Damstra Holdings Limited
Appendix 4E
Preliminary final report

DAMSTRA

1. Company details

Name of entity:	Damstra Holdings Limited
ABN:	74 610 571 607
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	1.6%	to	29,463
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	>100.0%	to	7,242
Loss from ordinary activities after tax attributable to the owners of Damstra Holdings Limited	down	16.9%	to	(55,805)
Loss for the year attributable to the owners of Damstra Holdings Limited	down	16.9%	to	(55,805)

Comments
The loss for the Group after providing for income tax amounted to $55,805,000 (30 June 2022: $67,152,000).

FY23 was a transformative year for Damstra. The FY23 financial statements reflect the scale of this transformation. In FY22 Damstra's free cashflow was negative ($12,800,000). In FY23 it was negative ($3,300,000), a turnaround of ($9,500,000); however, most importantly, Damstra generated positive free cashflow of $500,000 in Q4 FY23.

The business recorded an EBITDA of $7,200,000, $6,800,000 higher than FY22's $500,000. EBITDA margin was 24.6%, up 22.9 percentage points (pp) on FY22. The strong increase in EBITDA reflects the operating leverage generated by delivering more than $9,000,000 in annualised savings from our cost reduction program. The EBITDA % margin exceeded guidance. The reconciliation between Net Profit and Loss and EBITDA is provided below.

Pro forma EBITDA is a financial measure that is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory loss under AAS adjusted for certain items. The directors consider loss before tax excluding other items (being the impact of impairment, acquisition costs, restructuring and share-based payments expenses) to reflect the core earnings of the Group. Pro forma EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') adjusted for non-cash share-based payments, acquisition costs and other costs and impairment expenses.

A reconciliation between adjusted pro forma EBITDA and statutory loss is provided below:

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Loss before tax based on statutory accounts	(55,805)	(62,414)
Impairment of goodwill and other assets	39,800	42,336
Share-based payments	2,147	1,551
Acquisition and other costs	-	455
Restructuring costs	82	350
Depreciation and amortisation expenses	16,213	16,281
Net finance costs	4,805	1,925
Pro forma EBITDA	7,242	484

Refer to Directors' report for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(6.01)	(3.35)

Net tangible assets calculations exclude right-of-use assets but include lease liabilities.

The net tangible assets per ordinary security for the reporting period is calculated based on 257,564,013 (30 June 2022: 257,069,616) ordinary shares on issue (excluding 132,375 (30 June 2022: 626,772) treasury shares).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
SkillPASS Trust	50.00%	50.00%	(109)	(38)
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			(109)	(38)
Income tax on operating activities			-	-

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

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

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10. Attachments

Details of attachments (if any):

The Directors' report and financial statements of Damstra Holdings Limited for the year ended 30 June 2023 is attached.

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11. Signed

As authorised by the Board of Directors

Signed ______________________________ Date: 24 August 2023

Johannes Risseeuw
Executive Chairman
Melbourne

Damstra Holdings Limited

ABN 74 610 571 607

Directors' report and financial statements - 30 June 2023

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

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

Johannes Risseeuw
Christian Damstra
Drew Fairchild
Morgan Hurwitz
Simon Yencken
Sara La Mela

Principal activities
Damstra is a global leader in enterprise protection software. Its Enterprise Protection Platform (EPP) integrates an extensive range of modules and products that allows organisations to mitigate and reduce unforeseen and unnecessary business risks around people, workplaces, assets, and information.

Integral to the Damstra EPP, Damstra's Workforce Management, Learning Management and Connected Worker solutions combine to ensure Protected People. In creating workplaces that are Safe, Damstra's Access Control, Digital Forms and Safety Solutions are utilised. Assets are connected into operations, through integrated Asset Management enabling Asset mobilisation and offerings in RFID (radio-frequency identification) and IOT (internet of things). Lastly Accessible Information, Reporting BI tools and Predictive Analytics are critical to ensuring customers are making the right decisions with the right information.

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

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

Review of operations
The loss for the Group after providing for income tax amounted to $55,805,000 (30 June 2022: $67,152,000).

FY23 was a transformative year for Damstra. The FY23 financial statements reflect the scale of this transformation. In FY22 Damstra’s free cashflow was negative ($12,800,000). In FY23 it was negative ($3,300,000), a turnaround of ($9,500,000); however, most importantly, Damstra generated positive free cashflow of $500,000 in Q4 FY23.

The business recorded an EBITDA of $7,200,000, $6,800,000 higher than FY22’s $500,000. EBITDA margin was 24.6%, up 22.9 percentage points (pp) on FY22. The strong increase in EBITDA reflects the operating leverage generated by delivering more than $9,000,000 in annualised savings from our cost reduction program. The EBITDA % margin exceeded guidance. The reconciliation between Net Profit and Loss and EBITDA is provided below.

We have recognised an impairment charge in our FY23 statements, accounted for all costs associated with extending our financing facility and maintained conservative amortisation of software policies. These charges, as well as costs incurred to achieve our cost reduction programme, have all been reflected in the FY23 accounts. These transformation adjustments impacted profitability in FY23. The FY23 results set us up for a positive FY24 as we continue to deliver positive free cashflow and drive toward profitability on a post-tax basis with the expectation of paying down debt and utilizing our $1,100,000 of franking credits in future periods.

Pro forma EBITDA, pro forma EBITDA %, gross margin and pro forma operating expenses used in the review of operations section below are financial measures that are not prescribed by Australian Accounting Standards (‘AAS’) and represent the statutory loss under AAS adjusted for certain items. The directors consider loss before tax excluding other items (being the impact of impairment, acquisition costs, restructuring and share-based payments expenses) to reflect the core earnings of the Group. Pro forma EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation (‘EBITDA’) adjusted for non-cash share-based payments, acquisition costs and other costs and impairment expenses. A reconciliation between adjusted pro forma EBITDA and statutory loss is provided below.

For the year ended 30 June 2023, the Group reported revenue of $29,463,000 (2022: $28,989,000), when added to the $325,000 (2022: $273,000) of revenue for the equity-accounted joint venture in SkillPass total revenue recognised was $29,788,000 (2022: $29,262,000).

Key operational and financial metrics for the financial year ended 30 June 2023:

	30 Jun 2023 %	30 Jun 2022 %
Key financial metrics[1]		
Revenue growth vs previous corresponding period ('pcp')	1.6%	7.2%
Gross margin	77.5%	65.9%
Research and development expenses as a % of revenue	(17.7%)	(27.2%)
Sales and marketing expenses as a % of revenue	(24.5%)	(30.1%)
General and administration expenses as a % of revenue	(32.8%)	(38.9%)
Pro forma EBITDA margin	24.6%	1.7%

[1]: Key financial metrics are shown on a pro forma basis excluding those items reconciling between loss before tax and pro forma EBITDA shown below, being impairment of goodwill and other assets, share-based payment, restructuring costs and acquisition and other costs. Research and development, sales and marketing and general administration expenses include both direct and indirect costs.

A reconciliation between loss before tax and pro forma EBITDA is provided below.

	30 Jun 2023 $'000	30 Jun 2022 $'000
Loss before tax based on statutory accounts	(55,805)	(62,414)
Impairment of goodwill and other assets	39,800	42,336
Share-based payments	2,147	1,551
Acquisition and other costs	-	455
Restructuring costs	82	350
Depreciation and amortisation expenses	16,213	16,281
Net finance costs	4,805	1,925
Pro forma EBITDA	7,242	484

Included in the loss is an impairment of goodwill of $39,800,000 which has arisen from the changed global capital market environment which increased the post-tax weighted average cost of capital from 11% to 14.75% (32% increase), and also from the disappointing revenue performance from the Solo product from the Vault acquisition. The underlying outcomes from the impairment model are for continued positive revenue growth, margin expansion and increasing cash generation.

Revenue:
The growth in revenue during the financial year was driven by:
- The increased contribution from North American customers from the implementation of recent contract wins for Barrick Gold and Capstone Copper for the EPP solution;
- Continued strong demand from Australian mining and civil construction verticals; and
- The loss of a major client, Newmont with reduced revenue recognised in the first half of the corresponding prior period.

Gross operating margin:
For the year ended 30 June 2023, the Group reported a gross operating margin of $23,087,000 (2022: $19,286,000) or 19.71% up on the prior year. The gross operating margin percentage was 77.5%, an improvement on the 65.9% from the previous corresponding year, resulting from cost-saving initiatives reducing the cost of sales by $3,276,000 while maintaining revenue. Gross operating margin is calculated based on the revenue from operations less directly attributable costs associated with revenue earned.

Pro forma operating expenses:
The key driver for operating expenses was the impact of cost saving initiatives to reset the cost base for the integration of recent acquisitions whilst continuing the Group's continued investment in future growth, particularly in the US market.
- The Group's sales and marketing function reported pro forma expenses of $7,294,000 which represents 24.5% of revenue, down from $8,822,000 or 30.1% in the prior year;
- Research and development of a total of $5,266,000 (excluding capitalised costs), primarily due to the development of new EPP functions and the enhancement of existing modules, which represents 17.7% of revenue, down from $7,970,000 or 27.2% of revenue in the prior year; and
- General and administrative expenses were $9,769,000, which represent 32.8% of revenue, compared to $11,374,000 or 38.9% of revenue incurred in the prior year.

Pro forma operating expenses exclude share-based payments and other costs in the reconciliation between loss before tax and pro forma EBITDA.

The decrease in operating expenses has resulted from various cost-saving initiatives from the integration and rationalisation of the cost base of past acquisitions and business improvements whilst continuing to invest in growth markets including costs associated with strategic investments to continue the scale-up of the US business.

Other expenses
Depreciation and amortisation expense have resulted from investments in plant and equipment, internal software development, and acquired intangible assets. Depreciation and amortisation expense have remained consistent with the prior year reflecting consistent investment by the Group across the two financial years and the amortisation profile of acquired intangible assets.

Share-based payments expense relates to the potential benefit associated with the Group's equity incentive plans. To realise the benefits of these incentive plans, employees need to meet targets as approved at the FY22 Annual General Meeting (AGM) and past plans that remain active. The FY23 Equity Incentive Plans include both, long term and short term incentives, that require the achievement of minimum hurdles and KPI targets. Refer to note 35 for more details.

Financial position:
As at 30 June 2023, the Group has outstanding borrowings of $17,208,000 (2022: $10,055,000). The Group has cash balance of $7,446,000 (including term deposits) (2022: $10,095,000 (including term deposits)).

The Group achieved positive free cashflow in the fourth quarter of FY23, and with the impact of the cost savings program resetting the cost base of the Group, and with new contract wins that will increase revenue, the Group expects to be cashflow positive in FY24.

Strategic update

The Group is executing its vision of being a global provider of Enterprise Protection Platform services and sees continuing strong growth in the future in both local and international markets.

Continuing on from new North American contract wins in FY22, the Company's North American operations have grown as expected, and with recent new contract expansions, revenue from the North American region will continue to support revenue growth in FY24 and beyond. Late in FY23 a number of new and existing customers have chosen to implement or upgrade their services to the Enterprise Protection Platform (EPP), these client wins validate the significant investment into the EPP product over the last two years and reinforce the effectiveness of the strategy of offering multiple solutions focused integrated models within the EPP to address particular client's needs without requiring bespoke or multiple software products.

The Group strategy is focused on three areas, geographic expansion, verticals and product.

1. Geographic expansion
Our products are now used in more than 25 countries globally. ANZ is the core business, and we have a small footprint in Asia through our existing clients. Both regions are contributing positively to the Group. Our key investment focus to date has been in North America, which has been underpinned by the successful implementation of recent client wins and agreement to expand our services with our existing clients. FY23 saw the successful implementation of our client wins in FY22 which has generated additional "next phase" opportunities with these large global tier 1 clients. Our sales pipeline continues to grow, with our value proposition around EPP now well understood in the market and accepted as being internationally competitive with potential clients and partners.

2. Verticals
We have a diverse global customer base, with the majority of our revenue coming from the resilient civil construction and mining sectors and we have growing exposure to the facilities management verticals via our developing global relationship with CBRE. In North America, the sales pipeline is strongly skewed to mining, where our core capability exists, however we continue to evaluate other sectors, including facilities management opportunistically where there is a strong use case for our products.

Material business risks
The following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years and how we propose to mitigate such risks.

Macroeconomic risks
The Group's financial performance can be impacted by current and future economic conditions which it cannot control, such as increases in interest rates and inflation, which could impact the demand and investment decisions of our customers. The Group stays abreast of these conditions, focuses on its internal debtor controls and diversifies its customer base to help manage these risks.

Competitive market and changes to market trends
The Group operates in a competitive market. Innovation is constant and superior products that may be released to the market that could result in pricing pressures on our product and result in unfavourable product positioning within the market. We manage this risk by maintaining product development teams that are highly experienced and remain abreast of the latest technological advances and implications for our current and future products. We also continue to invest in our brand which continues to be well regarded within Australia and internationally.

Loss of a Major Customer
The Group has a number of large customers that contribute to a material component of its revenue generation. The Group maintains a close relationship with these customers to ensure customer service levels are maintained and any issues are managed effectively on a timely basis. The Group is also diversifying its customer base, including adding two new top ten customers in the last two years, which helps manage these risks.

Privacy and Cybersecurity
The Group handles personal and sensitive information. The Group has strong systems and controls in place and is audited annually to ensure management systems are in place and operating effectively, including in relation to the management of customer data. The Group holds current ISO 9001 (Quality Management System), ISO 27001 (IT Security Management Systems) and SOC 2 (Service Organisation Controls) compliance accreditation. In addition, the Group is dedicated to keeping its workforce appropriately trained and updated with privacy and data breach training and scenario testing initiatives. Throughout the financial year, the Group issued training to all staff in relation to privacy, cybersecurity and data breaches.

Access to Networks and Data Centres
The Group and its customers rely on access to networks and data centres to continue operations. To manage this risk, the Group engages internationally recognised network and data centre suppliers with Cloud based services and data storage that maximises the ability to continue operations.

Reliance on key personnel
The Group engaged in staff development programs to ensure the skills and experience of potential successors as part of its succession planning initiatives.

Regulatory compliance
The Group is subject to a number of Australian laws and regulations such as privacy laws. The Group maintains sufficient internal controls to ensure continued compliance.

Matters subsequent to the end of the financial year
The following matters have arisen since 30 June 2023 that may have a significant affect on groups operations and performance in the future financial year:

(a) On 14 July 2023 and 17 July 2023 Damstra signed contract expansions with multiple clients with an estimated ARR of $800,000.
(b) On 18 July 2023 Damstra extended is loan facility with PFG via committed terms finalised on the 5 June 2023. The long-form documents were executed in July extending the facility until November 2026.
(c) On 1 August 2023 Damstra's Non-Executive Directors agreed to salary sacrifice all of their director's fees for Zero priced Options for FY24 with an annual positive cash flow impact of $500,000. This is subject to shareholder approval at the FY23 AGM.
(d) On 2 August 2023 Damstra issued 81,285 ordinary shares following the exercise of options on this date.

Other than the matters described above no other matters or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations are included within the 'review of operations' section above.

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

Information on directors

Name:	**Johannes Risseeuw**
Title:	Executive Chairman
Qualifications:	Bachelor of Economics from the University of Sydney and Graduate Diploma of Applied Finance from Kaplan Professional
Experience and expertise:	Johannes joined the Group in 2012 and has held the role of Executive Chairman since 2017. He was the former Vice President, Mergers & Acquisitions, Asia Pacific at Shell, where he drove billion dollar plus transactions across Australia, Singapore, Hong Kong, Malaysia and the Middle East. He was previously the Chief Investment Officer of Questus Energy Pty Ltd, focused on the acquisition and management of oil and gas assets, and Chief Operating Officer at Skilled Group Limited. Johannes is a non-executive director of US-based entity FanPlayr Inc.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	19,401,465 ordinary shares
Interests in options:	4,929,070* options over ordinary shares

Name:	**Christian Damstra**
Title:	Chief Executive Officer
Qualifications:	Diploma in Electrical Engineering from TAFE New South Wales
Experience and expertise:	Christian joined the Group in 2002 as General Manager, after his father founded the Company while undertaking contract work in the mining industry. He managed the Company as a technology company as part of the Skilled Group, before leading a management buy-out of the Company in 2016 along with Johannes Risseeuw. Prior to joining the Group, Christian ran his own business consulting to the mining industry and is a holder of an Open Cut Examiner Certificate of Competency.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	20,037,772 ordinary shares
Interests in options:	4,890,216* options over ordinary shares

* 1,000,000 of the ZEPO's granted by the NRC to Mr Risseeuw and Mr Damstra are subject to shareholder approval at the FY23 AGM.

Name:	**Drew Fairchild**
Title:	Non-Executive Director
Qualifications:	Bachelor of Business from Monash University, Master of Applied Finance from Melbourne University, and a graduate of the Group Business Leadership Program (Insead).
Experience and expertise:	Drew joined the Group as a Non-Executive Director in 2016. He has more than 20 years' experience as a Chief Financial Officer and entrepreneur, having commenced his career with Shell Australia, becoming Finance Director and a member of the Board. Prior to his appointment as the Non-Executive Director, he assisted the Company as an adviser during the buy-out of the Company from the Programmed Group. Prior to joining the Group, Drew worked as a Chief Financial Officer within both Fulton Hogan and Cleanaway, and founded an oil and gas investment fund that was sponsored by Intermediate Capital Group PLC. Drew was also the co-founder of the now ASX listed Top Shelf International, a premium Australian spirits company.
Other current directorships:	None
Former directorships (last 3 years):	Managing Director of Top Shelf International Holdings Ltd (ASX: TSI)
Special responsibilities:	Chairman of Audit and Risk Committee.
Interests in shares:	5,072,563 ordinary shares
Interests in options:	277,696 options over ordinary shares

Name:	**Morgan Hurwitz**
Title:	Non-Executive Director
Qualifications:	Bachelor of Arts from Monash University and is a graduate of the Australian Institute of Company Directors
Experience and expertise:	Morgan joined the Group as a Non-Executive Director in 2016. He has over 30 years' experience in the Technology, Industrials, Oil and Gas, Aviation and Logistics industries and has extensive experience developing technology strategies and implementing technology across a range of industries in Australia and internationally. Prior to joining the Group, he was the President of Supply Chain and Chief Information Officer at Linfox, Global Chief Information Officer at Orica Limited, and held a number of senior IT roles within Shell in Melbourne and London. He is currently an investor and sits on a number of boards and provides technology advisory and mentoring. He is a Graduate of the Australian Institute of Company Directors, IMD (Switzerland) and holds a BA Degree.
Other current directorships:	Chairman and Non-Executive Director of Leighton O'Brien (unlisted) – appointed 1 July 2021
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Nomination and Remuneration Committee and member of Audit and Risk Committee
Interests in shares:	5,080,957 ordinary shares
Interests in options:	144,363 options over ordinary shares

Name:	**Simon Yencken**
Title:	Non-Executive Director
Qualifications:	Bachelor of Laws from Monash University and Bachelor of Science (Mathematics) from Monash University
Experience and expertise:	Simon joined the Group as a Non-Executive Director in 2019. He is the Chief Executive Officer and founder of Fanplayr Inc. which provides Customer Experience Personalization. Prior to joining the Group, he was a Director of Aconex Limited for 10 years (including Chairman between 2011 and 2014). Aconex was a provider of cloud collaboration software for the construction industry, which was acquired by Oracle in 2018 for approximately US$1.2 billion. Simon is an active investor in various start-up technology companies, and is Chairman of Matrak Industries.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Nomination and Remuneration Committee and member of Audit and Risk Committee
Interests in shares:	1,244,444 ordinary shares
Interests in options:	144,363 options over ordinary shares

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Name:	**Sara La Mela**
Title:	Non-Executive Director
Qualifications:	Bachelor of Arts from the University of Pennsylvania and an MBA from INSEAD and a graduate of the Australian Institute of Company Directors
Experience and expertise:	Sara has extensive experience as a technology executive in both Australia and North America (Silicon Valley). She is currently the Head of Operations for the Product Growth division at Canva. Prior to this, Sara held various sales and marketing roles at Google and Twitter, and served as Chief Operating Officer of Local Measure, a SaaS platform for customer communications management, for seven years.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Director of Whispir Limited (ASX: WSP)
Special responsibilities:	Member of Nomination and Remuneration Committee
Interests in shares:	60,000 ordinary shares
Interests in options:	144,363 options over ordinary shares

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

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

Company secretaries
Paul Burrows and **Carlie Hodges** are both Company Secretaries of the Company.

Paul joined the Company as the Chief Financial Officer and Company Secretary effective from 28 November 2022. He is a highly experienced CFO having worked in a number of ASX listed entities and global businesses. Most recently Paul has been the CFO and Company Secretary of the ASX listed company Engenco Limited (2018-2022) a global engineering services company. Before this, he has held senior finance roles in a number of technology companies such as Hansen Technologies, REA Group and Telstra. Previous to that Paul worked at Ernst & Young focusing on information technology processes. Paul has significant experience in corporate governance, mergers and acquisitions and financial reporting in high growth environments together with hands-on experience in the implementation of system and process improvements. Paul holds a Bachelor of Commerce degree, is a Chartered Accountant and is a Graduate of the Australian Institute of Company Directors.

Carlie has held the role of Company Secretary since June 2019. She is an Executive Director at cdPlus Corporate services, which provides outsourced corporate governance and company secretarial services to both private and public companies in Australia. In addition, she is a Senior Associate at Coghlan Duffy & Co. She is also the Company Secretary of The Hydration Pharmaceuticals Company Limited and Top Shelf International. Carlie holds a Bachelor of Science and Bachelor of Laws from Deakin University, a Master of Arts from King's College London, and is admitted as a solicitor in the state of Victoria.

Andrew Ford was the previous Chief Financial Officer and Company Secretary of the Company until 28 November 2022. Andrew assumed the Finance responsibility and became Chief Financial Officer on 28 February 2022. He had previously spent the majority of his 20-year career in CFO and senior finance roles, he was a Finance Director for Infrabuild Ltd/GFG Alliance. Prior to this he was the CFO of ASX-listed Godfreys Group Ltd. Andrew had also held finance positions with Cleanaway Ltd, Skilled Group Ltd, BlueScope Ltd and professional services firm Deloitte. Andrew graduated with a commerce degree from the University of Melbourne.

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

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Johannes Risseeuw	10	10	-	-	-	-
Christian Damstra	10	10	-	-	-	-
Drew Fairchild	10	10	-	-	5	5
Morgan Hurwitz	10	10	2	2	5	5
Simon Yencken	9	10	1	2	5	5
Sara La Mela	9	10	2	2	-	-

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

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

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

The remuneration report is set out under the following main headings:
1 Principles used to determine the nature and amount of remuneration
2 Details of remuneration
3 Service agreements
4 Share-based compensation
5 Additional information
6 Additional disclosures relating to KMP

Summary
Executive remuneration is heavily weighted towards performance-based pay, and for the 2023 financial year ('FY23') the Board set challenging Employee Incentive Plan ('EIP') targets. These targets were designed to incentivise KMP and their teams to perform for shareholders and only be rewarded for significant outperformance.

A summary of key remuneration outcomes for FY23, and those that relate to the following financial year, are as follows:

- There will be no increase in the Executive Chairman, CEO’s, and CFO’s fixed remuneration for FY24;
- There will be no increase Non-Executive Director fees in FY24;
- The Non-Executive Directors' have participated in a salary sacrifice arrangement whereby they have sacrificed 20% of their Board fees, excluding Committee fees, in return for zero price options (ZEPOs) in the Company. In FY24 (commencing from 1 August and subject to shareholder approval) they have agreed to salary sacrifice 100% of their Board and Committee fees;
- The Executive Chairman and CEO have participated in a salary sacrifice arrangement whereby they have sacrificed 5% of their salary in ZEPOs in the Company, this will continue for FY24;
- The FY23 EIP revenue target was not achieved, and no EIP was payable in relation to the short term incentive program;
- Options have been issued as part of the Long Term Incentive (LTI) that are subject to vesting conditions related to a three year time period FY23-FY26; and
- In recognition of business turnaround, the board approved the issue of ZEPOs to staff who contributed to this outcome. As a result, the Chair and CEO have each been awarded 1 million ZEPOs, subject to shareholder approval at the FY23 AGM, and the CFO was awarded 350k ZEPOs. A further 4.5 million ZEPOs have been awarded to other staff who have meaningly contributed to the turnaround.

Our Remuneration Framework

The information provided in this report summarises our remuneration framework, including the approach and rationale for the structures for FY23 after a significant review and adjustment to the framework in FY22.

1. Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee ('NRC') is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Non-Executive Directors' remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the NRC. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The shareholders approved a maximum annual aggregate remuneration of $600,000 per annum. Non-Executive Directors are paid a base fee plus variable fees for committee membership and chairing responsibilities.

	Chair fee	Member fee
Board	N/A	$75,000
Committee	$10,000	$5,000

All fees attract superannuation guarantee contributions. Mr Yencken’s fees are payable in US dollars and are grossed up to reflect a pro forma superannuation guarantee contribution.

The current base fees were reviewed with effect from 1 July 2021 against a peer group of ASX technology companies. There are no changes to Non-Executive director base fees for the FY23 financial year, the increases below relate to the 0.5% increase in superannuation in FY23. Non-Executive Director fees (directors' fees and committee fees) (inclusive of superannuation) are summarised as follows:

Name - Position	Fees per annum 1 Jul 22 – 30 Jun 23	Fees per annum 1 Jul 21 – 30 Jun 22
Drew Fairchild - Non-Executive Director	$93,925	$93,500
Morgan Hurwitz - Non-Executive Director	$99,450	$99,000
Simon Yencken - Non-Executive Director	$93,925	$93,075
Sara La Mela - Non-Executive Director	$88,400	$88,000

Effective 1 July 2022, the Non-Executive Directors' agreed to participate in a salary sacrifice arrangement whereby they would sacrifice 20% of their Board fees, excluding Committee fees, in return for zero price options in the Company. This arrangement was approved at the 2022 AGM. Current fees also include the increase in the superannuation guarantee contribution to 10.5% which was effective from 1 July 2022.

Effective 1 August 2023, the Non-Executive Directors’ agreed to increase the % of salary sacrifice from 20% in FY23 to 100% in FY24, subject to shareholder approval at the FY23 AGM.

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives (STI);
- long-term performance incentives (LTI); and
- other remuneration such as superannuation and long service leave.

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

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

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

Group performance and link to remuneration
The EIP's purpose is to incentivise staff to achieve the Company and individual targets. Remuneration for Executives is directly linked to the performance of the Group via the STI and LTI components on their variable remuneration. Variable remuneration is dependent on various threshold hurdles and service conditions being met.

STI Program FY23

The STI program is designed to align the targets of the business with the performance hurdles of KMP and executives.

Key principles of the plan are as follows:

- Financial measures account for 60% of the STI with free cash flow generation accounting for 25% and revenue being 35% to ensure executives are focused on sustainable growth;
- Non-financial measures form 40% of the STI scorecard with a strong focus on clients and staff outcomes which drives sustainable business outcomes;
- There is Board discretion to defer 50% of any STI outcome into equity to align with the market expectations and provide shareholder alignment; and
- At the threshold level of performance there is only a 50% payout and as such the STI program does not over-reward for below target performance.

STI outcomes are available to KMP executives based on achieving specific annual targets and key performance indicators ('KPI's'). On achievement of KPI's by executives, the STI is settled 50% in cash and 50% deferred and settled via the grant of zero priced options which vest one year following the grant date, subject to continued employment.

On target performance will result in 100%% of the STI opportunity being paid. Threshold performance will be based on achieving a minimum of 90% of the target level of performance (depending on the KPI), at which point 50% of the target opportunity will be paid. Stretch performance is achieved based on achieving 110% of the target level of performance (depending on the KPI), at which point 125% of the target opportunity will be paid.

In relation to the FY23 EIP, the NRC and the Board have reviewed Company performance and determined that given the minimum requirement of 90% achievement of revenue target for the FY23 year was not achieved, no EIP is payable in relation to STI program.

STI Program FY24

The STI FY24 program follows the same structure and principles of the FY23 program. The STI program is designed to align the targets of the business with the performance hurdles of KMP and executives.

Key principles of the plan are as follows:

- Financial measures account for 60% of the STI with free cash flow generation accounting for 25% and revenue being 35% to ensure executives are focused on sustainable growth;
- Non-financial measures form 40% of the STI scorecard with a strong focus on clients and staff outcomes which drives sustainable business outcomes;
- There is Board discretion to defer 50% of any STI outcome into equity to align with the market expectations and provide shareholder alignment; and
- At the threshold level of performance there is only a 50% payout and as such the STI program does not over-reward for below target performance.

Should the FY24 STI program targets be met, the cash component would be payable, and the options granted, following the completion of the FY24 financial results, expected to be in August 2024. The options would vest one year later, expected to be in August 2025. Where STI targets are achieved, the equity portion of the STI is settled at the discretion of the Board, by the grant of zero priced options or Cash or a combination of the two.

The KPI's and relative weightings included in for the STI program, are as follows:

Performance Measure	Weighting	Rationale for why the performance measure was chosen
Alignment with shareholders Revenue	35%	* Key measure of financial performance * Ensures continued focus on growth * Aligns with other performance measures such as cash generation and customer satisfaction
Free cash generation	25%	* Key indicator of financial performance * Reduces reliance on other external forms of finance (equity / debt) * Aligns with the revenue performance measure to ensure a focus on cash collection to complete the Order to Cash cycle
Alignment with customers Customer satisfaction - Client surveys / NPS	10%	* Key measure of customer satisfaction * Ensures continued focus on customer retention and opportunities to cross sell * Aligns with the Revenue growth and cash generation objectives
Alignment with employees Employee engagement / NPS	10%	* Key measure of employee satisfaction * Ensures continued focus on employee engagement, and promotes the ability to attract and retain staff * Aligns with all other performance measures
Individual objectives	20%	* Ensures continued focus on individual goals aligns to the achievement of Company goals * Rewards individual performance * Provide clear direction to employees on how they can individually contribute to Company success

Recognition of business turnaround

The business has undergone a signification turnaround during the financial year. Given the significance of this milestone, the NRC and the Board approved the issue of Zero Priced Options to staff who contributed to this outcome which included exceeding the cost reduction targets, rationalising of the technology platform and reinvigorating the sales function which all resulted in the Company achieving positive free cashflow in the fourth quarter in FY23. The board approved the issue of 6,200,000 in the form of Zero Priced Options (ZEPOs) to staff who contributed to this outcome. As a result, the Chair and CEO have each been awarded 1,000,000 ZEPOs, subject to shareholder approval at the FY23 AGM, and the CFO was awarded 350,000 ZEPOs. A further 3,900,000 ZEPOs have been awarded to other staff that have meaningly contributed to the turnaround.

The options vest over a three year period commencing on 1 July 2023 and the participants are required to remain employed by the Group.

All awards are subject to continued service with the Company under the employee incentive plan rules.

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LTI Program

The LTI program is designed to align the longer-term targets of the business with the performance hurdles of executives.

LTI outcomes are available to executives based on achieving a three-year compound annual growth rate ('CAGR') on prior year revenue. For the FY23 LTI program, the target CAGR is tested at the completion of the 2025 financial year ('FY25'). CAGAR targets are approved by the Board and are adjusted annually based on market conditions and the Group's long-term business planning.

On target performance will result in 100% of the LTI opportunity being paid. Threshold performance will be based on achieving 80% of the target level of performance, at which point 20% of the target opportunity will be paid. Stretch performance is achieved based on achieving 125% of the target level of performance, at which point 125% of the target opportunity will be paid. In addition to the CAGR target, the LTI is only paid to KMP's if a share price hurdle is achieved, for the FY23 plan the share price hurdle is 34 cents at the end of the three year period.

The NRC, reviewed and determined that due to the current stage of the Group's development, revenue was considered as the key metric and most appropriate indicator of long term performance.

The three-year LTI performance period aligns with the market expectations, with FY23 being the first year of the LTI program there is therefore no annual testing of achievement of the LTI incentive related to the FY23 financial year.

Where LTI targets are achieved, the LTI is settled at the discretion of the Board, by the grant of zero priced options or Cash or a combination of the two.

All awards are subject to continued service with the Company under the employee incentive plan rules.

KMP FY24 Base Salaries

The current KMP salaries were reviewed against a peer group of ASX technology companies with effect from 1 July 2023. There are no changes to base KMP salaries. Superannuation increases from 10.5% to 11% in line with government legislation.

Use of remuneration consultants
During the financial year ended 30 June 2023, the Group did not engage any remuneration consultants.

Voting and comments made at the Company's 2022 AGM
At the 2022 AGM, 88.1% of shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2022.

Following the 2022 AGM, Damstra consulted with shareholders and has received feedback from proxy advisors and other stakeholders to understand their views and concerns with regards to the Group's remuneration arrangements. The Group has taken this feedback seriously and reflected this in the revised EIP plan in place for FY23 and remuneration outcomes described above. After the extensive review flowing FY22, the EIP plan is now considered an appropriate ongoing framework that will continue in FY24.

2. Details of remuneration

Amounts of remuneration
Details of the remuneration of KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the following directors of Damstra Holdings Limited:
- Johannes Risseeuw - Executive Chairman
- Christian Damstra - Chief Executive Officer
- Drew Fairchild - Non-Executive Director
- Morgan Hurwitz - Non-Executive Director
- Simon Yencken - Non-Executive Director
- Sara La Mela - Non-Executive Director

And the following persons:
- Paul Burrows - Chief Financial Officer and Company Secretary (appointed on 28 November 2022)
- Andrew Ford - Chief Financial Officer and Company Secretary (until 28 November 2022)

30 June 2023	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Movement in leave entitlements $	Post-employment benefits: Super-annuation $	Long-term benefits: Share-based payments [4] $	Total $
Non-Executive Directors:						
Drew Fairchild	70,000	-	-	7,350	16,575	93,925
Morgan Hurwitz	75,000	-	-	7,875	16,575	99,450
Simon Yencken[1]	77,350	-	-	-	16,575	93,925
Sara La Mela	65,000	-	-	6,825	16,575	88,400
Executive Directors:						
Johannes Risseeuw	405,105	-	46,532	25,292	253,538	730,467
Christian Damstra[5]	466,114	-	6,344	25,292	252,728	750,478
Other KMP:						
Paul Burrows[2]	188,098	-	11,310	16,295	33,310	249,013
Andrew Ford[3]	172,111	-	-	12,646	-	184,757
	1,518,778	-	64,186	101,575	605,876	2,290,415

(1) Mr Yencken's fees are paid in US dollars (US$51,999) and include a gross up to reflect a pro forma superannuation guarantee contribution.
(2) Mr Burrows was a KMP from 28 November 2022.
(3) Mr Ford was a KMP until 28 November 2022, his leave entitlements were paid out in cash and included in salary and fees on resignation.
(4) Equity settled remuneration includes the fair value of options granted in relation to the current and previous financial years.
(5) Christian Damstra received $61,009 as back payment for unpaid superannuation related to the duration of his relocaton to the USA between 31 March 2018 and February 2021.

30 June 2022	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Movement in leave entitlements $	Post-employment benefits: Super-annuation $	Long-term benefits: Share-based payments [4] $	Total $
Non-Executive Directors:						
Drew Fairchild	89,583	-	-	8,958	-	98,541
Morgan Hurwitz	90,000	-	-	9,000	-	99,000
Simon Yencken[1]	93,075	-	-	-	-	93,075
Sara La Mela	75,417	-	-	7,542	-	82,959
Executive Directors:						
Johannes Risseeuw	433,516	-	28,551	23,568	197,680	683,315
Christian Damstra	430,578	-	30,846	23,568	190,469	675,461
Other KMP:						
Chris Scholtz[3]	224,235	-	(5,978)	17,441	40,032	275,730
Andrew Ford[2]	125,290	-	9,946	9,427	8,926	153,589
	1,561,694	-	63,365	99,504	437,107	2,161,670

(1) Mr Yencken's fees are paid in US dollars (US$ 67,700) and include a gross up to reflect a pro forma superannuation guarantee contribution.
(2) Mr Ford was a KMP from 28 February 2022.
(3) Mr Scholtz was a KMP from 1 July 2021 until 28 February 2022.
(4) Equity settled remuneration includes the fair value of options granted in relation to previous financial years. No options were granted in relation to the FY22 EIP.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Non-Executive Directors:						
Drew Fairchild	100%	100%	-	-	-	-
Morgan Hurwitz	100%	100%	-	-	-	-
Simon Yencken	100%	100%	-	-	-	-
Sara La Mela	100%	100%	-	-	-	-
Executive Directors:						
Johannes Risseeuw	65%	71%	-	-	35%	29%
Christian Damstra	66%	72%	-	-	34%	28%
Other KMP:						
Paul Burrows	87%	-	-	-	13%	-
Andrew Ford	100%	94%	-	-	-	6%
Chris Scholtz	-	85%	-	-	-	15%

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
Name	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Executive Directors:				
Johannes Risseeuw	-	-	100%	100%
Christian Damstra	-	-	100%	100%
Other Key Management Personnel:				
Paul Burrows	-	-	-	-
Andrew Ford	-	-	100%	100%
Chris Scholtz	-	-	-	100%

3. Service agreements

KMP are employed under individual employment agreements. The agreements are continuous (i.e. not of fixed duration) unless otherwise stated. These agreements provide for a total compensation including a base salary, superannuation contribution and incentive arrangements; variable notice and termination provisions and provisions for redundancy.

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

Name:	Johannes Risseeuw
Title:	Executive Chairman
Agreement commenced:	16 October 2017
Term of agreement:	Ongoing
Details:	Salary of $453,050 per annum inclusive of superannuation, but before any salary sacrifice arrangement. Six months' notice by either party for termination of employment.

Name:	Christian Damstra
Title:	Chief Executive Officer
Agreement commenced:	15 March 2016
Term of agreement:	Ongoing
Details:	Salary of $453,050 per annum inclusive of superannuation, but before any salary sacrifice arrangement. Six months' notice by either party for termination of employment.

Name:	Drew Fairchild
Title:	Non-Executive Director
Agreement commenced:	1 April 2016
Term of agreement:	Ongoing
Details:	Director fees of $93,925 per annum inclusive of superannuation, but before any salary sacrifice arrangement. The employment period is open until a written notice of resignation is communicated by the director.

Name:	Morgan Hurwitz
Title:	Non-Executive Director
Agreement commenced:	7 November 2016
Term of agreement:	Ongoing
Details:	Director fees of $99,450 per annum inclusive of superannuation, but before any salary sacrifice arrangement. The employment period is open until a written notice of resignation is communicated by the director.

Name:	Simon Yencken
Title:	Non-Executive Director
Agreement commenced:	1 April 2019
Term of agreement:	Ongoing
Details:	Director fees of $93,925 per annum inclusive of superannuation, but before any salary sacrifice arrangement. The employment period is open until a written notice of resignation is communicated by the director.

Name:	Sara La Mela
Title:	Non-Executive Director
Agreement commenced:	1 October 2020
Term of agreement:	Ongoing
Details:	Director fees of $88,400 per annum inclusive of superannuation, but before any salary sacrifice arrangement. The employment period is open until a written notice of resignation is communicated by the director.

Name:	Paul Burrows
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	28 November 2022
Term of agreement:	Ongoing
Details:	Salary of $342,550 per annum inclusive of superannuation but before any salary sacrifice arrangement. Six months' notice by either party for termination of employment.

Effective 1 July 2022, the Non-Executive Directors' agreed to participate in a salary sacrifice arrangement whereby they would sacrifice 20% of their Board fees, excluding Committee fees, in return for zero price options in the Company. Also, effective 1 July 2022, the Executive Directors' agreed to participate in a salary sacrifice arrangement whereby they would sacrifice 5% of their salary in return for zero price options in the Company. These arrangements are subject to shareholder approval at the 2022 AGM. Current fees also include the increase in the superannuation guarantee contribution to 10.5% which was effective from 1 July 2022.

For FY24, effective 1 August 2023, the Non-Executive Directors' agreed to salary sacrifice 100% of their Board fees in return of Zero priced options, subject to shareholder approval at the FY23 AGM. The Executive Directors have agreed to continue to participate in the 5% salary sacrifice arrangement in FY24.

KMP have no entitlement to termination payments in the event of removal for misconduct.

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4. Share-based compensation

Issue of shares
There were no shares issued to directors and other executives as part of compensation during the year ended 30 June 2023.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per option at grant date
Johannes Risseeuw[(1)]	34,531	30 November 22	30 November 22	30 November 37	$0.00	$0.164
Johannes Risseeuw[(1)]	40,450	30 November 22	31 December 22	30 November 37	$0.00	$0.140
Johannes Risseeuw[(2)]	1,562,500	30 November 22	31 August 25	30 November 37	$0.00	$0.124
Johannes Risseeuw[(1)]	46,996	1 January 23	31 March 23	25 January 38	$0.00	$0.120
Johannes Risseeuw[(1)]	75,306	19 April 23	30 June 23	19 April 38	$0.00	$0.075
Christian Damstra[(1)]	34,531	30 November 22	30 November 22	30 November 37	$0.00	$0.164
Christian Damstra[(1)]	40,450	30 November 22	31 December 22	30 November 37	$0.00	$0.140
Christian Damstra[(2)]	1,562,500	30 November 22	31 August 25	30 November 37	$0.00	$0.124
Christian Damstra[(1)]	46,996	1 January 23	31 March 23	25 January 38	$0.00	$0.120
Christian Damstra[(1)]	75,306	19 April 23	30 June 23	19 April 38	$0.00	$0.075
Drew Fairchild[(1)]	25,267	30 November 22	30 November 22	30 November 37	$0.00	$0.164
Drew Fairchild[(1)]	29,600	30 November 22	31 December 22	30 November 37	$0.00	$0.140
Drew Fairchild[(1)]	34,390	1 January 23	31 March 23	25 January 38	$0.00	$0.120
Drew Fairchild[(1)]	55,106	19 April 23	30 June 23	19 April 38	$0.00	$0.752
Morgan Hurwitz[(1)]	25,267	30 November 22	30 November 22	30 November 37	$0.00	$0.164
Morgan Hurwitz[(1)]	29,600	30 November 22	31 December 22	30 November 37	$0.00	$0.140
Morgan Hurwitz[(1)]	34,390	1 January 23	31 March 23	25 January 38	$0.00	$0.120
Morgan Hurwitz[(1)]	55,106	19 April 23	30 June 23	19 April 38	$0.00	$0.075
Simon Yencken[(1)]	25,267	30 November 22	30 November 23	30 November 37	$0.00	$0.164
Simon Yencken[(1)]	29,600	30 November 22	31 December 23	30 November 37	$0.00	$0.140
Simon Yencken[(1)]	34,390	1 January 23	31 March 23	25 January 38	$0.00	$0.120
Simon Yencken[(1)]	55,106	19 April 23	30 June 23	19 April 38	$0.00	$0.075
Sara La Mela[(1)]	25,267	30 November 22	30 November 23	30 November 37	$0.00	$0.164
Sara La Mela[(1)]	29,600	30 November 22	31 December 23	30 November 37	$0.00	$0.140
Sara La Mela[(1)]	34,390	1 January 23	31 March 23	25 January 38	$0.00	$0.120
Sara La Mela[(1)]	55,106	19 April 23	30 June 23	19 April 38	$0.00	$0.075
Paul Burrows[(2)]	344,576	17 October 22	31 August 25	17 October 37	$0.00	$0.120
Paul Burrows[(3)]	100,000	28 November 22	28 November 24	28 November 37	$0.00	$0.155
	4,541,594					

(1) Represents salary sacrificed options granted.
(2) Represents long term incentive options granted as part of the FY22 employee incentive program described above and approved by shareholders at the FY22 AGM. These options will vest subject to performance conditions being satisfied in FY25.
(3) Represents retention options granted.

Options granted carry no dividend or voting rights. Vesting of the options are subject to service condition (continuous employment) and except for options issued under the employee incentives program, there are no performance conditions.

The number of options over ordinary shares granted to and vested by directors and other KMP as part of compensation during the year ended 30 June 2023 are set out below:

Name	Number of options granted during the year 30 June 2023	Number of options granted during the year 30 June 2022	Number of options vested during the year 30 June 2023	Number of options vested during the year 30 June 2022
Drew Fairchild	144,363	-	144,363	-
Morgan Hurwitz	144,363	-	144,363	-
Simon Yencken	144,363	-	144,363	-
Sara La Mela	144,363	-	144,363	-
Johannes Risseeuw(1)	2,759,783	251,413	197,283	62,854
Christian Damstra(1)	2,759,783	197,053	197,283	49,263
Paul Burrows(2)	794,576	-	-	-
Chris Scholtz	-	161,970	-	27,472
Andrew Ford	-	324,675	-	-

The total fair value of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of their compensation arrangements during the year ended 30 June 2023 are set out below. The options granted in FY23 are subject to vesting conditions and options granted as part of the Employment Incentive Program are subject to performance periods beyond FY23:

Options were granted in FY23 to the non executive directors as part of a salary sacrifice scheme. Of the options granted 197,283 options for Johannes Risseeuw and Christian Damstra were part of the salary sacrifice scheme.

(1) 1,000,000 of the ZEPO's granted by the NRC to Mr Risseeuw and Mr Damstra are subject to shareholder approval at the FY23 AGM.
(2) 350,000 of the ZEPO's granted to Mr Burrows are in the process of being issued.

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Johannes Risseeuw	356,402	-	-	26%
Christian Damstra	356,402	-	-	25%
Drew Fairchild	16,575	-	-	20%
Morgan Hurwitz	16,575	-	-	20%
Simon Yencken	16,575	-	-	20%
Sara La Mela	16,575	-	-	20%
Paul Burrows	112,849	-	-	24%

Options were granted to other non-KMP executives and staff throughout the period to aid in the retention of key talent in the Group.

Performance rights
There were no performance rights over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2023.

5. Additional information
The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Sales revenue	29,463	28,989	27,053	19,577	15,278
Loss after income tax	(55,805)	(67,152)	(8,627)	(3,779)	(3,718)

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

	2023	2022	2021	2020	2019
Share price at financial year end ($)	0.09	0.11	0.83	1.31	-
Basic loss per share (cents per share)	(21.75)	(28.92)	(5.00)	(3.05)	(4.14)

6. Additional disclosures relating to KMP

Shareholding
The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Issued on exercise of options	Additions through on market trades	Disposal through on market trades	Other movements	Balance at the end of the year
Ordinary shares						
Johannes Risseeuw	19,847,334	-	315,000	(760,869)	-	19,401,465
Christian Damstra	19,737,772	-	300,000	-	-	20,037,772
Drew Fairchild	3,162,222	-	1,910,341	-	-	5,072,563
Morgan Hurwitz	4,591,176	-	489,781	-	-	5,080,957
Simon Yencken	1,244,444	-	-	-	-	1,244,444
Sara La Mela	-	-	60,000	-	-	60,000
Paul Burrows*	-	-	-	-	-	-
Andrew Ford**	53,362	-	-	-	(53,362)	-
	48,636,310	-	3,075,122	(760,869)	(53,362)	50,897,201

* Mr Burrows commenced as a KMP on 28 November 2022 and as of this date his shareholding acquired prior to becoming a KMP has been added to the table.

** Mr Ford ceased to be a KMP on 28 November 2022 and as of this date his shareholding has been excluded from the table on the basis he no longer holds shares in his capacity as a KMP.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Johannes Risseeuw**	2,169,287	2,759,783	-	-	4,929,070
Christian Damstra**	2,130,433	2,759,783	-	-	4,890,216
Drew Fairchild	133,333	144,363	-	-	277,696
Morgan Hurwitz	-	144,363	-	-	144,363
Simon Yencken	-	144,363	-	-	144,363
Sara La Mela	-	144,363	-	-	144,363
Paul Burrows***	-	794,576	-	-	794,576
Andrew Ford*	324,675	-	-	(324,675)	-
	4,757,728	6,891,594	-	(324,675)	11,324,647

* Mr Ford ceased being a KMP on 28 November 2022 and as of this date his option holding has been excluded from the table on the basis he no longer holds options in his capacity as a KMP.
** 1,000,000 of the ZEPO's granted by the NRC to Mr Risseeuw and Mr Damstra are subject to shareholder approval at the FY23 AGM.
*** 350,000 of the ZEPO's granted to Mr Burrows are in the process of being issued.

	Vested and exercisable	Vested and unexercisable	Not yet vested	Balance as at end of the year
Options over ordinary shares				
Johannes Risseeuw*	1,945,857	-	2,983,213	4,929,070
Christian Damstra*	1,934,183	-	2,956,033	4,890,216
Drew Fairchild	277,696	-	-	277,696
Morgan Hurwitz	144,363	-	-	144,363
Simon Yencken	144,363	-	-	144,363
Sara La Mela	144,363	-	-	144,363
Paul Burrows**	-	-	794,576	794,576
	4,590,825	-	6,733,822	11,324,647

* 1,000,000 of the ZEPO's granted by the NRC to Mr Risseeuw and Mr Damstra are subject to shareholder approval at the FY23 AGM.
** 350,000 of the ZEPO's granted to Mr Burrows are in the process of being issued.

Loans to KMP and their related parties
There is an outstanding loan to Johannes Risseeuw amounting to $134,011 as at 30 June 2023 (2022: $123,741). The loan has no agreed term and is repaid at the request of the Board of Directors. Interest is charged on the outstanding balance at 8% per annum amounting to $10,270 for the year ended 30 June 2023 (2022: $9,484).

A relative of Christian Damstra has been employed by the Company and provided contracting services during the financial year on an arms-length basis. Payments made to the related party during the year ended 30 June 2023 amounted to $46,291 (2022: $58,526).

Amount due as at 30 June 2023 included as part of trade payables was $12,400 (2022: $nil).

This concludes the remuneration report, which has been audited.

Shares under option
There were 23,041,520 unissued ordinary shares of Damstra Holdings Limited under option outstanding at the date of this report. These options are exercisable at a weighted average exercise price of $0.59 per share.

Grant date	Expiry date	Exercise price	Number under option
16/10/2019	16/10/2034	$0.00	599,998
16/10/2019	16/10/2025	$1.52	1,964,284
30/09/2020	30/09/2035	$0.00	730,561
30/09/2020	30/09/2026	$3.24	1,686,439
30/09/2020	30/09/2026	$3.24	982,146
19/10/2020	30/09/2023	$0.86	862,070
16/12/2020	16/12/2035	$0.00	19,724
9/04/2021	9/04/2036	$0.00	29,001
1/09/2021	1/09/2036	$0.00	971,912
1/09/2021	1/09/2027	$1.70	755,034
8/12/2021	8/12/2036	$0.00	284,721
31/03/2022	31/03/2037	$0.00	3,406,250
01/10/2022	01/10/2037	$0.00	2,590,000
17/10/2022	17/10/2037	$0.00	3,837,362
30/11/2022	30/11/2037	$0.00	3,494,430
01/01/2023	30/11/2037	$0.00	231,552
19/04/2023	30/11/2037	$0.00	371,036
24/10/2022	24/10/2037	$0.00	125,000
28/11/2022	28/11/2037	$0.00	100,000
			23,041,520

The total shares under option includes those issued to Non-Executive Directors, KMP, other non-KMP executives and other staff under prior year EIP's and in relation to the retention of key talent in the Group.

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

Shares issued on the exercise of options
There were no ordinary shares of Damstra Holdings Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

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

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

Indemnity and insurance of auditor
To the extent permitted by law, Damstra Holdings Limited has agreed to indemnify its auditors, William Buck Audit (Vic) Pty Ltd, as part of its audit engagement agreement against claims by third parties arising from the audit arising from the Company's breach of their agreement. The indemnity stipulates that the Company will meet the full amount of any such liabilities including a reasonable amount of legal costs. No payment has been made to indemnify PricewaterhouseCoopers during the financial year and up to the date of this report.

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

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of William Buck Audit (Vic) Pty Ltd
There are no officers of the Company who are former partners of William Buck Audit (Vic) Pty Ltd.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

Johannes Risseeuw	Drew Fairchild
Executive Chairman	Director

24 August 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF DAMSTRA HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

A. A. Finnis
Director
Melbourne, 24 August 2023

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	Note	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Revenue from operations	5	29,463	28,989
Other income	6	636	1,619
Interest revenue		151	43
Expenses			
Employee benefits expenses		(13,197)	(16,016)
Depreciation and amortisation expenses	7	(16,213)	(16,281)
Impairment of goodwill and other assets	7	(39,800)	(42,336)
Share of losses of joint ventures accounted for using the equity method		(109)	(38)
Other expenses	7	(11,931)	(16,330)
Finance costs	7	(4,805)	(2,064)
Loss before income tax expense		(55,805)	(62,414)
Income tax expense	8	-	(4,738)
Loss after income tax expense for the year attributable to the owners of Damstra Holdings Limited		(55,805)	(67,152)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		8	(86)
Other comprehensive income/(loss) for the year, net of tax		8	(86)
Total comprehensive loss for the year attributable to the owners of Damstra Holdings Limited		(55,797)	(67,238)
		Cents	**Cents**
Basic loss per share	34	(21.75)	(28.92)
Diluted loss per share	34	(21.75)	(28.92)

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

	Note	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		7,140	9,738
Trade and other receivables	9	4,162	5,039
Inventories		-	395
Other assets	10	1,209	1,430
Total current assets		12,511	16,602
Non-current assets			
Investments accounted for using the equity method		112	221
Property, plant and equipment	11	4,550	5,194
Right-of-use assets	12	2,164	2,848
Intangible assets	13	59,535	105,214
Term deposits		306	357
Other assets	10	469	187
Total non-current assets		67,136	114,021
Total assets		79,647	130,623
Liabilities			
Current liabilities			
Trade and other payables	14	4,361	6,586
Contract liabilities	15	5,679	4,565
Borrowings	16	1,458	-
Lease liabilities	17	1,100	1,057
Employee benefits	18	2,426	1,969
Deferred consideration on acquisition	20	-	3,500
Deferred research and development income		-	458
Provisions	19	1,157	817
Total current liabilities		16,181	18,952
Non-current liabilities			
Contract liabilities	15	168	149
Borrowings	16	15,750	10,055
Lease liabilities	17	1,218	1,949
Employee benefits	18	114	187
Total non-current liabilities		17,250	12,340
Total liabilities		33,431	31,292
Net assets		46,216	99,331
Equity			
Issued capital	21	173,351	173,351
Reserves	22	15,778	13,088
Accumulated losses		(142,913)	(87,108)
Total equity		46,216	99,331

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

Damstra Holdings Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	143,716	11,604	(19,956)	135,364
Loss after income tax expense for the year	-	-	(67,152)	(67,152)
Other comprehensive loss for the year, net of tax	-	(86)	-	(86)
Total comprehensive loss for the year	-	(86)	(67,152)	(67,238)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	29,635	-	-	29,635
Vesting charge for share-based payments (note 35)	-	1,551	-	1,551
Issue of warrants (note 22)	-	19	-	19
Balance at 30 June 2022	173,351	13,088	(87,108)	99,331

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	173,351	13,088	(87,108)	99,331
Loss after income tax expense for the year	-	-	(55,805)	(55,805)
Other comprehensive income for the year, net of tax	-	8	-	8
Total comprehensive income/(loss) for the year	-	8	(55,805)	(55,797)
Transactions with owners in their capacity as owners:				
Vesting charge for share-based payments (note 35)	-	2,147	-	2,147
Issue of warrants (note 22)	-	535	-	535
Balance at 30 June 2023	173,351	15,778	(142,913)	46,216

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

	Note	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,833	27,900
Payments to suppliers and employees (inclusive of GST)		(26,745)	(31,803)
Interest received		151	43
Other revenue		-	340
Net cash from/(used in) operating activities	33	7,239	(3,520)
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	31	(3,500)	(2,240)
Payments for property, plant and equipment		(1,150)	(1,151)
Payments for intangibles		(6,873)	(6,705)
Proceeds from disposal of property, plant and equipment		-	3
Net cash used in investing activities		(11,523)	(10,093)
Cash flows from financing activities			
Proceeds from issue of shares	21	-	20,020
Share issue transaction costs		-	(1,408)
Interest and other finance costs paid		(1,788)	(1,410)
Proceeds from borrowings		5,000	9,000
Repayment of borrowings		(571)	(11,497)
Repayment of lease liabilities		(1,006)	(831)
Net cash from financing activities		1,635	13,874
Net (decrease)/increase in cash and cash equivalents		(2,649)	261
Cash and cash equivalents at the beginning of the financial year (including Term deposits)		10,095	9,834
Cash and cash equivalents at the end of the financial year (including Term deposits)		7,446	10,095

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

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Note 1. General information

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

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

Suite 3, Level 3
299 Toorak Road
South Yarra VIC 3141

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 August 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group has net current liabilities of $3,670,000 as at 30 June 2023 (2022: $2,350,000), and net assets of $46,216,000 (2022: $99,331,000). The Group has cash and cash equivalents of $7,140,000 as at 30 June 2023 (2022: $9,738,000). The Group recently achieved its fifth quarter of being Operating Cashflow positive and achieved being free cashflow positive in the last quarter of the financial year (Net of acquisitions, drawdown and repayment of debts, other funding transactions and one-off restructuring costs).

In assessing the Group’s ability to continue as a going concern, the directors have considered the Group’s financial forecasts, available funds, and that they are in compliance with all banking covenants at 30 June 2023, having recently completed a refinancing of the banking facility to November 2026. The Group's forecasts reflect the generation of free Cashflow resulting from the achieved cost reduction program and recent new client wins. The directors are satisfied that these actions are practical and achievable and are therefore satisfied that there are reasonable grounds to conclude the Group can continue as a going concern.

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.

Note 2. Significant accounting policies (continued)

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 3.

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 30.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Damstra Holdings Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Damstra Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO and Chairman of the Group.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Damstra Holdings Limited's functional and presentation currency.

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

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

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

Note 2. Significant accounting policies (continued)

Revenue recognition
The Group recognises revenue as follows:

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

In addition, the Group considers whether: the parties to the contract have approved the contract and are committed to perform their respective obligations; each party’s rights regarding the goods or services to be transferred can be identified; the payment terms for the goods or services to be transferred can be identified; the contract has commercial substance; and it is probable that the entity will collect the consideration to which it will be entitled to, evaluating the collectability by considering the customer’s ability and intention to pay.

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.

Software service
Software service revenue primarily consists of fees that give customers access to the Group's workforce management system, which also includes related customer support and maintenance. The software service revenue is recognised over time as they are delivered and consumed concurrently over the service period, beginning on the date that the services are made available to the customer. Software services typically have a term of 12 months and are subject to penalties for early termination by the customer. Subscription services represent a single obligation to provide continuous access to the software, maintenance and support including upgrades on and when available basis.

Rental of hardware equipment
Revenue from the rental of hardware equipment consists of fees that give customers access to hardware and includes (among other hardware) Alcolizers, Biometric technology login terminals and handheld devices. The hardware rental revenue is recognised over time as customers derive the benefit from the hardware, beginning on the date that the service is made available to the customers.

Implementation and other support services
Revenue from training and other support services is recognised at a point in time following the delivery and completion of the agreed services with the Group.

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

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

Note 2. Significant accounting policies (continued)

Government grants
Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Research and development ('R&D') tax incentives are recognised in the statement of profit or loss and other comprehensive income to the extent that they relate to costs that have been expensed. For costs that have been capitalised to intangible assets, the government grants income is initially recognised as 'deferred income' and is subsequently credited to the statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the related assets. Only the portion of the incentive that is incremental to the Company tax rate is accounted for as a government grant.

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.

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.

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

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

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

The Group is entitled to claim special tax deductions in relation to qualifying Research & Development ('R&D') expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

Customer fulfilment costs
Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method.

Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

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

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Note 2. Significant accounting policies (continued)

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

Leasehold improvements	4-5 years
Plant and equipment	3-5 years
Motor vehicles	5 years

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

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

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and 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.

Intangible assets

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

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.

Acquired software
Significant costs associated with the software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Product development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when: it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Note 2. Significant accounting policies (continued)

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

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

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

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

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.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Borrowing costs are capitalised when they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise they are expensed as incurred.

Derecognition
A borrowing is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Lease liabilities
Leases are assessed to determine if they are an operating or finance lease based on the substance of the underlying transaction. Consideration is given to the transfer of ownership at the end of the lease, options to purchase the underlying asset, duration of the lease, and values paid during the lease. Where assets are considered an operating lease income or expense is recognised in the profit and loss statement. Where leases are assessed as finance leases the Right of Use Asset and Lease liability are calculated and recognised in the Balance Sheet.

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. If a rental agreement contains a substantive substitute right, it is not accounted for as a lease.

Note 2. Significant accounting policies (continued)

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.

Finance costs
Finance costs are expensed in the period in which they are incurred.

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.

Employee benefits

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

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

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

Share-based payments
Equity-settled 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.

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

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

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.

Note 2. Significant accounting policies (continued)

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.

If an employee is rendering services for the award beginning at a date earlier than the grant date, the entity estimates the cost of the award and recognises such cost over a period starting with that earlier date. The entity then adjusts the cost estimate to the grant date fair value when approval is given and the grant date is set.

Warrants

Share warrants issued by the Company, classified as equity instruments, are taken directly to the share warrants reserve. Once the share warrants are exercised, the amount recognised in the reserve is transferred to share capital on issue of shares. If the share warrants are forfeited, or they expire, the amounts recognised in the reserve will be transferred to accumulated losses.

Fair value measurement

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

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

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.

Business combinations

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

Loss per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

Comparatives
Certain comparatives have been reclassified to conform with current year presentation. This has not had any material impact on the financial position of the Group as at 30 June 2022 or the results for the year then ended.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the Group’s financial statements.

Note 3. 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 recognition
In addition to the accounting policy in note 2, judgement has been exercised by the Group when evaluating whether collectability of consideration is probable, by assessing the customer's ability and intention to pay at the time contracts are entered into.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

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

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. 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. Refer to note 13 for further information.

Recovery of deferred tax assets
Deferred tax assets including those from unrecouped tax losses 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. The Group has concluded that a proportion of the deferred tax asset balance will be recoverable using estimated future taxable income based on the board approved forecasts in the relevant tax jurisdictions. Judgment and assumptions about the generation of future taxable profits depends on management's estimates of future cashflows. These assumptions are consistent with the modelling used to support the carrying value of non-current assets. They depend on estimates of future predications Judgements are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised and the amounts of other tax losses and temporary differences not yet recognised.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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

Warrants
The Group has classified the share warrants as an equity instrument, on the basis that a fixed amount of cash is delivered in exchange for a fixed amount of shares. The warrants are settled using the Company's own equity instruments (ordinary shares) in exchange for a fixed price i.e. the exercise price. There is no obligation for the Company to purchase its own equity for cash. Please refer to note 22 for details of the key estimates used in valuing the instruments.

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into one operating segment, being workforce management solutions. The determination of the operating segment is based on the information provided to the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Consideration has been given to the manner in which services are provided to the customers, the organisation structure and the nature of the Group's customer base.

Major customers
During the year ended 30 June 2023, two customers individually contributed more than 10% of the total external revenue generated by the Group (2022: two).

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000
Australia	23,180	25,347	65,800	112,449
New Zealand	3,830	2,361	454	510
United States of America	1,916	777	246	480
International operations	537	504	330	4
	29,463	28,989	66,830	113,443

Geographical non-current assets excludes Investments accounted for using the equity method.

Note 5. Revenue from operations

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Sales revenue	29,463	28,989

Note 5. Revenue from operations (continued)

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

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Major product lines		
Software services	22,048	21,656
Rental and hardware equipment sales	4,963	5,030
Implementation and other support services	2,452	2,303
	29,463	28,989
Timing of revenue recognition		
Revenue recognised over time	21,501	24,203
Revenue recognised at a point in time	7,962	4,786
	29,463	28,989

Revenue from external customers by geographic regions is set out in note 4 operating segments.

Note 6. Other income

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Research and development tax incentives	459	1,189
Government grants (COVID-19)*	-	82
Other income	177	348
Other income	636	1,619

* In previous year, the Group has received JobKeeper and other support payments amounting to $82,000 from the Australian and NZ Government which were passed on to eligible employees. The amount received was recognised as government grants in the financial statements and recorded as other income over the period in which the related employee benefits were recognised as an expense.

Note 7. Expenses

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	3	12
Plant and equipment	2,348	3,354
Motor vehicles	-	13
Buildings right-of-use assets	1,110	915
Total depreciation	3,461	4,294

Note 7. Expenses (continued)

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Amortisation		
Customer contracts	1,803	1,524
Software and website cost	10,163	10,129
Customer fulfilment costs	234	334
Brand	552	-
Total amortisation	12,752	11,987
Total depreciation and amortisation	16,213	16,281
Impairment of goodwill and other assets		
Impairment of goodwill	39,800	40,000
Impairment of receivables and other assets	-	2,336
Total impairment of goodwill and other assets	39,800	42,336
Other expenses include the following:		
Outsourced services	4,183	5,054
IT and administration expenses	5,029	5,710
Materials and hardware expenses	572	1,976
Acquisition costs (excluding employee benefits expenses)	-	137
Advisory fees and consultant fees	1,053	1,612
Movement in expected credit loss provision	148	327
Other expenses	435	970
Contractor expenses	511	544
Total other expenses	11,931	16,330
Finance costs		
Interest and finance charges paid/payable on borrowings	3,837	1,795
Interest and finance charges paid/payable on lease liabilities	164	59
Fees on extension of loans	734	-
Interest and finance charges paid/payable on others	28	114
Net foreign exchange loss	42	96
Finance costs expensed	4,805	2,064
Superannuation expense		
Defined contribution superannuation expense	1,135	1,203
Share-based payments expense		
Share-based payments expense	2,147	1,551

Note 8. Income tax

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Income tax expense		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	4,445
Adjustment recognised for prior periods	-	293
Aggregate income tax expense	-	4,738
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(55,805)	(62,414)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax at the statutory tax rate of 25%	(13,951)	(15,604)
Impairment of goodwill	9,950	10,000
Share-based payments	562	388
Non-assessable R&D boost	(115)	(295)
Other non-deductible expenses	240	290
	(3,314)	(5,221)
Prior year deferred tax asset derecognised	-	4,445
Current year tax losses not brought to account	3,314	5,094
Adjustment recognised for prior periods	-	420
Income tax expense	-	4,738

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	59,428	46,172
Potential tax benefit @ 25%	14,857	11,543

The above potential tax benefit has not been recognised in the statement of financial position due to uncertainty as to whether future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 9. Trade and other receivables

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Current assets		
Trade receivables	4,505	5,289
Less: Allowance for expected credit losses	(484)	(524)
	4,021	4,765
Other receivables	7	150
Receivables from related parties	134	124
	4,162	5,039

Allowance for expected credit losses
The Group has recognised a loss of $148,000 (2022: $1,863,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

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

Consolidated	Expected credit loss rate 30 June 2023 %	Expected credit loss rate 30 June 2022 %	Carrying amount 30 June 2023 $'000	Carrying amount 30 June 2022 $'000	Allowance for expected credit losses 30 June 2023 $'000	Allowance for expected credit losses 30 June 2022 $'000
Not overdue	-	1.23%	2,127	3,334	-	41
1 to 2 months overdue	1.40%	2.10%	1,291	1,008	18	21
2 to 3 months overdue	2.31%	34.04%	303	209	7	71
3 to 4 months overdue	19.92%	56.05%	291	127	58	71
Over 4 months overdue	81.30%	52.30%	493	611	401	320
			4,505	5,289	484	524

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

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Opening balance	524	500
Additional provisions recognised	148	1,863
Receivables written off during the year as uncollectable	(188)	(1,839)
Closing balance	484	524

Note 10. Other assets

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Current assets		
Prepayments	1,061	1,081
Security deposits	89	65
Other current assets	59	284
	1,209	1,430
Non-current assets		
Customer fulfilment costs	469	187
	1,678	1,617

Reconciliation of customer fulfilment costs:
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Opening balance	187	426
Additions	516	95
Amortisation expense	(234)	(334)
	469	187

Note 11. Property, plant and equipment

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Non-current assets		
Leasehold improvements - at cost	154	152
Less: Accumulated depreciation	(136)	(133)
	18	19
Plant and equipment - at cost	13,612	11,982
Less: Accumulated depreciation	(9,080)	(6,807)
	4,532	5,175
Motor vehicles - at cost	138	138
Less: Accumulated depreciation	(138)	(138)
	-	-
	4,550	5,194

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Note 11. Property, plant and equipment (continued)

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

Consolidated	Leasehold improve-ments $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2021	21	7,364	2	7,387
Additions	10	1,144	-	1,154
Additions through business combinations	-	22	11	33
Exchange differences	-	(1)	-	(1)
Depreciation expense	(12)	(3,354)	(13)	(3,379)
Balance at 30 June 2022	19	5,175	-	5,194
Additions	2	1,705	-	1,707
Depreciation expense	(3)	(2,348)	-	(2,351)
Balance at 30 June 2023	18	4,532	-	4,550

Note 12. Right-of-use assets

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Non-current assets		
Right-of-use assets	4,504	4,646
Less: Accumulated depreciation	(2,340)	(1,798)
	2,164	2,848

The Group leases land and buildings for its offices, warehouses and retail outlets under agreements of between one to five years with, in some cases, options to extend. Refer to note 2 for accounting policy on right-of-use assets.

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

Consolidated	Properties $'000
Balance at 1 July 2021	2,611
Additions	971
Additions through business combinations	201
Exchange differences	(20)
Depreciation expense	(915)
Balance at 30 June 2022	2,848
Additions	469
Exchange differences	(43)
Depreciation expense	(1,110)
Balance at 30 June 2023	2,164

Note 12. Right-of-use assets (continued)

For other AASB 16 lease-related disclosures refer to the following:

- note 7 for details of interest on lease liabilities and other lease expenses;
- note 17 and note 33 for details of lease liabilities at the beginning and end of the reporting period;
- note 24 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 13. Intangible assets

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Non-current assets		
Goodwill - at cost	79,999	119,999
Less: Impairment	(39,800)	(40,000)
	40,199	79,999
Software and website costs - at cost	48,542	41,908
Less: Accumulated amortisation	(33,858)	(23,700)
	14,684	18,208
Customer relationships - at cost	9,113	9,113
Less: Accumulated amortisation	(4,944)	(3,141)
	4,169	5,972
Brand	1,035	1,035
Less: Accumulated amortisation	(552)	-
	483	1,035
	59,535	105,214

Reconciliations

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

Consolidated	Goodwill $'000	Software and website costs $'000	Customer relationships $'000	Brand $'000	Total $'000
Balance at 1 July 2021	106,971	19,104	4,710	1,035	131,820
Additions	-	6,367	-	-	6,367
Additions through business combinations	13,028	2,866	2,786	-	18,680
Impairment of goodwill	(40,000)	-	-	-	(40,000)
Amortisation expense	-	(10,129)	(1,524)	-	(11,653)
Balance at 30 June 2022	79,999	18,208	5,972	1,035	105,214
Additions	-	6,640	-	-	6,640
Impairment of goodwill	(39,800)	-	-	-	(39,800)
Exchange differences	-	(1)	-	-	(1)
Amortisation expense	-	(10,163)	(1,803)	(552)	(12,518)
Balance at 30 June 2023	40,199	14,684	4,169	483	59,535

With the exclusion of Goodwill, intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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Note 13. Intangible assets (continued)

Impairment testing for goodwill
In accordance with the Group's accounting policies, indefinite life assets are allocated to CGUs in order to determine the recoverable amount for the annual impairment test.

As at 30 June 2023, the Group had one CGU which was the whole of its consolidated operations, being the Damstra Workforce Management Solutions CGU.

An assessment of indicators and subsequent testing of impairment was completed as at year end which resulted in an impairment loss of $39,800,000 being recognised during the year ended 30 June 2023.

The testing assessed the recoverable amount of the Damstra Workforce Management Solutions CGU's assets by a value-in-use ('VIU') calculation using a discounted cash flow model, based on a 5 year projection period approved by management.

The impairment loss resulted principally from a 34% increase in the discount rate used in the value-in-use model reflecting changing global market conditions. Compound annual revenue growth rates have been set based on expected market outcomes. It should be noted that these conservative assumptions generate sustainable increasing profits and cash outcomes to support the business.

Key assumptions - Damstra Workforce Management Solutions CGU
Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The following key assumptions were used in the discounted cash flow model in relation to Damstra Workforce Management Solutions CGU:

(a) Implied pre-tax discount rate 18.1% (2022: 13.1%);
(b) Post-tax discount rate of 14.75% (2022:11.0%);
(c) Revenue growth was projected at an average of 12.5% (2022: 18.1%) ; and
(d) Terminal growth rate 2.5% (2022: 2.5%).

The discount rate was estimated based on the CGU's weighted average cost of capital, which was calculated by a third party independent valuation expert.

The revenue growth rate reflects forecast conservative growth rates over a 5 year period after consideration for changing market conditions. The terminal growth rate was determined based on management's estimate of a conservative long term compound growth rate, consistent with what a market participant would make.

Based on the above, an impairment charge of $39,800,000 has been applied as the carrying amount of Damstra Workforce Management Solutions CGU exceeded its recoverable amount.

Sensitivity analysis - Damstra Workforce Management Solutions CGU
Management believes that the growth rates disclosed above over the five-year forecast period are realistic and achievable based on the organic growth prospects and significant existing investment in the Group's workplace management software and as such Management believes that the carrying amount is fairly stated.

The calculation of value in use is most sensitive to the following assumptions:
(a) Discount rate: the post-tax discount rate in the model is 14.75% (a 1% increase in the discount rate with all other factors remaining consistent in the model increases the impairment by $5,700,000).
(b) Revenue growth rate: the projected growth rate for recurring revenue in the model is an average of 12.5%.

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 of goodwill.

Note 14. Trade and other payables

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Trade payables	1,660	2,664
Accruals and other payables	2,701	3,922
	4,361	6,586

Refer to note 24 for further information on financial instruments.

Note 15. Contract liabilities

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Contract liabilities	5,679	4,565
Non-current liabilities		
Contract liabilities	168	149
	5,847	4,714

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	4,714	5,910
Payments received in advance	10,875	10,202
Additions through business combinations	-	552
Revenue recognised in current year	(9,742)	(11,950)
Closing balance	5,847	4,714

Unsatisfied performance obligations
There were no unsatisfied performance obligations as at 30 June 2023 and 30 June 2022.

Note 16. Borrowings

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Back-end fee payable	1,458	-
Non-current liabilities		
Loan from Partners for Growth VI, L.P. ('PFG')	15,000	10,000
Back-end fee payable	750	354
Capitalised borrowing costs	-	(299)
	15,750	10,055
	17,208	10,055

Note 16. Borrowings (continued)

Refer to note 24 for further information on financial instruments.

Movement in the carrying value of the PFG facility was as follows:

	Consolidated 30 June 2023 $'000
Opening balance at 1 July	10,055
Drawdowns in the year	5,000
Derecognition of borrowing on modification	(15,055)
Recognition of new borrowing on modification	15,000
Recognition of back-end fees on modification	2,208
Carrying value at 30 June	17,208

Loan from Partners for Growth VI, L.P. ('PFG facility')
On 5 June 2023, the Group renewed and extended its loan facility. The PFG facility is now a $17,500,000 (FY22 $15,000,000), three and a half year secured debt facility with a redemption date of 30 November 2026. As at 30 June 2023, $15,000,000 of the facility was drawn. The interest rate on the facility is 8.6% above BBSW per annum, payable monthly in arrears.

As part of the new arrangement the following additional conditions were agreed between the Group and PFG:
- An establishment fee of $200,000;
- An additional backend fee of $750,000 payable on 30 June 2026; and
- The issue of warrants, for a total value of $535,000, which are based on fixed exercise prices of $0.071, $0.102 and $0.118 exercisable before 30 June 2030. As these warrants are under a fixed for fixed arrangement they have been classified as equity, please refer to note 22 for further details.

The Group consider these additional terms to be a substantial modification to the original agreements and therefore the original borrowings have been derecognised with the new borrowing recognised as a new liability. In accordance with the Groups' accounting policy and accounting standards the difference in the carrying amounts has been recognised in the statement of profit or loss and other comprehensive income in the current year as a finance cost. In addition, the back-end fees from the original agreement with PFG have been fully recognised in the carrying value of the new loan and the additional back-end fees as per the new finance arrangement were expensed in the statement of profit or loss and other comprehensive income as a finance cost. The original back-end fees are consistent with the original loan agreement and are noted below:
- Fee calculated at 30 June 2024 in respect of a fee of 7.75% of the average outstanding borrowing across the initial facility term;
- A fee ranging from $nil to $465,000 depending on the Damstra share price at 30 June 2024, noting that the Group has provided for the full $465,000 as the amount payable would only vary if the share price of the Group closes higher than $0.40 at 30 June 2024; and
- The issue of warrants, for a total consideration of $19,000, with fixed exercise prices of $1.05 and $1.32 per share. As these warrants are under a fixed for fixed arrangement they have been classified as equity.

These fees are payable on 30 June 2024.

Bank Covenants
The Group was in compliance with all bank covenants as at 30 June 2023.

Note 16. Borrowings (continued)

Financing arrangements
As at the reporting date, the following lines of credit were in place:

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Total facilities		
Loan from Partners for Growth VI, L.P. (PFG)	17,500	15,000
Used at the reporting date		
Loan from Partners for Growth VI, L.P. (PFG)	15,000	10,000
Unused at the reporting date		
Loan from Partners for Growth VI, L.P. (PFG)	2,500	5,000

Note 17. Lease liabilities

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Lease liability	1,100	1,057
Non-current liabilities		
Lease liability	1,218	1,949
	2,318	3,006

Refer to note 24 for maturity analysis of lease liabilities.

Note 18. Employee benefits

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Current liabilities		
Annual leave	1,442	1,595
Long service leave	575	277
Other employee benefits	409	97
	2,426	1,969
Non-current liabilities		
Long service leave	114	187
	2,540	2,156

Note 19. Provisions

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Current liabilities		
Other provisions	1,157	817

Other provisions
These provisions represent residual take on liabilities from recent acquisitions relating to research & development and other claims.

Movements in provisions
Movements in other provisions during the current financial year are set out below:

Consolidated - 30 June 2023	Other provisions $'000
Carrying amount at the start of the year	817
Additional provisions recognised	340
Carrying amount at the end of the year	1,157

Note 20. Deferred consideration on acquisition

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Current liabilities		
Deferred consideration	-	3,500

The Group acquired 100% of the ordinary shares of TIKS Solutions Pty Ltd ('TIKS') for the total consideration of $16,883,000 during the year ended 30 June 2022. The consideration was partly settled by the issue of 12,000,000 ordinary shares in the Company at an issue price of $0.89 per share and cash payment of $6,203,000. The deferred consideration amount of $3,500,000 was settled during the year ended 30 June 2023.

Note 21. Issued capital

	Consolidated 30 June 2023 Shares	Consolidated 30 June 2022 Shares	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Ordinary shares - fully paid	257,696,388	257,696,388	173,638	174,708
Less: Treasury shares	(2,060,948)	(2,060,948)	(4,462)	(4,462)
Add back: Treasury shares allocated	1,928,573	1,434,176	4,175	3,105
	257,564,013	257,069,616	173,351	173,351

Note 21. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2021	186,813,130		148,178
Issue of shares on the acquisition of TIKS Solutions Pty Ltd (note 31)	14 October 2021	12,000,000	$0.89	10,680
Issue of shares	10 December 2021	40,467,598	$0.34	13,760
Issue of shares	22 December 2021	18,415,660	$0.34	6,260
Share transaction costs		-	$0.00	(1,065)
Balance (including Treasury shares allocated)	30 June 2022	257,696,388		177,813
Balance (including Treasury shares allocated)	30 June 2023	257,696,388		177,813

Movements in treasury shares

Details	Date	Shares	Issue price	$'000
Balance	1 July 2021	(1,603,515)		(4,462)
Less: allocation of shares on exercise of options	July 2021	23,030	$0.00	-
Less: allocation of shares on exercise of options	September 2021	15,486	$0.00	-
Less: allocation of shares on exercise of options	October 2021	25,440	$0.00	-
Less: allocation of shares on exercise of options	November 2021	596,859	$0.00	-
Less: allocation of shares on exercise of options	December 2021	66,667	$0.00	-
Less: allocation of shares on exercise of options	March 2022	22,387	$0.00	-
Less: allocation of shares on exercise of options	April 2022	107,201	$0.00	-
Less: allocation of shares on exercise of options	May 2022	119,673	$0.00	-
Balance	30 June 2022	(626,772)		(4,462)
Less: allocation of shares on exercise of options	July 2022	26,389	$0.00	-
Less: allocation of shares on exercise of options	Aug 2022	20,833	$0.00	-
Less: allocation of shares on exercise of options	September 2022	4,400	$0.00	-
Less: allocation of shares on exercise of options	October 2022	40,634	$0.00	-
Less: allocation of shares on exercise of options	November 2022	160,070	$0.00	-
Less: allocation of shares on exercise of options	December 2022	65,972	$0.00	-
Less: allocation of shares on exercise of options	March 2023	13,964	$0.00	-
Less: allocation of shares on exercise of options	April 2023	19,768	$0.00	-
Less: allocation of shares on exercise of options	May 2023	115,022	$0.00	-
Less: allocation of shares on exercise of options	June 2023	27,345	$0.00	-
Balance	30 June 2023	(132,375)		(4,462)

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Treasury shares
Treasury shares comprise of 2,060,948 shares issued to the Employee Share Trust ('EST'). Treasury shares have been reallocated to issued and allocated. There is no overall change in the share capital position.

Note 21. Issued capital (continued)

The Company has established the EST to deliver long-term incentives to eligible employees. The trustee of the Share Trust is controlled by the Company. The acquisition of the shares under the EST is fully funded by the Group. These shares are recorded as treasury shares representing a deduction against issued capital. The shares issued to EST is allocated to employees on successful vesting of options/awards. As at 30 June 2023, EST held 132,375 (2022: 626,772) shares that were unallocated. Refer to note 35 'Share-based payments' for further details.

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

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets 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 Company's share price at the time of the investment.

The Group is subject to certain covenants on its financing arrangements and meeting these is given priority in all capital risk management decisions. There are no events of default on the financing arrangements as at the end of the financial year.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 22. Reserves

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Foreign currency reserve	(105)	(113)
Share-based payments reserve	15,329	13,182
Warrants equity reserve	554	19
	15,778	13,088

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.

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

Warrants equity reserve
Warrants have previously been classified as financial liabilities, with the new issue of warrants in 2023, classification has been re-assessed in accordance with the substance of the contractual arrangement. Existing and new warrants are now classified as equity.

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Note 22. Reserves (continued)

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

Consolidated	Foreign currency reserve $'000	Share-based payments reserve $'000	Warrants equity reserve $'000	Total $'000
Balance at 1 July 2021	(27)	11,631	19	11,623
Foreign currency translation	(86)	-	-	(86)
Share-based payments	-	1,551	-	1,551
Balance at 30 June 2022	(113)	13,182	19	13,088
Foreign currency translation	8	-	-	8
Share-based payments	-	2,147	-	2,147
Warrants issued	-	-	535	535
Balance at 30 June 2023	(105)	15,329	554	15,778

In 2023, the Group as part of the facility extension has issued PFG Nominees warrants, for a total value of $535,000.

The value of the warrants included in the warrants equity reserve was calculated by an independent valuation expert using trinomial valuation model that considers strike price, share price at grant date, expiry date, volatility, risk free rate, dividend yield to determine the value per warrant which is calculated by the total number of warrants issued to determine the value of the warrants.

The assumptions used in the valuation are as follows:

	Tranche 1	Tranche 2	Tranche 3
Strike price ($)	$0.071	$0.102	$0.118
Share price at grant date ($)	$0.085	$0.085	$0.085
Grant date	30-June-23	30-June-23	30-June-23
Expiry date	30-June-30	30-June-30	30-June-30
Volatility	77%	77%	77%
Risk free rate	3.8%	3.8%	3.8%
Dividend yield	0%	0%	0%
Value per warrant ($)	$0.041	$0.039	$0.038
Total number of warrants issued	10,337,553	1,533,593	1,329,114

Note 23. Dividends

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

Franking credits

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 25%	1,172	1,172

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 24. Financial instruments

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

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

Market risk
Foreign currency risk
The Group is growing its operations in the United States of America with revenues in USD now material to its operations, as the Group's subsidiary operates a business in the United States with exposure to both revenue and expense currency movements the group has a natural hedge against major currency fluctuations. Apart from USD, the Group is not exposed to any significant foreign currency risk, except for the translation of financial assets and liabilities of foreign subsidiaries into the presentation currency.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value risk.

The Group recently renegotiated its debt facility with interest rates now BBSW+8.6% with a minimum rate of 11.75%. A 1% increase/decrease in the BBSW from the minimum rate of 11.75% on the $15,000,000 balance will increase/decrease the interest payable by $150,000.

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

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group has a credit risk exposure to two major customers (2022: two major customers) due to the size of the customer relationship. These customers are tier 1 construction and mining customers with low risk of credit default. Management closely monitors the receivable balances of these customers on a monthly basis and is in regular contact with the customer to mitigate risk.

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

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Note 24. Financial instruments (continued)

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	30 June 2023 $'000	30 June 2022 $'000
Loan from Partners for Growth VI, L.P. (PFG)	2,500	5,000

Under the revised facility agreement, the undrawn tranche 3 is available based on prior written approval of PFG.

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

Consolidated - 30 June 2023		1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,660	-	-	-	1,660
Accruals and other payables	-	2,701	-	-	-	2,701
Interest-bearing - fixed and variable rate						
Lease liability	4.44%	1,175	806	472	-	2,453
Loan from Partners for Growth VI, L.P.	11.25%	3,358	3,000	12,750	-	19,108
Total non-derivatives		8,894	3,806	13,222	-	25,922

Consolidated - 30 June 2022		1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,664	-	-	-	2,664
Accruals and other payables	-	3,922	-	-	-	3,922
Interest-bearing - fixed rate						
Lease liability	4.44%	1,136	882	1,239	-	3,257
Loan from Partners for Growth VI, L.P.	11.25%	1,125	12,520	-	-	13,645
Total non-derivatives		8,847	13,402	1,239	-	23,488

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

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Note 25. Key management personnel disclosures

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

	Consolidated	
	30 June 2023 $	30 June 2022 $
Short-term employee benefits	1,582,964	1,625,059
Post-employment benefits	101,575	99,504
Long-term benefits	605,876	437,107
	2,290,415	2,161,670

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the Company, and unrelated firms:

	Consolidated	
	30 June 2023 $	30 June 2022 $
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit or review of the financial statements	159,000	-
Total fees - William Buck Audit (Vic) Pty Ltd	159,000	-
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	-	539,480
Other services - PricewaterhouseCoopers		
Employee share trust	-	9,584
Total fees - PricewaterhouseCoopers	-	549,064

Note 27. Contingent liabilities

The Group had no contingent assets or liabilities as at 30 June 2023 and 30 June 2022.

Note 28. Commitments

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

Note 29. Related party transactions

Parent entity
Damstra Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 32.

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

Note 29. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	30 June 2023 $	30 June 2022 $
Other income:		
Interest on outstanding loan to key management personnel	10,270	9,483
Rental income and outgoings of office premises from related party of key management personnel	120,470	103,290

Receivable from and payable to related parties
A relative of Christian Damstra has been employed by the Company and provided contracting services during the financial year on an arms-length basis. Payments made to the related party during the year ended 30 June 2023 amounted to $46,291 (2022: $58,526).

Amount due as at 30 June 2023 included as part of trade payables was $12,400 (2022: $nil).

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

	Consolidated	
	30 June 2023 $	30 June 2022 $
Current receivables:		
Loan to key management personnel	134,012	123,741

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

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2023 $'000	30 June 2022 $'000
Loss after income tax	(5,354)	(1,304)
Total comprehensive loss	(5,354)	(1,304)

Note 30. Parent entity information (continued)

Statement of financial position

	Parent 30 June 2023 $'000	Parent 30 June 2022 (restated) $'000
Total current assets	40,316	43,765
Total assets	192,858	191,416
Total current liabilities	-	3,416
Total liabilities	17,208	13,416
Equity		
Issued capital	173,351	173,351
Reserves	15,861	12,857
Accumulated losses	(13,562)	(8,208)
Total equity	175,650	178,000

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

Restatement of prior year comparatives
The prior year balances have been restated due to the omission of certain liability and equity balances which should have been included in the parent entity note for the year ended 30 June 2022. The total impact of these adjustment has increased net assets and total equity by $5,396,000.

There was no change in the loss after income tax or other comprehensive income for the year. The impact of these adjustments had no effect on the presentation of the results of the Group for the year ended 30 June 2022.

Contingent liabilities
The group had no contingent liabilities at 30 June 2023 with the exception of term deposits pledged as security for rental properties.

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

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, 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 31. Business combinations

Acquisition in the previous year ended 30 June 2022
On 15 October 2021, the Group acquired 100% of the ordinary shares of TIKS Solutions Pty Ltd ('TIKS'), a Sydney-based software-as-a-service business. The acquisition was finalised during the current year. There were no changes to the fair value of assets acquired and liabilities assumed as part of the business combination.

Note 32. 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 2:

Name	Principal place of business / Country of incorporation	Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %
Applied Project Experience Pty Ltd	Australia	100%	100%
Damstra Technology LLC	United States of America	100%	100%
Damstra Technology Pty Ltd	Australia	100%	100%
Damstra Technology Pty Ltd	New Zealand	100%	100%
Damstra Technology UK Limited	United Kingdom	100%	100%
EIFY Pty Limited	Australia	100%	100%
NGB Industries Pty Limited	Australia	100%	100%
Vault Intelligence Proprietary Limited	Australia	100%	100%
Vault IQ Australia Pty Limited	Australia	100%	100%
Vault IQ NZ Limited	New Zealand	100%	100%
Vault IQ SG Pte Ltd	Singapore	100%	100%
TIKS Solutions Pty Ltd	Australia	100%	100%
Damstra Technology Incorporated	Philippines	100%	-
Vault Asia Technology (HK) Limited*	Hong Kong	-	100%

* Entity deregistered during the current financial year.

The proportion of ownership interest is equal to the proportion of voting power held.

Note 33. Cash flow information

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

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Loss after income tax expense for the year	(55,805)	(67,152)
Adjustments for:		
Depreciation and amortisation	16,213	16,281
Impairment of goodwill, receivables and other assets	40,343	40,000
Share of loss - associates	109	38
Share-based payments	2,147	1,551
Foreign exchange differences	(90)	(43)
Finance costs	4,805	1,968
Interest revenue	(151)	(43)
Other	(387)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	729	2,994
Decrease in other assets	(62)	63
Decrease in tax balances (net)	-	4,900
Decrease in trade and other payables	(2,215)	(577)
Increase/(decrease) in contract liabilities	1,133	(1,748)
Decrease in provisions	724	(294)
Decrease in other liabilities	(254)	(1,458)
Net cash from/(used in) operating activities	7,239	(3,520)

Note 33. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Additions to the right-of-use assets	469	971
Shares issued in relation to business combinations	-	10,680
	469	11,651

Changes in liabilities arising from financing activities

Consolidated	Loan facility $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2021	11,553	2,550	14,103
Net cash used in financing activities	(2,000)	(1,280)	(3,280)
Acquisition of leases	-	2,180	2,180
Changes through business combinations (note 31)	-	207	207
Lease termination and other changes	-	(651)	(651)
Back end fee amortisation	354	-	354
Establishment fee amortisation and other	148	-	148
Balance at 30 June 2022	10,055	3,006	13,061
Net cash from/(used in) financing activities	5,000	(1,557)	3,443
Acquisition of financing and leases	-	944	944
Lease termination and other changes	-	(75)	(75)
Back end fee amortisation	1,854	-	1,854
Fee amortisation and other	299	-	299
Balance at 30 June 2023	17,208	2,318	19,526

Note 34. Loss per share

	Consolidated 30 June 2023 $'000	Consolidated 30 June 2022 $'000
Loss after income tax attributable to the owners of Damstra Holdings Limited	(55,805)	(67,152)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	256,604,609	232,211,499
Weighted average number of ordinary shares used in calculating diluted earnings per share	256,604,609	232,211,499
	Cents	Cents
Basic loss per share	(21.75)	(28.92)
Diluted loss per share	(21.75)	(28.92)

Due to the Group's loss position, options have been excluded from the above calculations as their inclusion would be anti-dilutive.

Note 35. Share-based payments

The share-based payment expense for the financial year ended 30 June 2023 was $2,147,000 (2022: $1,551,000).

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to the employees of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

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

	Number of options	
	30 June 2023	**30 June 2022**
Outstanding at the beginning of the financial year	14,984,657	10,017,910
Granted	11,703,681	7,931,085
Forfeited	(2,594,719)	(1,472,719)
Exercised	(494,397)	(976,743)
Expired	(344,042)	(514,876)
Outstanding at the end of the financial year	23,255,180	14,984,657
Exercisable at the end of the financial year	6,869,482	4,888,662

The 23,255,180 unissued ordinary shares outstanding at the end of the financial year (2022: 14,984,657) are exercisable at a weighted average exercise price of $0.59 per share (2022: $0.96 per share).

On 1 October 2022, the Group issued 2,825,000 options that vest over 2 years, relate to staff retention for critical roles. The options are subject to service conditions and will be dependent on the participants satisfying employment service conditions of 2 years.

On 10 October 2022, the Group issued 100,000 options that vest over 2 years, relate to staff retention for critical roles. The options are subject to service conditions and will be dependent on the participants satisfying employment service conditions of 2 years. These options were subsequently forfeited due to the employee termination in this financial year.

On 17 October 2022, the Group issued 4,446,228 options that vest over 3 years. The options relate to the Employee Incentive Plan and are subject to service conditions, including a hurdle rate of the share price being at 34c and KPI target performance obligation. Vesting is also dependent on the participants satisfying employment service conditions of 3 years.

On 24 October 2022, the Group issued 125,000 options that vest over 1 year, relate to staff retention for critical roles. The options are subject to service conditions and will be dependent on the participants satisfying employment service conditions of 1 year.

On 28 November 2022, the Group issued 100,000 options that vest over 2 years, relate to staff retention for critical roles. The options are subject to service conditions and will be dependent on the participants satisfying employment service conditions of 2 years.

On 30 November 2022, the Group issued 3,125,000 options that vest over 3 years. The options relate to the Employee Incentive Plan and are subject to service conditions, including a hurdle rate of the share price being at 34c and KPI target performance obligation. Vesting is also dependent on the participants satisfying employment service conditions of 3 years.

On 30 November 2022, the Group issued 369,430 options for Director's and CEO's salary sacrifice that vested on the quarter ended 31 December 2022.

On 1 January 2023, the Group issued 231,552 options for Director's and CEO's salary sacrifice that vested during the quarter ended 31 March 2023.

On 20 February 2023, the Group issued 1,739 options for two employees that vested on the same day they were issued.

Note 35. Share-based payments (continued)

On 19 April 2023, the Group issued 371,036 options for Director's and CEO's salary sacrifice that vested during the quarter ended 30 June 2023.

The weighted average share price during the financial year was $0.136 (2022: $0.541).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 13.20 years (2022: 12.34 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/10/2022	01/10/2037	$0.18	$0.00	-	-	-	$0.18
10/10/2022	10/10/2037	$0.14	$0.00	-	-	-	$0.14
17/10/2022	17/10/2037	$0.15	$0.00	-	-	-	$0.15
24/10/2022	24/10/2037	$0.14	$0.00	-	-	-	$0.14
28/11/2022	28/11/2037	$0.16	$0.00	-	-	-	$0.16
30/11/2022	30/11/2037	$0.16	$0.00	-	-	-	$0.16
01/01/2023	30/11/2037	$0.12	$0.00	-	-	-	$0.12
20/02/2023	20/02/2038	$0.12	$0.00	-	-	-	$0.12
19/04/2023	30/11/2037	$0.08	$0.00	-	-	-	$0.08

Note 36. Events after the reporting period

The following matters have arisen since 30 June 2023 that may have a significant affect on groups operations and performance in the future financial year:

(a) On 14 July 2023 and 17 July 2023 Damstra signed contract expansions with multiple clients with an estimated ARR of $800,000.

(b) On 18 July 2023 Damstra extended is loan facility with PFG via committed terms finalised on the 5 June 2023. The long-form documents were executed in July extending the facility until November 2026.

(c) On 1 August 2023 Damstra's Non-Executive Directors agreed to salary sacrifice all of their director's fees for Zero priced Options for FY24 with an annual positive cash flow impact of $500,000. This is subject to shareholder approval at the FY23 AGM.

(d) On 2 August 2023 Damstra issued 81,285 ordinary shares following the exercise of options on this date.

Other than the matters described above no other matters or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Johannes Risseeuw
Executive Chairman

Drew Fairchild
Director

24 August 2023

Damstra Holdings Limited
Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

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

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

i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Level 20, 181 William Street, Melbourne VIC 3000 +61 3 9824 8555 vic.info@williambuck.com
williambuck.com.au

William Buck
ACCOUNTANTS & ADVISORS

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.

RECOGNITION OF REVENUE UNDER SERVICE CONTRACTS	
Area of focus **Refer also to notes 2, 3, 5 and 15**	**How our audit addressed it**
The Group has service contracts with its customers. These service contracts have invoicing, and payment milestones included within their terms, which may or may not be directly aligned with the performance of services under the contract in accordance with *AASB 15 Revenue from Contracts with Customers ('AASB 15').* In order to accrue revenue appropriately in the correct accounting period, management has developed a model to recognise revenue when the performance obligation is satisfied in each contract. This includes identifying the specific performance obligations within each customer agreement on commencement. There is a requirement for judgement in determining the period to which the revenue should be attributed. In designing the model management has considered: — Compliance with *AASB 15 – Revenue from contracts with customers;* — When the performance obligation is identified and satisfied in respect to each component of each contract; and — The potential for any post-contract servicing work to be performed at the conclusion of the contract and whether an additional performance obligation exists. The accounting treatment to determine that revenue has been appropriately recognised is complex and requires significant judgment and has been a key area of focus for our audit.	Our audit procedures included: — Examining management's revenue recognition model to ensure compliance with *AASB 15 Revenue from Contracts with Customers;* — Testing a sample of customer invoicing under the contract and receipt of payment; — Testing of deferred revenue recognised as at year end to ensure appropriate cut off of revenue recognised during the year; and — Tracing a sample of customers through to new service contracts to understand material terms and conditions, including any particular seller warranties or indemnities given and their potential impact upon the revenue recognition model. We also considered the adequacy of the Group's disclosures in the notes to the financial report.

<table>
<tr><th colspan="2">ASSESSMENT OF CARRYING VALUE OF GOODWILL AND INTANGIBLE ASSETS</th></tr>
<tr><th>Area of focus
Refer also to notes 2, 3 and 13</th><th>How our audit addressed it</th></tr>
<tr><td>Included on the statement of financial position is an intangible asset balance of $59.5 million as at 30 June 2023, which relates to goodwill of $40.2 million and other intangible assets totaling $19.3 million.

In accordance with AASB 136 – Impairment of assets the Group is required to, at least annually, perform an impairment assessment of goodwill and intangible assets that have an indefinite useful life. For intangible assets with finite useful lives, the Group is required to review these for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives.

Impairment is recognized when the carrying amount of the Cash Generating Unit (‘CGU”) exceeds its recoverable amount. As at 30 June 2023, the Group recorded an impairment charge of $39.8 million against the goodwill balance with a corresponding expense in the consolidated statement of profit or loss and other comprehensive income.

The accounting treatment to determine the carrying value of intangible assets is complex and requires significant judgment and has been a key area of focus for our audit.</td><td>Our audit procedures included:

— A detailed evaluation of the Group’s budgeting procedures upon which the forecast is based and testing the principles and integrity of the discounted future cash flow models;
— Assessing the appropriateness of the Cash Generating Unit (‘CGU’) in line with how the Board and Chief Financial Decision Makers evaluate the performance of the Group;
— Testing the accuracy of the calculation derived from the forecast model and assessing key inputs to the calculations such as revenue growth, terminal growth, gross margins, and working capital assumptions;
— Performing a review of the discount rate recommended by an independent expert to confirm that the methodology used by the expert was appropriate and that the expert was appropriately qualified to undertake the task;
— Performing sensitivity analysis on the model noting that any change in the assumptions used would change the impairment charge recorded by the Group; and
— Performing market cross checks on revenue multiples used in the industry that the Group operates in and comparing the Group’s market capitalisation relative to its net asset position as at 30 June 2023.

We also considered the adequacy of the Group’s disclosures in the notes to the financial report.</td></tr>
</table>

WilliamBuck
ACCOUNTANTS & ADVISORS

<table>
<tr><th colspan="2">CONTINUATION OF BUSINESS</th></tr>
<tr><th>Area of focus
Refer also to note 2</th><th>How our audit addressed it</th></tr>
<tr><td>As disclosed in Note 2, the Group made a loss after tax of $55.8 million and the net cash from operating activities was $7.2 million.

In consideration of these results and other factors, the financial statements have been prepared on the assumption that the Group is a going concern for the following reasons:
— The Group has a working capital surplus of $2.0 million as at 30 June 2023 (being current assets less current liabilities excluding contract liabilities); and
— The Group is expected to continue to generate positive operational cashflows over the course of the next 12 months due to growth in top line revenue and also through a reduction of its cost base.

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by the Directors and Management in evaluating the Group's assessment of going concern and the events or conditions that may cast doubt on the Group's ability to continue as a going concern. These are outlined in the going concern disclosures in the financial statements.

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgement and thus has been a key area of focus for our audit.</td><td>Our audit procedures included:

— Evaluation of the directors' assessment of the Group's ability to continue as a going concern;
— Reviewing cash flow forecasts and reviewing the directors' assumptions including future sales and projected expenses; and
— Reviewing the renewal and extension of the debt facility agreement entered into with Partners for Growth VI L.P.

We also considered the adequacy of the Group's disclosures in the notes to the financial report.</td></tr>
</table>

MODIFICATION OF DEBT	
Area of focus **Refer also to note 2, 3, 7, 16 and 22**	**How our audit addressed it**
On 5 June 2023 a binding term sheet was signed between the Group and Partners for Growth VI L.P ('PFG") resulting in the existing debt facility's maturity date being reset to 30 November 2026. The documentation was finalised in July 2023 with no principal repayments required in the financial year ending 30 June 2024. As a result of the modification of the debt, borrowing costs were incurred including the issuance of warrants to PFG as part of the agreement. The accounting treatment to determine the borrowing costs to be incurred during the year, and the valuation of the warrants issued requires significant judgment and has been a key area of focus for our audit.	Our audit procedures included: — Reviewing the signed renewal and extension agreement to understand the key terms that have been entered into; — Performing testing on the covenant calculations to ensure compliance; — Obtaining a 3rd party confirmation from PFG as to the outstanding balance as at 30 June 2023 and it's non-current classification; — Assessing the treatment of the back-end fees and warrants incurred as a result of the modification in line with *AASB 9- Financial Instruments*, noting that these costs have been fully expensed in the year ended 30 June 2023; — Assessing the treatment of the warrants issued under *AASB 132 Financial Instruments*, noting that the conversion feature of the warrants is assessed to be for a fixed number of shares at a fixed price resulting in the warrants being accounted for through equity; and — For the specific application of the tri-nominal model to value the warrants, we assessed the expertise of the independent expert used to calculate the value of the warrants. We also assessed the reasonableness of the assumptions detailed in their report. We also considered the adequacy of the Group's disclosures in the notes to the financial report.

Other Matter

The financial report of the Group for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on the financial report on 25 August 2022.

Other Information

The directors are responsible for the other information. The other information comprises the information 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 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.

William Buck
ACCOUNTANTS & ADVISORS

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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent 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 Damstra Holdings Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

WilliamBuck
ACCOUNTANTS & ADVISORS

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.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

A. A. Finnis
Director
Melbourne, 24 August 2023

The shareholder information set out below was applicable as at 3 August 2023.

Substantial holders

The following holders are registered by the Company as a substantial holder, having declared a relevant interest in accordance with the Corporations Act 2001 (Cth), in the voting shares below:

Holder Name	Date of interest	Number of ordinary shares [1]	% of issued capital [2]
Christian Damstra and Associates	10/12/2021	19,831,828	8.29%
Johannes Risseeuw and Associates	10/12/2021	19,737,772	8.25%
National Nominees Ltd ACF Australia Ethical Investment Limited	10/12/2021	15,041,364	6.29%
Regal Funds Management Pty Ltd	03/06/2022	15,628,629	6.09%

[1] As disclosed in the last notice lodged with the ASX by the substantial shareholder.

[2] The percentage set out in the notice lodged with the ASX is based on the total issued capital of the Company at the date of interest.

Number of Security Holders

Securities	Number of Holders
Ordinary Shares	9,373
Unlisted options over ordinary shares (**Options**)	95
Unlisted warrants over ordinary shares (**Warrants**)	2

Voting Rights

Securities	Voting Rights
Ordinary Shares	Subject to the constitution and to any rights or restrictions attached to any shares or class of shares, at a general meeting: (a) on a show of hands, every member present has one vote; (b) on a poll, every member present has: (i) one vote for each fully paid share held as at the record time by the member and in respect of which the member is entitled to vote; and (ii) a fraction of a vote for each partly paid share held as at the record time by the member and in respect of which the member is entitled to vote, equivalent to the proportion which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited) on the share.
Options	Options do not carry any voting rights.
Warrants	Warrants do not carry any voting rights.

DAMSTRA

Distribution schedule

The distribution schedule for Ordinary Shares is as follows:

Spread of Holdings	Holders	Ordinary Shares	% of Total Ordinary Shares
1 - 1,000	2,918	1,685,062	0.65%
1,001 - 5,000	3,487	9,072,212	3.52%
5,001 - 10,000	1,161	8,813,813	3.42%
10,001 - 100,000	1,574	46,091,241	17.88%
100,001 - 9,999,999,999	234	192,115,345	74.53%
Totals	**9,374**	**257,777,673**	**100.00%**

The distribution schedule for Options is as follows:

Spread of Holdings	Holders	Options	% of Total Options
1 - 1,000	0	0	0.00%
1,001 - 5,000	1	4,117	0.02%
5,001 - 10,000	8	80,000	0.34%
10,001 - 100,000	35	1,257,279	5.40%
100,001 - 9,999,999,999	51	21,945,343	94.24%
Totals	**95**	**23,286,739**	**100.00%**

The distribution schedule for Warrants is as follows:

Spread of Holdings	Holders	Warrants	% of Total Warrants
1 - 1,000	2	14	100.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
100,001 - 9,999,999,999	0	0	0.00%
Totals	**2**	**14**	**100.00%**

Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
2 August 2022	$0.125	5,771

Top 20 Shareholders

The top 20 largest fully paid ordinary shareholders together hold 53.56% of the securities in this class and are listed below:

Rank	Holder Name	Securities	%
1	NATIONAL NOMINEES LIMITED	15,171,033	5.89
2	DAMSTAR PTY LTD <C AND N DAMSTRA FAMILY A/C>	14,376,272	5.58
3	PANTON HILL SUPER FUND PTY LTD <PANTON HILL SUPER FUND A/C>	12,531,018	4.86
4	CITICORP NOMINEES PTY LIMITED	11,707,676	4.54
5	CHOCOLATE PEARL PTY LTD <THE CINJAN A/C>	10,649,733	4.13
6	RISJEF PTY LTD <J & C RISSEEUW S/FUND A/C>	8,751,732	3.40
7	S&A MARCIANO PTY LTD	8,160,000	3.17
8	UBS NOMINEES PTY LTD	7,865,932	3.05
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,007,296	2.72
10	MR PHILIP WEINMAN & MS ROCHELLE WEINMAN & MR DEAN WEINMAN <WEINMAN SUPER FUND A/C>	5,709,228	2.21
11	DAMSTRA SUPER PTY LTD <C&N DAMSTRA FAMILY SUPER A/C>	5,585,000	2.17
12	MR MING HEI TANG	5,269,972	2.04
13	ROSELEE RIDGE RESOURCES PTY LIMITED <ROSELEE RIDGE INVESTMENT AC>	4,580,000	1.78
14	HB TECHNOLOGY PTY LTD	3,480,000	1.35
15	FAIRCHILD ADVISORY PTY LTD	2,884,444	1.12
16	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAIL CLIENT DRP>	2,660,605	1.03
17	HURWITZ FAMLY PTY LTD <THE HURWITZ FAMILY A/C>	2,437,025	0.95
18	DANDREWFAIRCHILD PTY LTD <DANDREWFAIRCHILD SF A/C>	2,188,119	0.85
19	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	2,144,915	0.83
20	MR JOHN COLIN LOOSEMORE & MRS SUSAN MARJORY LOSEMORE <LOOSEMORE SUPER FUND A/C>	2,127,502	0.83
	Total	**135,287,502**	**52.48%**

Restricted securities

There are no shares on issue that are subject to mandatory escrow restrictions under ASX Listing Rules Chapter 9.

The following securities are subject to voluntary escrow restrictions:

Class	Date of Expiry	Number of Securities
Ordinary shares subject to voluntary escrow restrictions until 15 October 2023	15/10/2023	8,160,000

Unquoted Securities - options

The following unlisted options are on issue (which are subject to vesting conditions):

Class	Date of Expiry	Exercise Price	Number of Options	Number of Holders
Unlisted Options (subject to vesting conditions)	30/09/2023	$0.8575	862,070	3
Unlisted Options (subject to vesting conditions) issued under the EIP	Various	Various	22,424,669	92
			23,286,739	**95**

There are no holders outside of the Company's employee incentive plan that hold more than 20% of the Options on issue.

Unquoted Securities - warrants

The following unlisted warrants are on issue:

Class	Date of Expiry	Exercise Price	Number of Warrants	Number of Holders
Unlisted Warrants exercisable into 104,404 Ordinary Shares	30/06/2028	$1.0375	2	2
Unlisted Warrants exercisable into 96,373 Ordinary Shares	30/06/2028	$1.1275	2	2
Unlisted Warrants exercisable into 178,979 Ordinary Shares	30/06/2028	$1.2175	2	2
Unlisted Warrants exercisable into 222,729 Ordinary Shares	30/06/2028	$1.3075	2	2
Unlisted Warrants exercisable into 5,168,776 or 5,168,777 Ordinary Shares	18/07/2030	$0.10	2	2
Unlisted Warrants exercisable into 766,797 Ordinary Shares	18/07/2030 30/06/2028	$0.15	2	2
Unlisted Warrants exercisable into 664,557 Ordinary Shares	18/07/2030 30/06/2028	$0.17	2	2
			14	**2**

The following holder holds more than 20% of Warrants in the Company:

Holder Name	Securities	% of Issued Warrants
Partners for Growth V L P	7	50.00%
Partners for Growth VI L P	7	50.00%

Share buy-backs

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

Directors	Johannes Risseeuw Christian Damstra Drew Fairchild Morgan Hurwitz Simon Yencken Sara La Mela
Company secretaries	Paul Burrows Carlie Hodges
Registered office and Principal place of business	Suite 3, Level 3 299 Toorak Road South Yarra VIC 3141 Telephone: 1300 722 801
Share register	Automic Registry Services, Level 5, 477 Collins Street, Melbourne, VIC 3000 Telephone: 1300 288 664
Auditor	William Buck Audit (Vic) Pty Ltd 20/181 William Street, Melbourne, VIC 3000
Solicitors	Cottel & Co Level 31, 120 Collins St Melbourne, VIC 3000
Stock exchange listing	Damstra Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: DTC)
Website	https://www.damstratechnology.com
Business objectives	In accordance with Listing Rule 4.10.19, the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.
Corporate Governance Statement	The directors and management are committed to conducting the business of Damstra Holdings Limited in an ethical manner and in accordance with the highest standards of corporate governance. Damstra Holdings Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: http://www.damstratechnology.com/investors The Corporate Governance Statement can be found at https://www.damstratechnology.com/investors