lease liability	Total \$
	\$	\$
Balance at 1 July 2021	53,092	53,092
Net cash used in financing activities	(263)	(263)
Acquisition of plant and equipment by means of leases	2,253,092	2,253,092
Balance at 30 June 2022	2,305,921	2,305,921
Net cash used in financing activities	(340,083)	(340,083)
Derecognition to the right of use assets	(533,386)	(533,386)
Balance at 30 June 2023	1,432,452	1,432,452

Note 44. Loss per share

The calculation of basic and diluted loss per share is based on the net loss from ordinary activities attributable to equity holders of the Group for the year of \$3,405,093 (2022: loss of \$6,676,170) and the weighted average of 273,809,222 (2022: 220,366,910) ordinary shares on issue during the year.

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

Accounting policy for loss per share

Basic loss per share

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

Diluted loss per share

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

Note 45. Share-based payments

There were no new share based payment arrangements entered into by the Group during the year ended 30 June 2023, other than the settlement of services with share in lieu of cash as disclosed in note 28.

On 27 September 2021, the Group issued 9,811,475 options exercisable at \$0.40 and expiring on 30 September 2024 to nominees of Bridge Street Capital Partners as part of the fee for the capital raising pursuant to the Offer. These options were valued at \$276,448.05.

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

	Options exercisable on or before 31 Oct 2023 at \$0.30	Options exercisable on or before 30 Sept 2024 at \$0.40	Options exercisable on or before 31 Oct 2024 at \$0.35	Total
Castray Capital Pty Ltd	330,000	-	110,000	440,000
Bell Potter Nominees Ltd				
(BB Nominees A/C)	1,560,000	-	520,000	2,080,000
Bridge Street Capital Partners	-	9,811,475	-	9,811,475
Options issued at 30 June 2023	1,890,000	9,811,475	630,000	12,331,475

In the year ended 30 June 2022 the options have been valued totalling \$276,448.08. The fair value of options were independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the

Note 45. Share-based payments (continued)

option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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

Options expiring on 30 September 2024

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

In the year ended 30 June 2021, the options totalling \$59,451 were based on a valuation provided by Stantons International Securities with methodology as provided below:

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

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 2.03 years (2021: 2.33) and weighted average exercise price of \$0.38 (2021: \$0.30).

No other options or performance rights were issued as share based payments in the current or previous financial year.

Classes A to F Performance Rights

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

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

Class D Performance Rights: the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2023 of at least 135% of the total ActivePort consolidated revenue for the financial year ending on 30 June 2022 (FY23 Deadline);

Class E Performance Rights: the vesting condition for some or all of the Class D Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 50% of the value of the Total Pro-forma Revenue counted towards the Class D Performance Rights Vesting Condition; and

Note 45. Share-based payments (continued)

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

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

Less than 135% of the previous financial year's total reported revenue - no Performance Rights will vest; or

135% or more of the previous financial year's total reported revenue, then such proportion (limited to a maximum of 100%) of the Class A and Class D Performance Rights will vest pro-rata to the amount by which the Total Pro-forma Revenue achieved exceeds 135% of the total ActivePort consolidated revenue for the previous financial year, as a percentage of 135% of the total ActivePort consolidated revenue for the previous financial year. For the purposes of the calculation pursuant to this paragraph; the Total Pro-forma Revenue applied to the Class A Performance Rights' Vesting Condition and vesting conditions that are dependent of the Class A vesting condition, is limited to a maximum of \$30,000,000; the Total Pro-forma Revenue applied to the Class D Performance Rights Vesting Condition and vesting conditions that are dependent of the Class D vesting condition, is limited to a maximum of \$75,000,000 (Vesting Calculation).

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

Accounting policy for share-based payments

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

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

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

The cost of equity-settled transactions is 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 reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at 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:

Note 45. Share-based payments (continued)

- during the vesting period, the liability at 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 46. Events after the reporting period

In August 2023, the Company raised \$2,500,000 issuing 25,000,000 fully paid ordinary shares at an issue price of \$0.10 per share plus 12,500 000 unlisted attaching options. The options have an exercise price of \$0.20 and an expiry date of 30 November 2026.

Of the 25,000,000 new shares, 1,500,000 are to be issued to directors of the Company subject to shareholder approval. The attaching options will be issued subject to approval by shareholders.

A further 7,000,000 options will be issued by the Company in the form of 4,000,000 Broker Options and 3,000,000 Lead Manager Options. The additional options will have the same terms as the attaching options and will be issued subject to approval by shareholders at the General Meeting.

There are no other matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company and Group will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors



Peter Christie
Executive Chairman
29 September 2023

For personal use only



RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 92619100
F +61(0) 8 92619111

www.rsm.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ACTIVEPORT GROUP LIMITED**

Opinion

We have audited the financial report of ActivePort Group Limited (Company) and its subsidiaries (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 statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the Group incurred a loss of \$3,405,093 and had net operating cash outflows of \$1,275,830 for the year ended 30 June 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
<p><i>Carrying value of intangible assets</i> Refer to Note 21 in the financial statements</p> <p>The Group has intangible assets of \$28,062,067 as at 30 June 2023, comprising goodwill of \$24,110,937 and other intangible assets of \$3,951,130.</p> <p>The Group is required to test goodwill acquired in business combinations for impairment annually.</p> <p>In addition, the Group is required to assess at 30 June 2023 whether there is any indication that intangible assets may be impaired. If any such indication exists, the Group is required to estimate the recoverable amount of its other intangible assets.</p> <p>We determined this to be a key audit matter due to the extent of management judgement and estimates involved in:</p> <ul style="list-style-type: none"> • Testing goodwill for impairment including determining the cash generating unit (CGU) to which the goodwill relates and determining the recoverable amount of the related CGU utilising a value in use model which includes assumptions such as revenue growth rate, discount rate and terminal value growth rate; and • Assessing whether indicators of impairment are present in relation to the Group's other intangible assets. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the Group's accounting policy for compliance with Australian Accounting Standards; • Considering the Group's determination of their CGUs based on our understanding of the operations of the Group's business and how the identifiable CGUs generate independent cash inflows; • Considering the appropriateness of the value in use models applied by the Group to assess the carrying value of CGUs to which goodwill was allocated. This included evaluating the work performed by management's expert and assessing the competency and objectivity of the expert; • Challenging the Group's forecast cash flows, EBITDA margin and growth assumptions; • Considering the sensitivity of the models by varying key assumptions, such as forecast EBITDA margins, discount rate, within a reasonably possible range; • Working with our valuation specialists, we developed a discount rate range considered comparable using publicly available market data for comparable entities and assessed the integrity of the value in use models used; • Critically evaluating management's assessment that there were no impairment indicators for other intangible assets were present at 30 June 2023; and • Assessing the adequacy disclosures included in the financial statements.



Key Audit Matter	How our audit addressed this matter
<p>Revenue from customers <i>Refer to Note 3 in the financial statements</i></p> <p>Revenue from customers for the year ended 30 June 2023 was \$19,404,574.</p> <p>Revenue was considered a key audit matter because:</p> <ul style="list-style-type: none">• it is the most significant account balance in the statement of profit or loss and other comprehensive income; and• the application of AASB 15 Revenue from Contracts with Customers requires a significant number of assessments, judgements, and estimates by management, around:<ul style="list-style-type: none">- the identification of performance obligations;- the determination and allocation of the transaction price across the performance obligations;- the method of recognition of revenue (over time or at a point in time); and- the process of revenue recognition can involve multiple revenue streams for services rendered.	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• Assessing the Group's accounting policy for compliance with Australian Accounting Standards;• Obtaining an understanding of each of the revenue sources and the process for determining and recognising revenue;• Carrying out tests of controls over revenue transactions to test the effectiveness of the controls;• On a sample basis, testing revenue recorded to supporting documentation including assessing the identification of performance obligations, the allocation of the transaction price to performance obligations and reasonableness of the method of recognition of revenue, either over time or at a point in time;• Testing a sample of revenue transactions before and after the reporting date to assess whether revenue is recognised in the correct financial period;• Testing on a sample basis, contract assets and liabilities accounts to assess whether revenue recognition was consistent with accounting standards; and• Assessing the disclosures in the financial statements.
<p>Research and development receivables <i>Refer to Note 14 in the financial statements</i></p> <p>The Group recognised a Research and development receivable as at 30 June 2023 of \$2,475,446.</p> <p>This was considered a key audit matter because:</p> <ul style="list-style-type: none">• management judgement is exercised in determining whether the Group's research and development (R&D) activities will be eligible for the R&D Tax Incentive pursuant to the relevant legislative requirements; and• the measurement of the quantum of the R&D Tax Incentive claim involves management judgement in relation to the assessment of expenditure items as applicable research and development expenditure and the use of management estimates to determine the apportionment of costs as applicable research and development expenditure.	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• Assessing the Group's accounting policy for compliance with Australian Accounting Standards;• Obtaining an understanding of the Group's R&D activities and evaluating their eligibility for a R&D Tax Incentive pursuant to the relevant legislative requirements, including the utilising RSM R&D tax specialists in this evaluation;• Obtaining and reading the Group's FY2023 R&D registration with AusIndustry;• Obtaining a computation of the Group's R&D Tax Incentive and evaluating the reasonableness of the methods and allocations utilised by management in formulating the Group's R&D Tax Incentive claim;• On a sample basis, agreeing R&D expenditure to underlying accounting records and other supporting documentation; and• Checking the mathematical accuracy of the management's computation of the refundable Group's R&D Tax Incentive recognised as a receivable.

Other Matter

The financial report of ActivePort Group Limited the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on that report on 30 September 2022.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.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 the directors' report for the year ended 30 June 2023.

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

Responsibilities

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


RSM AUSTRALIA PARTNERS

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 29 September 2023

Additional Information ASX as at 1 September 2023

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

Quoted Ordinary Shares			Options expiring 30 September 2024	
	Number of holders	% of shares held	Number of holders	% of options held
1 — 1,000	14	0.00%	0	0.00%
1,001 — 5,000	56	0.07%	0	0.00%
5,001 — 10,000	128	0.34%	0	0.00%
10,001 — 100,000	311	4.66%	1	0.51%
100,001 — and over	282	94.93%	8	99.49%
Total number of holders	791	100.00%	9	100.00%
Holdings of less than a marketable parcel	75			
Options expiring 31 October 2023			Options expiring 31 October 2024	
	Number of holders	% of rights held	Number of holders	% of rights held
1 — 1,000	0	0.00%	0	0.00%
1,001 — 5,000	0	0.00%	0	0.00%
5,001 — 10,000	0	0.00%	0	0.00%
10,001 — 100,000	0	0.00%	0	0.00%
100,001 — and over	3	100.00%	3	100.00%
Total number of holders	3	100.00%	3	100.00%
Class D Performance Rights			Class E Performance Rights	
	Number of holders	% of rights held	Number of holders	% of rights held
1 — 1,000	0	0.00%	0	0.00%
1,001 — 5,000	0	0.00%	0	0.00%
5,001 — 10,000	0	0.00%	0	0.00%
10,001 — 100,000	1	1.38%	2	3.45%
100,001 — and over	4	98.62%	3	96.55%
Total number of holders	5	100.00%	5	100.00%

For personal use only

Analysis of holdings of shares, rights and options in the company (continued)

Registered office of the company

Level 28, 140 St Georges Terrace
Perth Western Australia 6000

Tel: +61-8-6149 7550

Stock exchange listing

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

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

Share registry

The registers of shares and options of the Company are maintained by:-

Computershare Registry Services Pty Ltd
Level 1
172 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 1300 787 272

Fax: +61 (8) 9323 2033

Company secretary

The name of the Company Secretary is Jack Hugh Toby.

Taxation status

ActivePort Group Ltd is taxed as a public company.

Voting Rights

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

For personal use only

Analysis of holdings of shares, rights and options in the company (continued)

Total number of securities on issue

Security Description	Number on issue
Quoted Ordinary Shares	200,057,425
Restricted Ordinary Shares	114,885,382
Options expiring 31 October 2023 and exercisable at \$0.30	1,890,000
Options expiring 31 October 2024 and exercisable at \$0.35	630,000
Options expiring 30 September 2024 and exercisable at \$0.40	9,811,475
Class D Performance Rights	6,658,980
Class E Performance Rights	2,219,660
Class F Performance Rights	2,219,660
Class G Performance Rights	2,000,000

Twenty largest holders of ordinary shares

	Number of Shares	Percentage of Total
Herdsman Lake Capital Asia Pte Ltd	39,000,000	12.38%
Mr Grant Alan Farrow <G Farrow Family A/C>	17,942,880	5.70%
Mr Mark Scott Middleton + Ms Andrea Jane Middleton <Middleton Family A/C>	17,942,880	5.70%
101IC Pty Ltd(ACN 137 541 372)	16,930,035	5.38%
Pine Street Pty Ltd <Pine Street Super Fund A/C>	13,130,000	4.17%
Mrs May Lin Leonie Chan <Chan Family A/C>	12,045,153	3.82%
Pine Street Pty Ltd <Pine Street A/C>	9,033,874	2.87%
Mr Steven John Kelly + Ms Fiona Jane Macphail <Orange Yalis Family A/C>	8,832,109	2.80%
Harly Pty Ltd <Hulme Family A/C>	8,446,395	2.68%
Smart Capital Investments Pty Ltd	7,914,885	2.51%
Mr Timothy James Wilson <Wilson Family A/C>	5,833,333	1.85%
Mr Michael Glynn	5,829,447	1.85%
Herdsman Lake Capital Nominees Pty Ltd <Herdsman Lake Capital A/C>	5,542,900	1.76%
Certane Ct Pty Ltd <Richlink High-Tech Invest>	5,428,326	1.72%
Mr Karim James Nejaim	5,192,803	1.65%
Professional Consulting Pty Ltd <AJRP Super Fund A/C>	4,919,655	1.56%
Vizstone Holdings Pty Ltd (ACN 600 822 553)	4,356,714	1.38%
Andium Pty Limited	3,500,000	1.11%
Mr Mark Middleton	3,061,600	0.97%
Mr Timothy James Wilson <Wilson Family A/C>	2,998,776	0.95%
	<hr/> <hr/> 197,881,765	<hr/> <hr/> 62.81%

Analysis of holdings of shares, rights and options in the company (continued)
Holders of Options expiring 31 October 2023 and exercisable at \$0.30 with a holding of 20% or more

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

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

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

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

	Number of Options	Percentage of Total
Pine Street Pty Ltd <Pine Street A/C>	5,000,000	50.96%
Allen Chan	2,000,000	20.38%
	<hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/>
	7,000,000	71.34%

Holders of Class D Performance Rights with a holding of 20% or more

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

Holders of Class E Performance Rights with a holding of 20% or more

	Number of Rights	Percentage of Total
Karim James Nejaim	1,071,560	48.28%
Mark Middleton	765,400	34.48%
	<hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/>
	1,836,960	82.76%

For personal use only

Analysis of holdings of shares, rights and options in the company (continued)
Holders of Class F Performance Rights with a holding of 20% or more

	Number of Rights	Percentage of Total
Karim James Nejaim	1,071,560	48.28%
Mark Middleton	765,400	34.48%
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	1,836,960	82.76%

Holders of Class G Performance Rights with a holding of 20% or more

	Number of Rights	Percentage of Total
Jason Mikronis	2,000,000	100.00%
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	2,000,000	100.00%

Classes A to F Performance Rights

On 24 June 2022, 459,240 Class A Performance Rights, 153,080 Class B Performance Rights, 153,080 Class C Performance Rights, 459,240 Class D Performance Rights, 153,080 Class E Performance Rights and 153,080 Class F Performance Rights, lapsed in accordance with their terms and conditions due to the holder ceasing to be an officer (and employee, if applicable) of the Company.

On 28 October 2022, 6,658,980 Class A Performance Rights and 2,219,660 Class B Performance Rights vested as they had met their vesting conditions and consequently 8,878,640 ordinary shares were issued on 28 October 2022, pursuant to the vesting of those Performance Rights. Also on 28 October 2022, 2,219,660 Class C Performance Rights lapsed as they were no longer capable of meeting their vesting conditions.

No other Performance Rights have been cancelled since their date of issue.

Classes D to F Performance Rights

ActivePort Group Ltd (“ATV” or “Company”) has 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights (together “Performance Rights”) on issue. All Class D, E and F Performance Rights expire on 31 October 2023. On vesting, each Performance Right converts into one ordinary share in the Company.

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

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

(each a **Vesting Condition**).

Analysis of holdings of shares, rights and options in the company (continued)

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

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

Total Pro-forma Revenue for a financial year for Class D, E and F Performance Rights means the total consolidated revenue for that financial year of ActivePort Group Ltd plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

No Class D, E or F Performance Rights have vested or been converted during the year ended 30 June 2023.

Class G Performance Rights

On 20 May 2022, ATV issued 2,000,000 Class G Performance Rights. All Class G Performance Rights expire on 31 May 2024. On vesting, each Performance Right converts into one ordinary share in the Company.

For Class G Performance Rights, **Adjusted Revenue** means total consolidated revenue excluding one-off or extraordinary revenue items; revenue received in the form of government grants, allowances, rebates or other hand-outs and revenue that has been "manufactured" to achieve the Vesting Condition. **Total Revenue** for a financial year means the Adjusted Revenue for that financial year of Digital Immortality Pty Ltd (ACN 615 117 998) (Digital Immortality) for that financial year, excluding subsidiaries of Digital Immortality that were acquired for consideration provided by ActivePort Group Ltd (ACN 636 569 634) (ActivePort) or subsidiaries of ActivePort other than Digital Immortality.

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

Where Future Broadband's FY23 Revenue is:

- Less than AUS \$1 million, no Class G Performance Rights will vest; or
- AUD\$1 million or greater, then such proportion (limited to a maximum of 100%) of the Class G Performance Rights will vest as calculated by the amount that the FY23 Revenue exceeds the total revenue during the financial year ending 30 June 2022 (**FY22 Revenue**) divided by the amount that FY23 Revenue exceeds FY22 Revenue to a maximum of 100%. (**Vesting Calculation**)

No Class G Performance Rights have been vested or converted or cancelled during the year ended 30 June 2023.

For personal use only

Deferred Consideration Shares

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

Deferred Consideration Shares for the Starboard acquisition

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

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

$$\frac{(\text{Starboard's FY22 revenue} - (\text{Starboard's FY21 revenue} \times 1.1)) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and } \$0.08}$$
- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company’s 3-month VWAP (April to June 2023); and
 - \$0.08 – **Starboard Tranche 3 Consideration**, (together “**the Starboard Consideration**”)

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

Deferred Consideration Shares for the Vizstone acquisition

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

- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Vizstone Tranche 1 Consideration**

$$\frac{(\text{Vizstone's FY22 revenue} - (\text{Vizstone's FY21 revenue} \times 1.1)) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and } \$0.08}$$
- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
 - 80% of the Company’s 3-month VWAP (April to June 2023); and
 - \$0.08 – **Vizstone’s Tranche 2 Consideration**, (together “**the Vizstone Consideration**”)

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche1 and/or 2, Vizstone Consideration in cash.

For personal use only

Deferred Consideration Shares (continued)

During the year ended 30 June 2023, the following Deferred Consideration Shares have been issued.

Entity	Tranche of Deferred Consideration Shares	Issued
Starboard	Tranche 2	8,996,327
Vizstone	Tranche 1	22,591,784

Substantial Shareholders

Date Announced	Name	Number of Shares
25-Aug-23	Herdsman Lake Capital Nominees Pty Ltd and Herdsman Lake Capital Asia Pte Ltd and Pacczilla Pty Ltd <Pacczilla Super Fund A/C> and Peter Christie	44,792,900
07-Dec-22	101IC Pty Ltd and Kathryn Soares and Vizstone Holdings Pty Ltd	21,286,749
08-Dec-22	Leonie May Lin Chan & Kathryn Soares & Vizstone Holdings Pty Ltd & Benjamin Chan	20,430,867
18-Oct-21	Mr Mark Scott Middleton and Ms Andrea Jane Middleton	17,492,880
18-Oct-21	Mr Grant Alan Farrow	17,492,880
02-May-22	Pine Street Pty Ltd	18,160,000

Restricted securities

Description	Number of Shares
Ordinary Shares subject to escrow restriction until 20 October 2023	114,885,382
Options expiring 31 October 2023 subject to escrow restriction until 20 October 2023	1,890,000
Options expiring 30 September 2024 subject to escrow restriction until 20 October 2023	9,811,475
Options expiring 31 October 2024 subject to escrow restriction until 20 October 2023	630,000
Class D Performance Rights subject to escrow restriction until 20 October 2023	6,658,980
Class E Performance Rights subject to escrow restriction until 20 October 2023	2,219,660
Class F Performance Rights subject to escrow restriction until 20 October 2023	2,219,660

Use of cash and assets readily convertible to cash

During the year ended on 30 June 2023, the company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. This statement is made pursuant to listing rule 4.10.19.

Corporate Directory

ABN: 24 636 569 634

Directors

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

Secretary

J Toby

Registered Office

Level 28, 140 St Georges Terrace
Perth WA 6000
T: +61 8 6149 7550

Principal Place of Business

Level 28, 140 St Georges Terrace
Perth WA 6000

Share Register

Computershare Investor Services Pty Limited
172 St Georges Terrace
Perth WA 6000

Bankers

Westpac Bank
130 Rokeby Road
Subiaco WA 6008

Auditors

RSM Australia Partner
Level 2, Exchange Tower,
2 The Esplanade
Perth WA 6000

Solicitors

Stein Preis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

For personal use only