# Annual Report 2023


**Entertain. Engage. Enable.**

Transform a facility into a community.

# Corporate Directory

## Directors

**Charles Fear**
Chairman

**Bradley Denison**
Non-Executive Director

**Philippa Leary**
Non-Executive Director

**Brian Mangano**
Managing Director

**Ryan Sofoulis**
Chief Financial Officer

**Suzie Foreman**
Company Secretary

## Corporate Details

Swift Networks Group Limited
ACN: 006 222 395
ABN: 54 006 222 395
www.swiftnetworks.com.au

## Registered Office

1060 Hay Street
WEST PERTH WA 6005
Telephone: +61 8 6103 7595
Facsimile: +61 8 6103 7594

## Auditor

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
PERTH WA 6000

## Bankers

Bank West Ltd
300 Murray Street
PERTH WA 6000

## Share Registry

Automic Group
Level 5
191 St Georges Terrace
Perth WA 6000
T: 1300 288 664
W: automicgroup.com.au

**Stock Exchange Listings**
The ordinary shares of Swift Networks Group Limited are listed on the Australian Stock Exchange. (Code: SW1)

*This Annual Report is a Summary of Networks Group Limited's operations, activities and financial position as at 30 June 2023.*

# Highlights

**$19.1 million**
Revenue 3% increase on FY22

**$15.0 million**
In excess in new contracts signed

**$19.1 million**
Of customer receipts

**$14 million**
Recurring Revenue

**$2.1 million**
Cash + $235,000 of term deposits

**$1,070,000**
Group EBITDA Profit

**$2,070,000**
Enterprise EBITDA profit

**$622,000**
Holding in ASX listed investment

**$516,000**
Repayment of borrowings

**$1.5 million**
ATO PAYG COVID facility cleared

**Aged Care Partnership** established with Checked In Care

**Successful development, launch, sales and installation** of Swift Access and Swift Broadcast

# Chairman's Report

**Dear Fellow Shareholders,**

Welcome to Swift's FY23 annual report, the second since my appointment as chairman. I can report to shareholders that I have personally seen considerable progress from the new Swift management team over the course of a transformational year. This is evident in subscriptions for Swift Access now approaching 10,000 screens since launch last year, operationally in the successful large-scale installation of this flagship platform across multiple mine sites and into Aged Care; and corporately in the repayment of over $2.0 million of debt, all without raising capital.

The Swift Management team has also managed to deal with and move forward from issues of the past, that have been inherited, and deliver an EBITDA profit in excess of $1.0 million for the year.

These are significant achievements for a small but dedicated team. Swift has also worked hard to attract and retain its high-calibre team and to grow its profile within the Mining and Aged Care markets, this is all part of a concerted strategy to become the product of choice and quality provider in these markets. This is being achieved through highly targeted marketing campaigns focused on building brand awareness and a better understanding of what differentiates Swift from its competitors, and importantly through delivering not only a great product but also a smooth installation experience for our clients, and the effective ongoing management of the customer relationship. As I have said, on a number of occasions, there is no point in spending money on marketing if you fall short when it comes time to deliver. Brand equity is built over time through exceptional experiences.

As Swift now moves into growth mode these lessons become even more important as more work is taken on by the team, quality needs to be maintained, and we need to continue to build scalable operational models to control costs as we grow. Increased profitability will ultimately be the rewarding resultant.

I believe this steady progress has now built a strong foundation from which the company can grow to the next level with more certainty and without significant risk.

Your board is very conscious of shareholder return and sees our strategy as having passed its first stage of rebuilding the business, resolving past issues and strengthening its foundation. This now allows Swift to move to concerted growth mode where revenue can increase without costs increasing in the process. We are also focussed on margin improvement for our system and content. This discipline will lead to an increase in profitability which will drive share price performance.

As Swift approaches 2024 our investor relations activities will increase as we introduce the new Swift to the investment community with the confidence that we now have a strong stable business set to deliver value into the future.

The potential for Swift is further enhanced as Swift looks toward partnership opportunities within its key markets.

Thank you for taking the time to read through our FY23 annual report and thanks my fellow directors and management for their support and efforts throughout the year.

Thank you for your continuing support of Swift.

**Charles Fear**

# Managing Director's Report

**Dear Swift Shareholders,**

Thank you for taking the time to take a look at Swift's Annual Report for FY23. For those of you new to Swift, we are an Australian technology company that has developed a unique platform powered by our proprietary technology that enables the delivery of tailored Entertainment and Engagement solutions to managed communities across diverse markets. The combination of our three E's differentiates our value proposition in the market and drives our strategy to place the TV at the heart of a community. The Swift three E's.

**Entertainment:** Quality content sourced from around the world, including 1,500 plus movies and premium TV series available on demand, branded TV channels, local and international language radio and Swift's secure casting.

**Engage:** Customisable platform for the delivery of essential information that can also be integrated with other facility management SaaS platforms to create exceptional customer experiences for the end user and drive operational efficiencies for businesses via fully integrated technology ecosystems i.e. in Aged Care it may be a personalised home screen with a resident's daily meal plan, upcoming events or activities, or scheduled medications or summary care plan. For Mining & Resources, it could be site information, training, travel schedules, health and safety and psychosocial training and tools. Mental health and overall Well-being content, and indigenous culture would also form part of our engagement offer.

**Enable:** End-to-end solutions, full network design and installation, our proprietary managed data and low bandwidth technology, 24/7 local customer support, in-house research and development that ensures our technology innovation roadmap remains focused on overcoming challenges specific to the markets in which we operate and installation and our new dedicated client success team tasked with helping our customer maximise the potential of the Swift platform, retention and increasing our recurring subscription revenue / monthly recurring revenue (MRR)..

FY23 has been a year of stabilisation for the Swift business with growth in revenue being stable as existing customers transitioned to the new Swift Access product during the year, with the full effect of these new subscription agreements not being realised on an annualised basis in the FY23 accounts. Several significant client installations were not completed until the second half of FY23, reducing the benefit of the Swift Access subscription revenue in FY23. Even with this transition Swift finished FY23 with $14.0 million of recurring subscription revenue. Swift has sold subscriptions of close to 10,000 screens for Swift Access since the launch of this new platform last year.

Project/installation revenue remained at circa $5.1 million as a number of projects moved into FY24 due to client scheduling. Installing the Swift system generally comes at the end of a new facility construction process. Hence any delays in design and construction affect the timing of the installation of our system. The Swift network team continues to work closely with our client to ensure we deliver our part on schedule without impacting our costs.

The group achieved a solid EBITDA of $1,070,000 for the year, this was affected by the reduction in R&D grant income of $900,000 that could be recognised under the accounting standards in FY23 compared to the prior year.

Swift has also provided for $1.4 million for provisional costs for proceedings/penalties in relation to historic contraventions of the competition and consumer act dating back to a six-month period in 2019.

As we move into FY24, Swift will continue to grow revenue from Swift Access in both Mining and Aged Care, we aim to become the product of choice in these two markets.

Swift will continue to seek partnership arrangements with complimentary businesses that provide integration opportunities for the Swift platform to enhance the Customer experience and drive operational efficiencies for businesses. One such partnership commenced this year with Checked In Care (CIC). We are in the process of integrating CIC's award-winning Self-Service and Customer Experience software designed for care organisations with the Swift IPTV platform. This integration will support the delivery of personalised services for residents in Aged Care, free up carers time to focus on care, and improve profitability for providers with operation efficiencies and additional opportunities to drive incremental revenue via the additional services business model. This engagement part of the Swift platform is a key focus for the business as it creates a need-to-have solution, through its delivery of essential services rather than a nice to have product. This is increasingly important given the recently introduced regulatory requirements such as well-being quality indicators, compliance monitoring and customer ratings for resident experience.

The engagement part of the platform is also becoming increasingly important for the Mining and Resources sector, we are seeing more demand for the TV to replicate the functionality of a mining or oil & gas company's intranet. This is especially important on a mining site where most staff do not spend their working day in front of a company computer, the TV becomes their sole source of connection with their employer. Competition for staff is also reversing the trend of making staff bring their own entertainment to site.

Our end goal is to enhance residents' and staff's overall experience and well-being, whether on a remote mine site or living within an Aged Care facility. We strive to turn any facility into a community built around our tailored solutions and proprietary technology for the delivery of premium entertainment and exceptional levels of engagement and utility Our strategy is to deliver a solution that our clients rely upon for the delivery of critical communications and information via the TV and connected technology. A TV at the heart of a community, powered by Swift technology.

FY23 was not without its challenges, such as historical issues that took considerable management time to deal with and negatively affected our share price, with our market capitalisation remaining close to what it was at the end of FY22. Shareholder return has been disappointing and will be an area of management focus going forward as we introduce our story to a wider investor audience.

As we move the business forward in the Mining and Aged Care sectors in Australia, we can now look for opportunities for the Swift Access platform in international markets where many of the issues faced by our Australian clients are just as prevalent. This is seen by management as the next step in our development and an area where we plan to partner with companies that have aligned technology or access to these markets.

I would like to take this opportunity to thank all of the team at Swift for their personal efforts and support throughout FY23.

**Brian Mangano**

# Entertain. Engage. Enable.


swift

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# SWIFT NETWORKS GROUP LIMITED
# AND CONTROLLED ENTITIES

**ABN 54 006 222 395**

## ANNUAL REPORT
## FOR THE YEAR ENDED

## 30 JUNE 2023

## DIRECTORS' REPORT

The Board of Directors of Swift Networks Group Limited ("the Group" or "the Company") submits its report in respect of the year ended 30 June 2023.

The Directors of the Company in office during the year and at the date of this report are:

| Name | Position |
|---|---|
| Mr Charles Fear | Non-executive Chairman |
| Mr Bradley Denison | Non-executive Director |
| Ms Pippa Leary | Non-executive Director |
| Mr Brian Mangano | Managing Director and Chief Executive Officer |
| Mr Darren Smorgon | Non-executive Director (resigned 1 September 2022) |
| Mr Robert Sofoulis | Non-executive Director (retired 17 November 2022) |
| Mr Peter Gibbons | Non-executive Director (resigned 8 September 2022) |
| Mr Ryan Sofoulis | Alternate Director to Robert Sofoulis (resigned as Alternate Director 1 September 2022, Remains role of Chief Financial Officer) |

The Company Secretary is Ms Suzie Foreman.

**PRINCIPAL ACTIVITIES**

The principal activities of the Group during the year were the provision of content and communications on television screens for out of home environments.

**REVIEW OF OPERATIONS AND FINANCIAL RESULTS**

**Operational review**

Mining and Resources

Swift's new premium entertainment and engagement platform, Swift Access with Swift's secure casting, launched 18 months ago, has proven to address the needs of individuals living within managed communities and the companies responsible for the community's overall well-being. Demand for Swift Access has been strong and has already achieved 8,000 subscribers in the 18 months following release.

Mining and Resource clients that have upgraded or been introduced to Swift Access include Roy Hill, Inpex, Oz Minerals (recently acquired by BHP) and across 12 sites for Mineral Resources. Each of these customers has minimum three-year subscription contract terms.

Swift recently completed its largest rollout of Swift Access to date with 2,700 rooms at Roy Hill's MPV site. This has allowed Swift's operational team to streamline the installation process of this new product to enable more efficient rollouts to future customers.

FY23 has seen the continued investment to the Swift Access and Swift Broadcast products. Consultation with our customers has seen advances in the product interface and functionality to ensure the highest level of user and management engagement. This consultation has also led to the development of Swift's product roadmap for FY24 and beyond, ensuring that Swift Access addresses the needs of both customers and users of the system well into the future.

The Mining and Resources sector continues to see growth in new site construction and upgrading of legacy sites. With a focus on customer support and satisfaction with the best product in market, Swift is well placed to win future work with existing and new customers alike.

Retention of key staff remains a critical issue within the sector. The Swift Access platform provides users at these remote sites with the best engagement and entertainment solution in market and helps users feel connected to home, their work site and to their employer, assisting customers with the retention of their staff.

## DIRECTORS' REPORT

**Operational review (continued)**

Aged Care

Swift has recently announced a new partnership with Checked In Care (CIC), an award-winning care experience App which has access to over 25,000 rooms with major providers such as Bupa Aged Care, IRT and Australian Unity. Swift's strategy is to grow its market share and the partnership with CIC, which is focused on integrating both Swift and CIC products to enhance customer experiences, simplify operations and improve profitability for Aged Care providers. The partnership will leverage Swift's existing products including, the My Family, My Community App, to streamline all provider and resident information and notices across the TV and other app supported devices. This partnership aims for Swift to become a need-to-have product in the market for all providers whether they are a large national provider through to single site providers.

Swift has welcomed multiple new Aged Care providers during FY23 including Barunga Village, Goondee Aged Care, Eldercare and Bethanie. Swift has also deployed to 13 sites under its partnership agreement with Hubify during the year.

The Aged Care sector has seen the introduction of regulatory requirements such as well-being quality indicators, compliance monitoring and customer ratings for resident experience. Swift is well placed to assist providers in meeting a number of these regulatory requirements and is investing in the product and our partnership with CIC to become a product that is a must have for providers in the industry through increasing efficiency and streamlining reporting requirements.

**Financial Review**

In FY23 the group achieved operating revenue of $19.1m (FY22: $18.5m), a 3% increase year on year, as it focussed on its core verticals of Mining and Resources, Aged Care and Government. During FY23 Swift secured a further $2.5m in project installation revenue to be delivered and recognised in FY24. During the period Swift increased its subscription revenue to $14.0m (FY22: $13.5m) which represents 73% of revenue in FY23. Subscription revenue only commences once project installation has been finalised and will therefore increase over time once all projects have been completed with revenue recognised for the full financial year.

Swift commenced repaying its debt facility during the period with a first repayment of $0.5m being made towards the Pure loan, reducing the balance to $7.7m. The opportunity to pay back legacy COVID PAYG debt was also completed during the period. Swift focussed on working capital throughout the year and the cash balance remained stable from $1.6m at the end of Q1, to a closing balance of $2.1m at 30 June 2023.

Swift announced the extension of its loan facility with Pure Asset Management Pty Ltd during the period. The loan period has been extended to 30 September 2025 with covenants aligned to a discounted rate to the business' forecast. Swift has met all covenant financial obligations during the period.

Swift's Financial Asset of 19.4 million shares in Motio (ASX:MXO) were removed from escrow in October 2022. 0.57m shares were sold on market during the period and the directors continue to explore avenues of realising this asset within the next 12 months.

Underpinned by the efforts mentioned above, in 2023, the group recorded an Earnings Before Interest, Tax, Depreciation Amortisation ("EBITDA") of $1.1m (FY22: $1.4m). A reconciliation of EBITDA to NPAT has been outlined in the Consolidated Statement of Profit and Loss with reference to Notes 2 and 3.

**Outlook**

FY24 will see the company continue its stated strategy to:

- Engage with the investor community as Swift enters a growth phase
- Upgrade its sales and marketing capabilities
- Drive revenue growth with project work that delivers recurring revenues over time
- Explore partnership opportunities
- Explore opportunities in synergistic verticals
- Evolve its product suite to meet customer expectations in each core vertical
- Maintain its current cost base
- Reduce its debt position

The directors look forward to updating you on our progress as the year unfolds.

**GOING CONCERN**

See note 28 for assessment of going concern**.**

**SUBSEQUENT EVENTS**

See Note 29 for events subsequent to reporting date.

**DIVIDENDS PAID OR RECOMMENDED**

No dividends were paid or recommended during the year (2022: nil).

**INFORMATION ON THE DIRECTORS**

**Charles Fear – Non-executive Chairman**
Charles Fear is an experienced Investment Banker and Non-Executive Director. He co-founded Argonaut Limited in 2002 and served as Chairman for 17 years during which time he was responsible for a significant number of Equity Market and Mergers and Acquisitions transactions. Prior to founding Argonaut he was an Executive Director of Hartley Poynton and Managing Director of global Canadian Investment Bank CIBC. He was also formerly a Senior Insolvency Partner of KPMG. He presently Chairman of Mayur Resources Limited and Ortus Resources Limited, and Director of RugbyWA. He has previously served as a Director of Atrum Coal Limited and as a Board Member and Chairman of the Western Australian Cricket Association.

Charles is a Fellow of the Institute of Chartered Accountants (FCA) and a Fellow of the Australian Institute of Company Directors (FAICD).

Directorships held in other listed companies in the past 3 years: Mayur Resources Limited (ASX: MRL), Atrum Coal Limited (ASX:ATU).

**Bradley Denison – Non-executive Director**
Bradley is an experienced Non-Executive Director and CEO with a strong financial background. He has particular experience in complex multi-party projects and business turnarounds. Extensive client relationships in the government, mining, aged care and commercial sectors.

Bradley holds a Bachelor of Commerce (Accounting ) and is a Fellow of CPA Australia and Australian Institute of Company Directors.

Bradley was the CEO of Fleetwood Limited, is a director of prefabAUS, and chairman of Providence Lifestyle Group.

Directorships held in other listed companies in the past 3 years: None

**INFORMATION ON THE DIRECTORS (CONTINUED)**

**Brian Mangano – Managing Director and Chief Executive Officer**
Brian is an Accountant with more than 25 years' executive experience in Australian Listed companies in the Engineering, Technology and Investment sectors. Brian was appointed Managing Director and Chief Executive Officer in September 2021. After qualifying with Ernst & Young, Brian travelled to the UK where he worked with Richard Branson's Virgin group as Financial Controller for Virgin Communications. Brian's last major role was as CFO of ASX listed Veris Group the largest surveying group in Australia with over 800 staff and revenues over $100 million. Brian is also a former Managing Director of listed companies AirBoss and Australian Growth. His experience spans a broad range of areas including strategic and business planning, mergers and acquisitions, capital raising, debt finance, information technology, risk management and company secretarial. Brian now brings his wide ranging experience to the Group.

Directorships held in other listed companies in the past 3 years: none

**Pippa Leary – Non-executive Director**
Pippa joined the Company in July 2019 following her tenure heading up Nine's digital sales team where she was responsible for the media company's key online properties including nine.com.au, 9Honey and their broadcast video on demand platform 9Now. Pippa is currently the managing director (Client Product) of News Corp Australia and was previously CEO of Fairfax-Nine programmatic exchange APEX, and prior to that held senior executive roles at Fairfax Media, including Managing Director of the publisher's Digital Media division. Pippa is also an experienced board director, and past Board roles have included Equip Super, the IAB (Interactive Advertising Bureau), RLPA and Solstice Media. Pippa is a Graduate of the Australian Institute of Superannuation Trustees (GAIST).

Directorships held in other listed companies in the past 3 years: none

**Ryan Sofoulis –Alternate Director, Chief Financial Officer (resigned as Alternate Director 1 September 2022, remains role of Chief Financial Officer)**

Ryan has spent the last 15 years working within the various companies owned by the Sofoulis family. Ryan worked in the accounts department with the ASTIB Group until it was sold in 2011, at which time he became the Company Secretary of the Company. In 2012, Ryan became the Company Secretary of the newly created EITS Global Group and oversaw the establishment of an international structure spanning over the USA, UK, Ireland and Australia.

Directorships held in other listed companies in the past 3 years: None

**Darren Smorgon – Non-executive Director (resigned 1 September 2022)**
Darren has been a Non-executive Director of Swift since February 2019 after having previously served on the board of Medical Media for three years prior to its acquisition by Swift. He is Managing Director of Sandbar Investments, a Sydney based family office, and prior to that, spent 16 years at CHAMP Private Equity where he led several deals including the privatisation and subsequent re-listing of oOh!Media Limited (ASX: OML). He is also the Chairman of co-working facility provider Hub Australia Pty Ltd and a Non-Executive Director of Total Drain Cleaning Pty Ltd.

Directorships held in other listed companies in the past 3 years: oOh!Media Limited (ASX: OML)

**Robert Sofoulis – Non-Executive Director (retired 17 November 2022)**
Robert is the founder of Swift Networks and Wizzie TV. Robert has an engineering background in instrumentation and worked in the mining and oil and gas industries for 20 years before becoming an entrepreneur in 1995.
Initially concentrating in the two-way radio rental business, Robert soon expanded the business to include sales, engineering services, distribution services of new communication technology and created ASTIB Group, consisting of various radio and communications subsidiaries. Most of the ASTIB Group was divested in January 2011 for approximately $50 million to CSE Global, a multinational organisation of the Singapore Exchange.

Directorships held in other listed companies in the past 3 years: None

**INFORMATION ON THE DIRECTORS (CONTINUED)**

**Peter Gibbons – Non-executive Director (resigned 8 September 2022)**
Peter has a proven background in building growth businesses, deep experience and extensive networks in the Aged Care, Property and Mining & Resources sectors in Western Australia. Based in Perth, Peter is the co-founder and Managing Director of Openn Negotiations, one of Australia's leading online property auction platforms (ASX:OPN). Prior to Openn Peter has had an extensive investment banking career with Macquarie Bank, Bankers Trust and Deutsche Bank. Peter was the Chairman and is currently a Non-executive Director of Bethanie Group, Western Australia's largest not-for-profit Aged Care provider and was previously a Director of Silver Chain, Western Australia's largest provider of in-home residential aged care, Landcorp, and also served as a Commissioner of the Western Australian Football Commission.

Directorships held in other listed companies in the past 3 years: Openn Negotiation (ASX:OPN)

**Suzie Foreman – Company Secretary**
Suzie is an experienced Chief Financial Officer and Company Secretary with a demonstrated history of working with a wide range of businesses from start-up enterprises to ASX top 300 corporates. Suzie has worked with senior management and boards to advise on governance, enterprise risk management, audit and corporate compliance, company secretarial, and financial reporting responsibilities. Suzie has been involved in the listing of numerous entities on the Australian Securities Exchange over the past 20 years and facilitated and managed a large number of capital raisings and M&A transactions.

Suzie has held senior management roles across a range of businesses including industrial, mining production and public practice. Suzie is the Company Secretary of ASX listed entities NickelSearch Limited, (ASX:NIS), Spectur Limited (ASX:SP3) and The GO2 People Ltd (ASX:GO2).

Suzie holds a Bachelor of Business, a Certificate of Applied Corporate Governance and Risk Management, is a Chartered Accountant, and a Governance Institute Fellow member.

**DIRECTORS' INTERESTS**

The interests of each Director in the shares and options of the Group as notified by the Directors to the ASX in accordance with s205G(1) of the Corporations Act 2001 as at date of this report were as follows:

| Director | Ordinary Shares | Options | Rights to deferred Shares | Employee Incentive Scheme Rights ("EIS") |
|---|---|---|---|---|
| Mr C Fear | 9,024,000 | - | 750,000 | - |
| Ms P Leary | 6,212,749 | - | - | - |
| Mr B Denison | 2,300,000 | - | 600,000 | - |
| Mr B Mangano[1] | 21,786,515 | 2,000,000 | - | 13,066,433 |

1. FY23 8,445,946 STI awards are included in Ordinary Shares and 8,445,946 LTI Performance Rights are included in EIS and are subject to shareholder approval, to be sought at the 2023 AGM.

## DIRECTORS' REPORT

### DIRECTORS' MEETINGS

There were no separate committee meetings. The number of meetings of the Company's Board of Directors held during the year ended 30 June 2023 and the number of meetings attended by each Director was:

| | Board | |
|---|---|---|
| **Director** | **Number eligible to attend** | **Number Attended** |
| Mr C Fear | 10 | 10 |
| Mr B Denison | 10 | 10 |
| Mr B Mangano | 10 | 10 |
| Ms P Leary | 10 | 7 |
| Mr Robert Sofoulis | 3 | 3 |
| Mr D Smorgon | 2 | 2 |
| Mr P Gibbons | 2 | 2 |

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Additional comments on expected results of operations of the Group are included in this report under the review of operations and significant changes in the state of affairs.

## REMUNERATION REPORT - AUDITED

### Introduction

This Remuneration Report has been prepared in accordance with section 300A of the Corporations Act and associated regulations. The Remuneration Report has been audited by the Group's Auditor.

The Remuneration Report provides details of the remuneration arrangements for the following Key Management Personnel ("KMP") of the Group and the Company for the 2023 financial year:

### Directors and Key Management Personnel

| ***Name*** | ***Position*** |
|---|---|
| Mr C Fear | Non-executive Chairman |
| Mr B Denison | Non-executive Director |
| Ms P Leary | Non-executive Director |
| Mr B Mangano | Managing Director and Chief Executive Officer |
| Mr D Smorgon | Non-executive Director (resigned 1 September 2022) |
| Mr Robert Sofoulis | Non-executive Director (retired 17 November 2022) |
| Mr P Gibbons | Non-executive Director (resigned 8 September 2022) |
| Mr Ryan Sofoulis | Chief Financial Officer and Finance Director<br>Alternate Director to Mr Robert Sofoulis (resigned as Alternate Director 1 September 2022, remains role of Chief Financial Officer) |

KMP are those Directors and executives with authority and responsibility for planning, controlling and directing the affairs of Swift Networks Group Limited.

### Remuneration Policy

Compensation levels for KMP of the Group are competitively set to attract and retain appropriately qualified and experienced Directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

1. the capability and experience of the key management personnel
2. the key management personnel's ability to control their relevant business unit's performance

There is direct relationship between KMP remuneration and performance. The Board did not engage an independent remuneration consultant during the reporting year.

#### *Fixed compensation*

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual, business unit and overall performance of the Group.

#### *Variable compensation*

Variable compensation rewards are based upon achievement of targets aligned to the Company's business plans and longer-term strategy. Variable components (short and long term) are driven by challenging targets focused on external and internal measures of financial and non- financial performance to align with Company success.

## DIRECTORS' REPORT

### REMUNERATION REPORT – AUDITED (CONTINUED)

***Short Term Incentives***

Under the Company's Short-Term Incentive (STI) arrangements, the Board has determined that eligible participants may earn an STI award in the form of Shares for the achievement of pre-determined key performance measures (KPI's) each financial year. The KPI's are objectively set at the commencement of the year, measured, and STI's awarded at the end of the financial year based upon results. STI awards for executives are contractual, in accordance with their Executive Service Agreements.

*Structure of STI Plan*

| Feature | Description |
|---|---|
| Maximum Opportunity | Managing Director: Up to 50% of fixed remuneration as STI |
| Performance Hurdle Metrics | Refer Performance Metrics Table below |
| Delivery of STI | 100% of the STI award is paid in Share awards (fully paid ordinary shares). |
| Board Discretion | The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes. |

***Long Term Incentives***

Under the Company's Long-Term Incentive (LTI) arrangements, the Board has determined that eligible participants may earn an LTI award in the form of Performance Rights for the achievement of pre-determined key performance measures (KPI's) each financial year. The KPI's are objectively set at the commencement of the year, measured, and LTI's awarded at the end of the financial year based upon results. LTI awards for executives are contractual, in accordance with their Executive Service Agreements.

*Structure of LTI Plan*

| Feature | Description |
|---|---|
| Maximum Opportunity | Managing Director: Up to 50% of fixed remuneration as LTI |
| Performance Hurdle Metrics | Refer Performance Metrics Table below |
| Delivery of LTI | 100% of the LTI award is paid in Performance Rights. The value of the award is measured by reference to achieving of the KPI Performance Hurdle Metrics. The award is then divided by the value of the rights to determine the number of instruments granted to each participant. |
| Exercise Price | Nil |
| Vesting/Retention | Once the Performance Rights are awarded, they are subject to a 2 year retention period before fully vesting, (50% at the end of year 1 and 50% at the end of year 2). The award is subject to forfeiture on cessation of employment. This encourages retention and shareholder alignment. |
| Board Discretion | The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes. |

**REMUNERATION REPORT – AUDITED (CONTINUED)**

*Performance Hurdle Metrics*

The performance of KMP's during the year ended 30 June 2023 for both Short Term and Long Term incentives were assessed against key performance measures that covered the following areas:

| Indicator | | % Weighting | Reason for selection |
|---|---|---|---|
| ***Company Performance*** | | | *Shareholder value, operational excellence and growth.* |
| (a) | Achievement of the financial year's annual budgeted EBITDA | 50% | Reflects improvements in revenue and cost control. |
| (b) | Exceed the Total Shareholder Return of the MSCI Australian Microcap Index over the Financial year. | 25% | Focusing on shareholder value growth relative to peers. |
| ***Individual Performance*** | | | *Fostering talent, operational excellence and engaged personnel.* |
| (a) | Achievement of individual profit and loss measurement contribution (budget) | 10% | Reflecting individual contribution to revenue and cost control. |
| (b) | Assessment of performance against individual set of KPI's | 10% | Targeted metrics chosen to be critical to individual role and performance. |
| (c) | Achievement of cultural, safety and team indicators. | 5% | Prioritising safety and teamwork and individual engagement. |

***Remuneration governance***

The full Board undertook the responsibilities of the Remuneration and Nomination Committee for the year.

**REMUNERATION REPORT – AUDITED (CONTINUED)**

***Key Management Personnel Remuneration***

The emoluments for each director and KMP of the Company for the year ended 30 June 2023 are as follows:

| Directors and KMP | Year | Salary &Fees (Cash) | Cash Bonus[4] | Annual Leave[1] | Share Based payments[2] | Super | Long Service Leave | Total | Perf. Related % |
|---|---|---|---|---|---|---|---|---|---|
| C Fear | 2023 | 56,274 | - | - | 6,170 | 5,909 | - | 68,353 | 9% |
| | 2022 | 28,012 | - | - | 3,671 | 2,801 | - | 34,484 | 11% |
| B Denison | 2023 | 37,516 | - | - | 4,545 | 3,939 | - | 46,000 | 10% |
| | 2022 | 23,333 | - | - | 3,671 | 2,333 | - | 29,337 | 13% |
| P Leary | 2023 | 37,516 | - | - | 6 | 3,939 | - | 41,461 | 0% |
| | 2022 | 134,139 | - | 4,024 | 2,051 | 10,181 | - | 150,395 | 10% |
| B Mangano | 2023 | 333,952 | 20,000 | (3,169) | 198,866 | 25,292 | - | 574,941 | 35% |
| | 2022 | 347,111 | - | 14,194 | 133,477 | 23,568 | - | 518,350 | 26% |
| D Smorgon | 2023 | 8,333 | - | - | - | 875 | - | 9,208 | 0% |
| | 2022 | 56,667 | - | - | - | 5,667 | - | 62,334 | 0% |
| Robert Sofoulis | 2023 | 18,816 | - | - | - | 1,976 | - | 20,792 | 0% |
| | 2022 | 48,000 | - | - | - | 4,800 | - | 52,800 | 0% |
| P Gibbons | 2023 | 8,860 | - | - | - | 930 | - | 9,790 | 0% |
| | 2022 | 40,000 | - | - | 14,337 | 4,000 | - | 58,337 | 0% |
| K Ostin | 2023 | - | - | - | - | - | - | - | - |
| | 2022 | 16,665 | - | - | 9,723 | 1,667 | - | 28,055 | 35% |
| Ryan Sofoulis[3] | 2023 | 206,247 | 13,333 | 2,005 | 56,753 | 21,656 | 7,762 | 307,756 | 18% |
| | 2022 | 178,667 | - | 6,952 | 33,642 | 17,867 | 8,793 | 245,921 | 14% |
| **Totals** | **2023** | **707,514** | **33,333** | **(1,164)** | **266,340** | **64,516** | **7,762** | **1,078,301** | **25%** |
| **Totals** | **2022** | **872,594** | **-** | **25,170** | **200,572** | **72,884** | **8,793** | **1,180,013** | **17%** |

[1] Movement in annual leave provision.
[2] Refer to the below table and note 19 for further details.
[3] Ryan Sofoulis was appointed as the Chief Financial Officer ("CFO") and Finance Director partially through FY2022 and he has held this position for the whole of FY2023.
[4] Cash bonus refers to disclosures in current service agreements.

**DIRECTORS' REPORT**

**REMUNERATION REPORT – AUDITED (CONTINUED)**

***Details of Share Based Payments***

| | | | | | As at 30 June 2023 | |
|---|---|---|---|---|---|---|
| | **Remuneration Type** | **Grant Date** | **Number Granted** | **Total P&L expense in the year** | **Number vested and exercisable** | **Number unvested** |
| C Fear | Ordinary Share Rights | 18 November 2021[1] | 600,000 | 4,545 | - | 600,000 |
| C Fear | Ordinary Share Rights | 17 November 2022[1] | 150,000 | 1,625 | - | 150,000 |
| B Denison | Ordinary Share Rights | 18 November 2021[1] | 600,000 | 4,545 | - | 600,000 |
| B Mangano | Performance Rights (FY22)[2] | 1 July 2021 | 4,620,487 | 38,007 | 2,310,244 | 2,310,244 |
| B Mangano | Share Awards (FY22)[2] | 1 July 2021 | 4,620,487 | - | 4,620,487 | - |
| B Mangano | Performance Rights (FY23)[3] | 1 July 2022[3] | 8,445,946 | 45,695 | - | 8,445,946 |
| B Mangano | Share Awards (FY23)[3] | 1 July 2022[3] | 8,445,946 | 109,797 | - | 8,445,946 |
| B Mangano | Ordinary Shares Options[2] | 18 November 2021 | 2,000,000 | 5,367 | - | 2,000,000 |
| Ryan Sofoulis | Performance Rights(FY22)[2] | 1 July 2021 | 1,202,593 | 9,892 | 601,296 | 601,297 |
| Ryan Sofoulis | Share Awards (FY22)[2] | 1 July 2021 | 1,202,593 | - | 1,202,593 | - |
| Ryan Sofoulis | Performance Rights(FY23)[2] | 1 July 2022 | 2,545,354 | 13,771 | - | 2,545,354 |
| Ryan Sofoulis | Share Awards (FY23)[2] | 1 July 2022 | 2,545,354 | 33,090 | 2,545,354 | - |
| Ms P Leary | Incentive Options[4] | 26 June 2019 | 1,000,000 | 6 | - | - |

[1] Approved by shareholders on 17 November 2022.
[2-3] Refer to valuation in next page.
[3] The Performance Rights and Share Awards are subject to shareholder approval.
[4] The Options lapsed unexercised on 31 December 2022.

**REMUNERATION REPORT – AUDITED (CONTINUED)**

Mr Charles Fear was granted 600,000 ordinary share rights on 19 November 2021 in accordance with the non-executive Letter of Appointment and an additional 150,000 ordinary share rights in relation to his role change as Chairman on 17 November 2022. He held 750,000 ordinary share rights as at 30 June 2023. The rights are subject to a vesting period of two years following the date of appointment to Mr Fear's respective positions. The rights will be forfeited in full and lapse should Mr Fear not complete his respective engagement for the two year period. The aggregated share-based payment of $6,170 in relation to these arrangements was recorded in FY2023 (FY2022:$3,671).

Mr Bradley Denison was granted 600,000 ordinary share rights on 19 November 2021 in accordance with his non-executive Letter of Appointment which were approved at the 2022 AGM. These rights are subject to a vesting period of two years. The rights will be forfeited in full and lapse should he not complete his engagement as Non-executive Director for the two years. A share-based payment of $4,545 in relation to this arrangement was recorded in FY2023 (FY2022: $3,671).

Mr Brian Mangano was issued 2,000,000 share options in accordance with his employment contract and subsequent approval by the shareholders at the 2021 AGM. These options are exercisable at five cents per share with a minimum exercise period of three years. A share-based payment expense of $5,367 in relation to this arrangement was recorded in FY2023 (FY2022: $4,220).

Mr Brian Mangano was granted 9,240,974 awards under FY2022 Employee Incentive Scheme ("EIS"), consisting of 4,620,487 STI Share Awards and 4,620,487 LTI Performance Rights, which were all approved at the 2022 AGM. The 4,620,487 STI Awards are awarded as ordinary shares and the 4,620,487 LTI performance rights are subject to continuous employment and vest on 30 June 2023 (50%) and 30 June 2024 (remaining 50%). The Shares and Performance Rights (although fully granted) were accepted by the holder and issued on 24 July 2023. A share-based payment expense of $38,007 in relation to this arrangement was recorded in FY2023 (FY2022: $129,257).

In FY2023, Mr Brian Mangano was granted 16,891,892 awards under the FY2023 EIS, consisting of 8,445,946 STI Share Awards and 8,445,946 LTI Performance Rights. The 8,445,946 STI Share Awards are subject to shareholder approval at the 2023 AGM or are otherwise payable as a bonus in cash. The 8,445,946 LTI Performance Rights are subject to shareholder approval. In addition, the LTI Performance Rights are subject to continuous employment and vest on 30 June 2024 (50%) and 30 June 2025 (remaining 50%). A provisional share-based payment expense of $155,492 in relation to the securities was recorded in FY2023 (FY2022: nil).

In FY2022, Mr Ryan Sofoulis was granted 2,405,186 awards under the FY2022 EIS, consisting of 1,202,593 STI Share Awards and 1,202,593 LTI Performance Rights, which were all approved at the 2022 AGM. The 1,202,593 STI Awards are awarded as ordinary shares and the 1,202,593 LTI Performance Rights are subject to continuous employment and vest on 30 June 2023 (50%) and 30 June 2024 (50%). The Shares and Performance Rights (although fully granted) were accepted by the holder and issued on 24 July 2023. A share-based payment expense of $9,892 was recorded in FY2023 (FY2022: $33,642)

In FY2023, Mr Ryan Sofoulis was granted 5,090,708 awards under FY2023 EIS, consisting of 2,545,354 STI Share Awards and 2,545,354 LTI Performance Rights. The 2,545,354 STI Share Awards can be converted to ordinary shares immediately, and the 2,545,354 LTI Performance Rights are subject to continuous employment and vest on 30 June 2024 (50%) and 30 June 2025 (remaining 50%). A provisional share-based payment expense of $46,861 in relation this new arrangement was recorded in FY2023 (FY2022: nil).

Ms Pippa Leary's full 1,000,000 options lapsed unexercised as at 30 June 2023. A share-based payment amount of $6 was recorded in FY2023 (FY2022: $2,051).

**REMUNERATION REPORT – AUDITED (CONTINUED)**

Apart from the grant of the FY2023 EIS rights, the Company has not granted any options nor rights to other directors in FY2023.

**Valuation**
The fair value of these share-based instruments was calculated as follows:

| | Share Options (FY2022) | Ordinary Share Rights (FY2022) | Performance Rights & Share Awards (FY2022 EIS) | Ordinary Share Rights (FY2023) | Performance Rights & Share Awards (FY2023 EIS) |
|---|---|---|---|---|---|
| Method | Black Scholes | Share price at grant date | Share price at grant date | Share price at grant date | Share price at grant date |
| Spot price (cents) | 1.9 | 1.7 | 1.7 | 1.7 | 1.3 |
| Strike price | 5 cents | nil | nil | nil | nil |
| Expiry date | 6 February 2025 | 18 November 2023 | 30 June 2025 | 21 March 2024 | 30 June 2026 |
| Volatility | 100% | n/a | n/a | n/a | n/a |
| Risk free rate | 0.97% | n/a | n/a | n/a | n/a |
| Fair value per unit (cents) | 0.8 | 2.0 | 1.7 | 1.7 | 1.3 |

**All other incentive plans previously in place have been cancelled or lapsed due to the vesting criteria not being achieved.**

**Statutory performance indicators**
The table below shows measures of the Group's financial performance over the last four years as required by the Corporations Act 2001.

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Loss after income tax | (3,978) | (3,653) | (4,766) | (21,647) |
| Basic loss (cents per share) | (0.7) | (0.6) | (0.8) | (6.3) |
| Decrease share price (%) | (18) | (6) | (50) | (82) |

***Current service agreements***

The current service agreements in place between the Company and its Directors and Key Management Personnel set out below:

(i) The Company has entered into Contract of Employment agreements for Director Fees as follows:

**REMUNERATION REPORT – AUDITED (CONTINUED)**

**Current directors**

| | |
|---|---|
| Mr C Fear | $60,000 per annum plus statutory superannuation. |
| | Mr C Fear voluntarily reduced his director fees by 10% from 1 November 2022 to 30 June 2023. |
| Mr B Denison | $40,000 per annum plus statutory superannuation. |
| | Mr B Denison voluntarily reduced his director fees by 10% from 1 November 2022 to 30 June 2023 |
| Ms P Leary | $40,000 per annum plus statutory superannuation. |
| | Ms P Leary voluntary reduced her director fees by 10% from 1 November 2022 to 30 June 2023. |
| Mr B Mangano | $365,000 per annum plus statutory superannuation. |
| | Mr B Mangano took a voluntary reduction in his base salary from $365k to $315k and accordingly reduced statutory superannuation from 1 November 2022 to 30 June 2023. Mr Mangano reached his Board set KPI's during the year and subsequently received a cash bonus of $20k. All other material terms and conditions relating to his Executive Service Contract as disclosed in the 30 June 2022 financial report remain unchanged. |
| Mr D Smorgon | $40,000 per annum plus statutory superannuation (resigned 1 September 2022) |
| Mr P Gibbons | $40,000 per annum plus statutory superannuation (resigned 8 September 2022) |
| Mr Robert Sofoulis | $48,000 per annum plus statutory superannuation (retired 17 November 2022) |
| | Mr R Sofoulis took a voluntary reduction of 10% of his directors fees from 1 November 2022. |

(ii) Mr Charles Fear's service agreement as Non-executive Chairman includes a grant of 750,000 ordinary share rights comprising 600,000 for appointment as Non-executive director and 150,000 for his subsequent appointment as Non-executive Chairman. The rights were approved by shareholders at the 2022 AGM and will vest two years after each appointment date and convert at no cost following the end of vesting period.

(iii) Mr Bradley Denison's service agreement of Non-executive Director includes a grant of 600,000 ordinary share rights, approved by shareholders at the 2022 AGM. The rights will vest two years after the appointment date and convert at no cost following the end of vesting period.

(iv) On 16 September 2021, the Company appointed Mr Brian Mangano under an Executive Services Agreement (ESA) to the role of Managing Director and Chief Executive Officer, with a base remuneration of $365,000, exclusive of superannuation and 2,000,000 options exercisable at five cents per share with a minimum three year exercise period. Mr Mangano agreed to a voluntary reduction in salary during FY23 as detailed above.

The ESA also outlined Mr Mangano's participation in the Company's EIS subject to an annual review and at the Board's sole and absolute discretion.

The Company or Mr Mangano may terminate the employment agreement at any time by giving to the other not less than 6 months' written notice.

(v) On 15 October 2021, the Company appointed Mr Ryan Sofoulis the role of Chief Financial Officer and Finance Director on a base salary of $190,000 per annum followed by an increase to $220,000 on 1 July 2022 exclusive of superannuation. Mr Sofoulis agreed to a voluntary reduction of 10% in salary from 1 November 2022 to 30 June 2023. Mr Sofoulis reached his Board set KPI's during the year and subsequently received a cash bonus of $13k. The Company or Mr Sofoulis may terminate the employment agreement at any time by giving to the other not less than 5 months' written notice.

## DIRECTORS' REPORT

### REMUNERATION REPORT – AUDITED (CONTINUED)

(vi) Ms Pippa Leary was granted 1,583,311 Performance Rights in July 2020 and 1,000,000 incentive options in her previous role of CEO. The rights have been converted to ordinary shares whilst the full 1,000,000 options lapsed unexercised as at 30 June 2023.

***Shareholdings of Key Management Personnel***

The movement during the reporting period in the number of ordinary shares in Swift Networks Group Limited held directly, indirectly or beneficially, by each specified Director and KMP, including their related entities, is as follows:

| | Ordinary Shares Held at 30 June 2022 No. | Granted[1] | Held at Date of Resignation/ Retirement | Acquire on Market | Exercise of Rights | Net Change | Ordinary Shares Held at 30 June 2023 No. |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr C Fear | 7,000,000 | - | - | 2,024,000 | - | 2,024,000 | **9,024,000** |
| Mr B Denison | 2,300,000 | - | - | - | - | - | **2,300,000** |
| Ms P Leary | 4,629,438 | - | - | - | 1,583,311 | 1,583,311 | **6,212,749** |
| Mr B Mangano | 13,340,569 | 8,445,946 | - | - | - | 8,445,946 | **21,786,515** |
| Mr Ryan Sofoulis | 5,209,024 | 2,545,354 | - | - | - | 2,545,354 | **7,754,378** |
| Mr D Smorgon | 8,210,800 | - | (8,210,800) | - | - | - | **N/A** |
| Mr Robert Sofoulis | 97,374,768 | - | (97,374,768) | - | - | - | **N/A** |
| Mr P Gibbons | 1,201,858 | - | (1,201,858) | - | - | - | **N/A** |

1. The securities granted to Mr B Mangano are subject to shareholder approval.

***Rights to deferred shares of Directors and Key Management Personnel***

The table below summarises the number of deferred shares in Swift Networks Group Limited held directly, indirectly or beneficially, by each specified Director and KMP, including their related entities during the reporting year.

| | Held at 30 June 2022 No. | Ordinary Share Rights granted during the year | Ordinary Share Rights vested during the year | Held at 30 June 2023 No. | Vested & exercisable at year end |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Mr C Fear | 600,000 | 150,000 | - | **750,000** | - |
| Mr B Denison | 600,000 | - | - | **600,000** | - |

**REMUNERATION REPORT – AUDITED (CONTINUED)**

***Option holdings of Directors and Key Management Personnel***

The movement during the reporting period in the number of issued options in Swift Networks Group Limited held directly, indirectly or beneficially, by each specified Director and KMP, including their related entities, is as follows:

| | Held at 30 June 2022 No. | Exercised during the year | Lapsed During the year | Held at 30 June 2023 No. | Options vested & exercisable at year end |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Ms P Leary | 1,000,000 | - | (1,000,000) | **-** | **-** |
| Mr B Mangano | 2,000,000 | - | - | **2,000,000** | **-** |

***Performance right holdings of Directors and Key Management Personnel***

The movement during the reporting period in the number of issued Performance Rights in Swift Networks Group Limited held directly, indirectly or beneficially, by each specified Director and KMP, including their related entities, is as follows:

| | Held at 30 June 2022 No. | Exercised during the year | Granted as compensation | Held at 30 June 2023 No. | Performance rights vested & exercisable at year end[2] |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Ms P Leary | 1,583,311 | (1,583,311) | - | **-** | **-** |
| Mr Ryan Sofoulis | 1,557,728 | **-** | 2,545,354 | **4,103,082** | **956,431** |
| Mr B Mangano[1] | 4,620,487 | **-** | 8,445,946 | **13,066,433** | **2,310,244** |

1. Performance Rights granted to B Mangano are subject to shareholder approval.
2. Full terms and conditions of the Performance Rights are disclosed in Details of Share Based Payments – above.

***Loans with Directors and Key Management Personnel***

The Company has no other loans advanced by the Directors and their related parties as of 30 June 2023.

***Other transactions with Directors and Key Management Personnel***

Transactions with Directors and KMP related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | 2023 $ | 2022 $ |
|---|---|---|
| Payments made to Wenro Holdings Pty Ltd, a company of which Robert Sofoulis is a Director and Ryan Sofoulis is associated with, for provision of premises, pursuant to lease. | - | 161,536 |

No other transactions existed during the year and as at reporting date between the Company and with Directors and or KMP.

**DIRECTORS' REPORT**

**REMUNERATION REPORT – AUDITED (CONTINUED)**

**Voting and comments made at the Company's 2022 annual General Meeting**

The approval of the Remuneration Report was passed as indicated in the results of the Annual General Meeting dated 18 November 2022, with 98.5 per cent voting in favour.

***This is the end of the Audited Remuneration Report.***

## DIRECTORS' REPORT

### SHARES UNDER ISSUE

Unissued ordinary shares of Swift Networks Group Limited under option at the date of this report are:

**Options**

| Grant date | Expiry date | Exercise price | Number |
|---|---|---|---|
| 30 April 2020 | 30 April 2025 | $0.05 | 2,000,000 |
| 18 November 2021 | 7 February 2025 | $0.05 | 2,000,000 |
| **Total** | | | **4,000,000** |

**Securities on issue**

Total number of securities of the Company on issue as at the date of this report are as follows:

| No. Fully paid Ordinary Shares | No. Options | No. Rights | No. Warrants |
|---|---|---|---|
| 599,818,338 | 4,000,000 | 14,186,794 | 110,666,666 |

Directors' holdings of shares, options and performance rights during the financial period have been disclosed in the Remuneration Report. Option, warrant or performance rights holders do not have any right, by virtue of their option / performance rights, to participate in any share issues of the Company.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the reporting period, the Company paid a premium to insure the Directors and Officers of the company and its wholly owned subsidiaries.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of any entity in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of the duty by the officers or the improper use by the officers of their position or of information to gain an advantage for themselves or someone else to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### NON-AUDIT SERVICES

BDO Audit (WA) Pty Ltd is the Group's auditor. During the year, BDO Corporate Tax provided other services in addition to their statutory duties. In the future the Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company is important.

The total amount paid to the auditors were $33k (FY22: $26k). Details of the amount paid to the auditors are disclosed in note 22 to the financial statements.

### AUDITORS' INDEPENDENCE DECLARATION

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 20.

**ENVIORNMENTAL REGULATIONS**

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report greenhouse gas emissions and energy use. For the measurement period 1 July 2022 to 30 June 2023 the directors have assessed that there are no current reporting requirements, but the Group may be required to do so in the future.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**ROUNDING OFF**

The Company is of an entity to which Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/91, dated 24 March 2016 applies. Amounts in the Directors' Report and the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated.

Dated at Perth this 30th day of August 2023

This report is made in accordance with a resolution of the Directors.

Mr Charles Fear
Chairman

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Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF SWIFT NETWORKS GROUP LIMITED

As lead auditor of Swift Networks Group Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Swift Networks Group Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth

30 August 2023

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023<br>$000 | 2022<br>$000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 2 | 19,060 | 18,518 |
| Operating expenses | 3 | (17,990) | (17,098) |
| | | **1,070** | **1,420** |
| Depreciation and amortisation | 8,9 | (1,185) | (1,275) |
| Amortisation of right-of- use assets | 14 | (163) | (182) |
| Impairment expenses | | - | (234) |
| Share based payment | 19 | (611) | (431) |
| Business restructuring costs | | (49) | (364) |
| Fair value loss on financial assets | 10 | (290) | (1,085) |
| Amortisation other | | (17) | (44) |
| Provisions for financial liabilities | 11 | (1,410) | - |
| **Results from operating activities** | | **(2,655)** | **(2,195)** |
| Finance income | | 28 | 63 |
| Finance costs | | (1,351) | (1,521) |
| **Net finance costs** | | **(1,323)** | **(1,458)** |
| **Loss before income tax** | | **(3,978)** | **(3,653)** |
| Income tax benefit/(expenses) | 4 | - | - |
| **Loss from continuing operations** | | **(3,978)** | **(3,653)** |
| **Loss for the year** | | **(3,978)** | **(3,653)** |
| **Total comprehensive loss for the year** | | **(3,978)** | **(3,653)** |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023 (CONTINUED)

| **Loss per share attributable to the members of Swift Networks Group Limited:** | | Cents | Cents |
|---|---|---|---|
| Basic loss per share | | | |
| Loss from continuing operations | 26 | (0.7) | (0.6) |
| | | | |
| Diluted loss per share | | | |
| Loss from continuing operations | 26 | (0.7) | (0.6) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

| | Note | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 2,073 | 3,750 |
| Trade and other receivables | 6 | 3,206 | 2,512 |
| Inventory | 7 | 1,475 | 856 |
| Other current assets | | 646 | 637 |
| **Total Current Assets** | | **7,400** | **7,755** |
| **Non-Current Assets** | | | |
| Trade and other receivables | 6 | - | 144 |
| Property, plant and equipment | 8 | 480 | 694 |
| Right-of-use assets | 14 | 644 | 737 |
| Contract assets | 15 | - | 16 |
| Intangible assets | 9 | 2,370 | 1,979 |
| Financial assets at fair value through profit or loss | 10 | 622 | 940 |
| **Total Non-Current Assets** | | **4,116** | **4,510** |
| **Total Assets** | | **11,516** | **12,265** |
| **Current Liabilities** | | | |
| Trade and other payables | 11(a) | 6,185 | 5,320 |
| Contract liabilities | 15 | 2,157 | 1,066 |
| Provisions | 12 | 585 | 537 |
| Lease Liabilities | 14 | 192 | 154 |
| Borrowings | 13 | - | 7,238 |
| **Total Current Liabilities** | | **9,119** | **14,315** |
| **Non-Current Liabilities** | | | |
| Other payables | 11(b) | 1,036 | - |
| Provisions | 12 | 40 | 33 |
| Borrowings | 13 | 6,418 | - |
| Lease Liabilities | 14 | 577 | 701 |
| Contract Liabilities | 15 | 37 | 102 |
| **Total Non-Current Liabilities** | | **8,108** | **836** |
| **Total Liabilities** | | **17,227** | **15,151** |
| **Net (Liabilities)/Assets** | | **(5,711)** | **(2,886)** |
| **Equity** | | | |
| Issued capital | 16 | 61,627 | 61,627 |
| Reserves | 17 | 6,922 | 5,769 |
| Accumulated losses | 18 | (74,260) | (70,282) |
| **Total Equity** | | **(5,711)** | **(2,886)** |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2023

| | Note | Issued Capital | Reserves | Accumulated losses | Total |
|---|---|---|---|---|---|
| | | $000 | $000 | $000 | $000 |
| **For the year ended 30 June 2023** | | | | | |
| At the beginning of the year | | **61,627** | **5,769** | **(70,282)** | **(2,886)** |
| Total comprehensive loss for the year | | - | - | (3,978) | **(3,978)** |
| Transactions with shareholders in their capacity as shareholders: | | | | | |
| Share based payments and warrants | 19 | - | 1,153 | - | **1,153** |
| **At the end of the year** | | **61,627** | **6,922** | **(74,260)** | **(5,711)** |

| | Note | Issued Capital | Reserves | Accumulated losses | Total |
|---|---|---|---|---|---|
| | | $000 | $000 | $000 | $000 |
| **For the year ended 30 June 2022** | | | | | |
| At the beginning of the year | | **61,627** | **5,338** | **(66,629)** | **336** |
| Total comprehensive loss for the year | | - | - | (3,653) | **(3,653)** |
| Transactions with shareholders in their capacity as shareholders: | | | | | |
| Share based payments | 19 | - | 431 | - | **431** |
| **At the end of the year** | | **61,627** | **5,769** | **(70,282)** | **(2,886)** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Cash receipts in the course of operations | | 19,144 | 20,188 |
| Cash payments in the course of operations | | (18,815) | (20,005) |
| Government grants received | | - | 100 |
| Finance costs | | (924) | (850) |
| Interest received | | 28 | 63 |
| R&D tax refunds | | 970 | 1,512 |
| **Net cash inflows from operating activities** | 20 | **403** | **1,008** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Purchase of property, plant and equipment | 8 | (172) | (337) |
| Payment for development | 9 | (1,190) | (1,041) |
| Proceeds from sale of listed shares | | 28 | 450 |
| **Net cash outflows for investing activities** | | **(1,334)** | **(928)** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Repayments of lease liabilities | | (154) | (207) |
| Repayment of borrowings | 13 | (516) | - |
| Payment of transactions costs | | (76) | - |
| **Net cash outflows from financing activities** | | **(746)** | **(207)** |
| | | | |
| **Net decrease in cash and cash equivalents** | | (1,677) | (127) |
| **Cash at the beginning of the year** | | 3,750 | 3,877 |
| **Cash at the end of the year** | 5 | **2,073** | **3,750** |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Reporting entity

Swift Networks Group Limited (the 'Company') is a Company domiciled in Australia and a for-profit entity for the purpose of preparing financial statements. The consolidated financial statements and notes represent those of the Swift Networks Group Limited and controlled entities (the "consolidated Group" or "Group").

The separate financial statements of the parent entity, Swift Networks Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

## Note 1 . Operating segments

In conjunction with AASB 8 Operating Segments, the Company has identified its operating segment based on internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM) in assessing performance and in determining the allocation of resources. The CODM has been identified as the Chief Executive Officer.

The CODM monitors the operating results of the consolidated group and organises its business activities and product lines in the digital entertainment and services sector. The performance of the consolidated group is evaluated based on Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") which are measured in accordance with the Company's accounting policies.

Consistent with the assessment in annual accounts ended 30 June 2022, the Group has identified only one reporting segment in the digital entertainment and service sector for which the Group earn revenue and allocate resources. As such, the reportable segment for the current period is represented by primary statements forming this financial report being one segment.

## Note 2. Revenue

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Revenue from continuing operations | 19,060 | 18,518 |
| **Total revenue** | **19,060** | **18,518** |

| **Disaggregation of revenue** | **2023**<br>**$000** | **2022**<br>**$000** |
|---|---|---|
| Revenue recognition at a point in time[1] | 5,040 | 4,988 |
| Revenue recognition over time[2] | 14,020 | 13,530 |
| | 19,060 | 18,518 |

1. Relating to sale of equipment
2. Relating to content, support and services

**Geographical information**
All revenue is derived in Australia.

Revenue of approximately $3.2m (FY2022: $2.2m) is derived from a single external customer. The revenue is attributed to upgrade, content and support.

## Note 2. Revenue (continued)

| **Revenue recognised in relation to contract liabilities** | **2023** | **2022** |
|---|---|---|
| | **$000** | **$000** |
| Revenue recognised that was included in the contract liability balance at 1 July for Content and Technology revenue | 151 | 157 |
| | 151 | 157 |

| **Unsatisfied long-term Content & Technology revenue** | **2023** | **2022** |
|---|---|---|
| | **$000** | **$000** |
| Revenue recognised that was included in the contract liability balance at 1 July for Content and Technology revenue | 18,548 | 17,933 |
| | 18,548 | 17,933 |

As at 30 June 2023, the Group expects that 56% of the transaction price allocated to the unsatisfied contracts for Content and Technology will be recognised as revenue in the 2024 financial year. The remaining 44% will be recognised from2025 to 2028. The Group applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

## Note 3. Operating expenses

| | **2023** | **2022** |
|---|---|---|
| | **$000** | **$000** |
| Cost of sales | (11,372) | (11,220) |
| Employment costs[1] | (5,768) | (6,014) |
| Occupancy costs | (149) | (212) |
| Professional fees | (390) | (409) |
| General & administration expenses | (923) | (855) |
| Government grants | - | 100 |
| Other income[2] | 612 | 1,512 |
| | **(17,990)** | **(17,098)** |

1. The Directors and executives have voluntarily taken a salary reduction as part of cost management in FY2023.
2. Other income is predominately related to $0.6m R&D refunds received and recognised in FY2023.

## Note 4. Taxation

| | 2023 | 2022 |
|---|---|---|
| | $000 | $000 |
| **(a) Income tax benefit** | | |
| Major components of income tax expense are: | | |
| Current tax | - | - |
| Deferred tax | - | - |
| Under/Over | | - |
| Income tax expense/ (benefit) reported in the income statement | **-** | **-** |
| **(b) Numerical reconciliation** | | |
| **The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:** | (3,978) | (3,386) |
| Prima facie tax payable on loss from ordinary activities before income tax at 25% (2022: 26%) | (994) | (847) |
| - Non deductible share based payments | 153 | 108 |
| - Other permanents | (150) | 332 |
| Changes to income tax expense due to: | | |
| - Deferred taxes not recognised | 991 | 407 |
| **Income tax expenses attributable to entity** | - | - |

## Note 5. Cash and cash equivalents

| | 2023 | 2022 |
|---|---|---|
| | $000 | $000 |
| Cash at bank and on hand | 2,073 | 3,750 |
| | **2,073** | **3,750** |

Refer to note 21 on risk exposure analysis for cash and cash equivalents.

## Note 6. Trade and other receivables

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| **Current** | | |
| Trade receivables[1] | 2,902 | 2,133 |
| Other receivables[2] | 307 | 495 |
| Loss allowance | (3) | (116) |
| | **3,206** | **2,512** |
| **Non-Current** | | |
| Trade receivables | - | 144 |

[1.] Trade receivables are non-interest bearing and are generally on 30-60-day terms. The Company has utilised $113k provision for loss allowance to offset Pindan Contracting Pty Ltd's receivable balance as a result of Pindan's liquidation. The Company has assessed the receivables and did not expect any other credit loss. Due to short term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

At 30 June 2023, a total of $487k was past due of which $160k has been received. The remaining overdue balance is $327k (FY2022: $334k). These relate to a number of independent customers for whom there is no recent history of default. Swift is confident that these receivables are collectable and are active in the management and reduction of these overdue amounts.

[2.] The restricted cash of $239k secured for issuance of bank guarantees is included in other receivables.

Refer to Note 21 Financial Risk Management for risk exposure analysis for Trade and other receivables.

## Note 7. Inventory

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Inventory: | | |
| Finished goods | 691 | 611 |
| Provision for obsolescence | (55) | (53) |
| Work in progress | 839 | 298 |
| | **1,475** | **856** |

Amounts recognised in profit or loss

1. Inventories recognised as an expense during the year ended 30 June 2023 amounted to $1,764k (FY2022: $1,713k). They were included in cost of sales in the statement of profit or loss for providing services.

2. Write-downs of inventories to net realisable value amounted to $2k (FY2022:$21k). These were recognised as an expense during the year ended 30 June 2023 and included in cost of sales in the statement of profit or loss.

## Note 8. Property, plant and equipment

| | Motor Vehicles | Software | Office Fit-out & Equipment | Test Equipment | Rental Equipment | Leasehold Improvement | Total |
|---|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Year ended 30 June 2023** | | | | | | | |
| Opening net book amount | 44 | 297 | 123 | 15 | 29 | 186 | **694** |
| Additions | - | 2 | 9 | 47 | 108 | 6 | **172** |
| Depreciation expenses | (27) | (160) | (102) | (13) | (42) | (42) | **(386)** |
| Closing net book amount | **17** | **139** | **30** | **49** | **95** | **150** | **480** |
| **At 30 June 2023** | | | | | | | |
| Cost | 161 | 1,007 | 887 | 275 | 4,503 | 218 | **7,051** |
| Accumulated depreciation and impairment | (144) | (868) | (857) | (226) | (4,408) | (68) | **(6,571)** |
| Net book amount | **17** | **139** | **30** | **49** | **95** | **150** | **480** |
| **Year ended 30 June 2022** | | | | | | | |
| Opening net book amount | 67 | 360 | 445 | 19 | 203 | - | **1,094** |
| Additions | - | 94 | 20 | 10 | - | 213 | **337** |
| Depreciation expense | (23) | (157) | (108) | (14) | (174) | (27) | **(503)** |
| Impairment charges | - | - | (234) | - | - | - | **(234)** |
| Closing net book amount | **44** | **297** | **123** | **15** | **29** | **186** | **694** |
| **At 30 June 2022** | | | | | | | |
| Cost | 161 | 1,005 | 878 | 228 | 4,394 | 213 | **6,879** |
| Accumulated depreciation and impairment | (117) | (708) | (755) | (213) | (4,365) | (27) | **(6,185)** |
| Net book amount | **44** | **297** | **123** | **15** | **29** | **186** | **694** |

## Note 9. Intangible Assets

| **Development Costs** | **2023** | **2022** |
|---|---|---|
| | **$000** | **$000** |
| **Year ended 30 June 2023** | | |
| Opening net book amount | 1,979 | 1,710 |
| Additions | 1,190 | 1,041 |
| Amortisation charge | (799) | (772) |
| Closing net book amount | 2,370 | 1,979 |
| | | |
| Cost | 7,346 | 6,156 |
| Accumulated amortisation and impairments | (4,976) | (4,177) |
| Closing net book amount | 2,370 | 1,979 |

The company has incurred additional development costs of new applications to meet its growth strategy and the market demand. The Company expects to recover the development costs through the sale and the use of these new applications.

The company has completed the development of key applications and launched them including sizable casting related product to the market in FY2023.

The capitalised project development costs are amortised on a straight-line basis.

**Assessment of carrying value**
The aggregate carrying amount of intangibles allocated to the Group's separably identifiable cash-generating units (CGU):

| | **2023** | **2022** |
|---|---|---|
| | **$000** | **$000** |
| Swift Networks – Intangibles | 2,370 | 1,979 |
| | **2,370** | **1,979** |

The Company has assessed the relevant impairment indicators and does not expect impairment to the Company's intangibles in this reporting year. The Company has concluded that the carrying value of the intangibles are recoverable.

## Note 10. Financial assets at fair value through profit or loss

| | **2023** | **2022** |
|---|---|---|
| **Non-current** | **$000** | **$000** |
| Listed ordinary shares | 622 | 940 |
| | **622** | **940** |

The non-current asset represents the valuation of 19.4m shares in Motio Limited (ASX:MXO) at $0.032 cents per share as of 30 June 2023.

## Note 10. Financial assets at fair value through profit or loss (continued)

| Reconciliation of the fair values at the beginning and the end of the current and previous financial year are set out below: | 2023 | 2022 |
|---|---|---|
| | $000 | $000 |
| Opening fair value | 940 | 2,475 |
| Disposals | (28) | (450) |
| Net fair value loss on financial assets at fair value through profit or loss | (290) | (1,085) |
| Closing fair value | **622** | **940** |

Refer to Note 21 for further information on fair value assessment.

## Note 11. Trade and Other Payables

| | 2023 | 2022 |
|---|---|---|
| **11 (a) Current** | **$000** | **$000** |
| Trade Payables[1] | 3,154 | 3,063 |
| Other payables and accruals[2] | 3,031 | 2,257 |
| | **6,185** | **5,320** |
| **11 (b) Non-current** | | |
| Other payables and accruals[2] | 1,036 | - |
| | **1,036** | **-** |

1. Current trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts are considered to be the same as their fair values, due to their short-term nature.

2. a) Provisions for financial liabilities of $1.4m included in other payables and accruals include payroll tax, provisional costs and potential penalties for contraventions of the Competition and Consumer Act in relation to Federal Court proceedings commenced on 17 February 2023 for historical project bids in 2019. The parties have filed a statement of agreed facts and admissions, joint submissions and proposed orders in relation to relief with the Federal Court with a hearing date in September 2023.

   Present value calculations have been performed on these provisional costs on the basis of an implied 12% discount rate as determined by the Directors to reflect the costs fair value as 30 June 2023. This rate reflects the market rate of interest for similar facilities.

   b) Other non-current payables and accruals include $0.8m in relation to the portion of discounted provisional costs as referred in 2a), based on management expectation of payment dates and $0.2m deferred income arising from R&D claims to be released in future periods.

## Note 12. Provisions

| | 2023 | 2022 |
|---|---|---|
| **Current** | **$000** | **$000** |
| Employee and FBT provisions | 578 | 530 |
| Provision for contractual liabilities | 7 | 7 |
| | **585** | **537** |
| **Non-Current** | | |
| Employee provisions[1] | 40 | 33 |
| | **40** | **33** |

[1.] Entitlement to Long Service Leave is more than 12 months.

## Note 13. Borrowings

| | 2023 | 2022 |
|---|---|---|
| | **$000** | **$000** |
| **Current** | | |
| Pure Asset Management Loan | - | 8,201 |
| Less: transaction costs | - | (963) |
| Total current borrowings[1] | **-** | **7,238** |
| | | |
| **Non-current** | | |
| Pure Asset Management Loan | 8,201 | - |
| Less: repayment of loan principal | (516) | - |
| Less: transaction costs | (1,267) | - |
| Total non-current borrowings | **6,418** | **-** |

1. Pure loan was classified as current borrowings as at 30 June 2022 and subsequently reclassified as non-current borrowings.

2. The Company and Pure Asset Management have amended the loan facility in August 2022. As part of the Amendment, the Company has repaid $0.5m to reduce the loan principal to $7.7m and extended the maturity to 30 September 2025. The interest rate remains at 9.5 per cent, interest payable every three months.

3. Transaction costs are costs that are directly attributable to the loan and include loan originating fees, legal fees and the aggregated valuation of 110.7m warrants. In this reporting period, 60m warrants were issued and valued at $542k by using the Black-Scholes option pricing. The transaction costs also included $70k amended facility work fees. Total capitalised transaction costs relating to the facility agreement and amendments are $2.5m. The balance of unamortised transaction costs of $1.3m is offset against the borrowing of $7.7m.The security of the facility is a first-ranking general security over all assets of the Group and its subsidiaries.

4. A total of 110.7m detached warrants have been issued to Pure Asset Management and valued by using Black-Scholes option pricing model (refer to note 16)

5. The facility is subject to quarterly EBITDA and cash covenant of minimum cash balance of $1m. The Company has complied with all the loan covenants during the reporting period and a Waiver and Amendment letter was obtained for covenants up until 1 July 2024.

## Note 14. Leases

| | Consolidated Right-of-use Assets | |
|---|---|---|
| | 2023<br>$000 | 2022<br>$000 |
| Opening net book amount[1] | 737 | 35 |
| Additions[2] | 70 | 884 |
| Amortisation expense | (163) | (182) |
| **Closing net book amount** | **644** | **737** |

[1.] The leases related to office premises only.

[2.] The additions represent the new Melbourne office leases commenced 1 June 2023.

| | Consolidated Lease Liabilities | |
|---|---|---|
| | 2023<br>$000 | 2022<br>$000 |
| **Lease liabilities** | | |
| Properties Current | 192 | 154 |
| Total current lease liabilities | 192 | 154 |
| | | |
| Properties Non-current | 577 | 701 |
| Total non-current lease liabilities | 577 | 701 |
| **Total lease liabilities** | **769** | **855** |

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| **Maturity analysis:** | | |
| Within one year | 192 | 154 |
| Later than one year but not later than five years | 577 | 701 |
| **Total** | **769** | **855** |

| Amounts recognized in the consolidated statement of profit or loss | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Interest expense (included in finance costs) | (48) | (44) |
| Amortisation charge of right-of-use assets | (163) | (182) |

**Cash outflow**

The total cash outflow for leases in FY2023 was $154k (FY2022: $207k).

## Note 15. Contracts Assets and Liabilities

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Non-Current Contract assets** | | |
| Contract assets relating to Content & technology Revenue | - | 16 |
| Total | **-** | **16** |
| | | |
| Assets recognised from costs to fulfil a contract | 515 | 515 |
| Amortisation recognised as a cost of providing services during the year | (515) | (499) |
| Total | **-** | **16** |

In Adopting AASB 15, the Group recognised an asset in relation to costs incurred in obtaining and Content & Technology contracts. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, in line with recognition of the associated revenue.

| **Current Contract liabilities** | 2023 $000 | 2022 $000 |
|---|---|---|
| Content & technology revenue current | 2,157 | 1,066 |
| Total | **2,157** | **1,066** |
| | | |
| **Non-Current Contract liabilities** | | |
| Content & technology revenue non-current | 37 | 102 |
| Total | **37** | **102** |

## Note 16. Issued capital

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Issued capital | **61,627** | **61,627** |

| **Movement in Ordinary Share Capital:** | 30 June 2023 No. | 30 June 2022 No. | 30 June 2023 $000 | 31 June 2022 $000 |
|---|---|---|---|---|
| At the beginning of the period | 581,497,900 | 578,630,471 | 61,627 | 61,627 |
| Exercise of EIS rights | 12,497,358 | 917,429 | - | - |
| Options vested during the year | - | 1,950,000 | - | - |
| | **593,995,258** | **581,497,900** | **61,627** | **61,627** |

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

Every holder of ordinary shares present at a meeting in person or by proxy, shall have one vote for each share.

## Note 16. Issued capital (continued)

*Options*

There were no options issued in this financial year. At 30 June 2023, there were 4m options (30 June 2022: 5m) available for exercise. During the financial year, 1,000,000 Options expired unexercised.

| **Exercise price** | **30 cents** | **13 cents** | **5 cents** | **5 cents** | **Total** |
|---|---|---|---|---|---|
| **Expiry date** | **31 December 2022** | **31 December 2022** | **30 April 2024** | **7 February 2025** | |
| Opening balance | 500,000 | 500,000 | 2,000,000 | 2,000,000 | **5,000,000** |
| Expired unexercised during the financial year | (500,000) | (500,000) | - | - | **(1,000,000)** |
| **Closing balance** | **-** | **-** | **2,000,000** | **2,000,000** | **4,000,000** |

*Warrants*

The table below summarises the details of warrants.

| **Grant date** | **Expiry date** | **Exercise price $** | **Opening balance** | **Issued** | **Closing balance** | **Value $000** |
|---|---|---|---|---|---|---|
| 29 January 2020[1] | 4 December 2023 | 0.0165 | 26,666,666 | - | 26,666,666 | 614 |
| 3 March 2021[2] | 22 January 2024 | 0.08 | 24,000,000 | - | 24,000,000 | 582 |
| 23 August 2022[3] | 30 September 2025 | 0.03 | - | 60,000,000 | 60,000,000 | 542 |
| **Total** | | | **50,666,666** | **60,000,000** | **110,666,666** | |

[1]The value of the warrants issued to Pure Asset Management has been included in capitalised transaction costs offset against the associated borrowings of $8.2m (refer to Note13).

[2]The value of the warrants issued to Pure Asset Management has been included in capitalised transaction costs offset against the associated borrowings of $8.2m (refer to Note 13).

[3]60,000,000 detached warrants were issued to Pure Asset Management on 23 August 2022 with an exercise price of $0.03 each and have been valued at $542k by using the Black-Scholes option pricing model as outlined below. These costs have been included in capitalised transaction costs offset against the associated borrowing of $7.7m (refer to Note 13)

Valuation of warrants issued during the financial year

| | |
|---|---|
| Method | Black Scholes |
| Spot price (cents) | 1.7 |
| Expiry date | 30 September 2025 |
| Volatility | 100% |
| Risk free rate | 3.08% |
| Value of Call (cents) | 0.9 |

*Share buy-back*

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

## Note 16. Issued capital (continued)

*Capital risk management*

The Group's objectives when managing capital are 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.

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 to reduce debt.

The Group will look to raise capital when an opportunity to make investments is seen as value adding relative to the current parent entity's share price at the time of the investment.

The Group is subject to certain financial arrangement covenants and meeting these is given priority in all capital risk management decisions.

The capital risk management policy remains unchanged from the 2022 Annual Financial Statement.

## Note 17. Reserves

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| *Options & Warrant reserves* | | |
| Opening balance | 5,769 | 5,338 |
| Warrants issued | 542 | - |
| Options and Performance Rights reserve | 611 | 431 |
| Closing balance | **6,922** | **5,769** |

The reserve is used to recognise the fair value of options & warrants granted.

## Note 18. Accumulated losses

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (70,282) | (66,629) |
| Loss after income tax expense for the year | (3,978) | (3,653) |
| Accumulated losses at the end of the financial year | **(74,260)** | **(70,282)** |

## Note 19. Share based payments

*(i) Details of Share Based Payments*

| | | | | | As at 30 June 2023 | |
|---|---|---|---|---|---|---|
| | **Remuneration Type** | **Grant Date** | **Number Granted** | **Total P&L expense in the year** | **Number vested and exercisable** | **Number unvested** |
| C Fear | Ordinary Share Rights | 18 November 2021[1] | 600,000 | 4,545 | - | 600,000 |
| C Fear | Ordinary Share Rights | 17 November 2022[1] | 150,000 | 1,625 | - | 150,000 |
| B Denison | Ordinary Share Rights | 18 November 2021[1] | 600,000 | 4,545 | - | 600,000 |
| B Mangano | Performance Rights (FY22)[2] | 1 July 2021 | 4,620,487 | 38,007 | 2,310,244 | 2,310,244 |
| B Mangano | Share Awards (FY22)[2] | 1 July 2021 | 4,620,487 | - | 4,620,487 | - |
| B Mangano | Performance Rights (FY23)[3] | 1 July 2022[3] | 8,445,946 | 45,695 | - | 8,445,946 |
| B Mangano | Share Awards (FY23)[3] | 1 July 2022[3] | 8,445,946 | 109,797 | - | 8,445,946 |
| B Mangano | Ordinary Shares Options[2] | 18 November 2021 | 2,000,000 | 5,367 | - | 2,000,000 |
| Ryan Sofoulis | Performance Rights(FY22)[2] | 1 July 2021 | 1,202,593 | 9,892 | 601,296 | 601,297 |
| Ryan Sofoulis | Share Awards (FY22)[2] | 1 July 2021 | 1,202,593 | - | 1,202,593 | - |
| Ryan Sofoulis | Performance Rights(FY23)[2] | 1 July 2022 | 2,525,354 | 13,771 | - | 2,545,354 |
| Ryan Sofoulis | Share Awards (FY23)[2] | 1 July 2022 | 2,525,354 | 33,090 | 2,545,354 | - |
| Ms P Leary | Incentive Options[4] | 26 June 2019 | 1,000,000 | 6 | - | - |

1 Approved by shareholders on 17 November 2022.

2-3 Refer to valuation in next page.

3 The Performance Rights and Share Awards are subject to shareholder approval.

4 The Options lapsed unexercised on 31 December 2022.

## Note 19. Share based payments (continued)

Mr Charles Fear was granted 600,000 ordinary share rights on 19 November 2021 in accordance with the non-executive Letter of Appointment and an additional 150,000 ordinary share rights in relation to his role change as Chairman on 17 November 2022. He held 750,000 ordinary share rights as at 30 June 2023. The rights are subject to a vesting period of two years following the date of appointment to Mr Fear's respective positions. The rights will be forfeited in full and lapse should Mr Fear not complete his respective engagement for the two year period. The aggregated share-based payment of $6,170 in relation to these arrangements was recorded in FY2023 (FY2022:$3,671).

Mr Bradley Denison was granted 600,000 ordinary share rights on 19 November 2021 in accordance with his non-executive Letter of Appointment which were approved at the 2022 AGM. These rights are subject to a vesting period of two years. The rights will be forfeited in full and lapse should he not complete his engagement as Non-executive Director for the two years. A share-based payment of $4,545 in relation to this arrangement was recorded in FY2023 (FY2022: $3,671).

Mr Brian Mangano was issued 2,000,000 share options in accordance with his employment contract and subsequent approval by the shareholders at the 2021 AGM. These options are exercisable at five cents per share with a minimum exercise period of three years. A share-based payment expense of $5,367 in relation to this arrangement was recorded in FY2023 (FY2022: $4,220).

Mr Brian Mangano was granted 9,240,974 awards under FY2022 Employee Incentive Scheme ("EIS"), consisting of 4,620,487 STI Share Awards and 4,620,487 LTI Performance Rights, which were all approved at the 2022 AGM. The 4,620,487 STI Awards are awarded as ordinary shares and the 4,620,487 LTI performance rights are subject to continuous employment and vest on 30 June 2023 (50%) and 30 June 2024 (remaining 50%). The Shares and Performance Rights (although fully granted) were accepted by the holder and issued on 24 July 2023. A share-based payment expense of $38,007 in relation to this arrangement was recorded in FY2023 (FY2022: $129,257).

In FY2023, Mr Brian Mangano was granted 16,891,892 awards under the FY2023 EIS, consisting of 8,445,946 STI Share Awards and 8,445,946 LTI Performance Rights. The 8,445,946 STI Share Awards are subject to shareholder approval at the 2023 AGM or are otherwise payable as a bonus in cash. The 8,445,946 LTI Performance Rights are subject to shareholder approval. In addition, the LTI Performance Rights are subject to continuous employment and vest on 30 June 2024 (50%) and 30 June 2025 (remaining 50%). A provisional share-based payment expense of $155,492 in relation to the securities was recorded in FY2023 (FY2022: nil).

In FY2022, Mr Ryan Sofoulis was granted 2,405,186 awards under the FY2022 EIS, consisting of 1,202,593 STI Share Awards and 1,202,593 LTI Performance Rights, which were all approved at the 2022 AGM. The 1,202,593 STI Awards are awarded as ordinary shares and the 1,202,593 LTI Performance Rights are subject to continuous employment and vest on 30 June 2023 (50%) and 30 June 2024 (50%). The Shares and Performance Rights (although fully granted) were accepted by the holder and issued on 24 July 2023. A share-based payment expense of $9,892 was recorded in FY2023 (FY2022: $33,642)

In FY2023, Mr Ryan Sofoulis was granted 5,090,708 awards under FY2023 EIS, consisting of 2,545,354 STI Share Awards and 2,545,354 LTI Performance Rights. The 2,545,354 STI Share Awards can be converted to ordinary shares immediately, and the 2,545,354 LTI Performance Rights are subject to continuous employment and vest on 30 June 2024 (50%) and 30 June 2025 (remaining 50%). A provisional share-based payment expense of $46,861 in relation this new arrangement was recorded in FY2023 (FY2022: nil).

Ms Pippa Leary's full 1,000,000 options lapsed unexercised as at 30 June 2023. A share-based payment amount of $6 was recorded in FY2023 (FY2022: $2,051).

## Note 19. Share based payments (continued)

*(ii) Valuation*

The fair value of these share-based instruments was calculated as follows:

| | Share Options (FY2022) | Ordinary Share Rights (FY2022) | Performance Rights & Share Awards (FY2022 EIS) | Ordinary Share Rights (FY2023) | Performance Rights & Share Awards (FY2023 EIS) |
|---|---|---|---|---|---|
| Method | Black Scholes | Share price at grant date | Share price at grant date | Share price at grant date | Share price at grant date |
| Spot price (cents) | 1.9 | 1.7 | 1.7 | 1.7 | 1.3 |
| Strike price | 5 cents | nil | nil | nil | nil |
| Expiry date | 6 February 2025 | 18 November 2023 | 30 June 2025 | 21 March 2024 | 30 June 2026 |
| Volatility | 100% | n/a | n/a | n/a | n/a |
| Risk free rate | 0.97% | n/a | n/a | n/a | n/a |
| Fair value per unit (cents) | 0.8 | 2.0 | 1.7 | 1.7 | 1.3 |

*(iii) FY2023 Performance Rights Granted*

In FY2023, 29,491,017 STI Share Awards and 29,491,016 LTI Performance Rights under FY2023 EIS valued at $543k were granted to eligible employees and key management personnel. The 29,491,017 STI Share Awards can be vested immediately, whilst the 29,491,016 LTI Performance Rights are subject to continuous employment. The vest conditions were as follows:

(i) 50% of the award will vest on 30 June 2024; and

(ii) 50% of the Rights will vest on 30 June 2025

Continuous employment must be maintained throughout the vesting period. In the event that the employee resigns or is terminated by the Company, all the unvested Performance Rights at the time will be forfeited. Further, if the employees are placed on a formal performance management process, the Performance Rights will be forfeited.

Mr B Mangano was granted 8,445,946 STI Share Awards and 8,445,946 LTI Performance Rights under FY2023 EIS, which are all subject to shareholder approval.

**Summary of options and rights granted as a share-based payment:**

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Issue of options and rights to KMP | 266 | 201 |
| Issue of EIS rights to employees | 345 | 230 |
| | **611** | **431** |

*(iv) Warrants – refer to note 13 and note 16*

## Note 20. Cash flow information

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$000** | **$000** |
| **(a) Reconciliation of net loss after tax to net cash flows from operations:** | | |
| Loss after tax | (3,978) | (3,653) |
| *(a) Non-cash flows in profit:* | | |
| Depreciation and amortisation expenses | 1,348 | 1,457 |
| Amortisation expense for debt establishment cost and cost to fulfil contract | 443 | 716 |
| Share based payments (settled in equity) | 611 | 431 |
| Provision for proceeding costs and liabilities | 1,410 | - |
| Loss on fair value on financial assets | 290 | 1,085 |
| Loss on disposal of property, plant and equipment | - | 234 |
| R&D amortisation expense | (362) | - |
| Adjustment of finance costs | 115 | - |
| | **(123)** | **270** |
| *(b) Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries* | | |
| Change in trade and other receivables | (497) | 1,092 |
| Change in inventories | (619) | (27) |
| Change in other current assets | (9) | 10 |
| Change in trade and other payables | 645 | (724) |
| Change in contract liabilities | 1,027 | 427 |
| Change in provisions | 55 | (40) |
| Change in borrowings | (76) | - |
| Cash flow provided from operations | **403** | **1,008** |

## Note 20. Cash flow information (continued)

| Changes in liabilities from financing activities: | Long term Borrowings $000 | Lease liabilities $000 | Total $000 |
|---|---|---|---|
| **Balance as at 1 July 2021** | **6,567** | **47** | **6,614** |
| Net cash used in financing activities | - | (207) | (207) |
| Lease liabilities capitalised | - | 891 | 891 |
| Lease repayment adjustment | - | 124 | 124 |
| Debt establishment costs capitalised | 201 | - | 201 |
| Other changes | | | |
| Interest expensed | 1,260 | - | 1,260 |
| Interest payments (presented as operating cash flows) | (790) | - | (790) |
| **Balance as at 30 June 2022** | **7,238** | **855** | **8,093** |
| Net cash used in financing activities | (516) | - | (516) |
| Lease liabilities capitalised | - | 68 | 68 |
| Lease repayment | - | (154) | (154) |
| Debt establishment costs capitalised | 618 | - | 618 |
| Other changes | | | |
| Interest expensed | (46) | - | (46) |
| Interest payments (presented as operating cash flows) | (876) | - | (876) |
| **Balance as at 30 June 2023** | **6,418** | **769** | **7,187** |

**Non-cash investing and financing activities disclosed in other notes are:**
2023
- Acquisition of right-of-use assets – note 14
- Equity instruments issued to employees and Directors under employee incentive scheme for no cash consideration – note 19

2022
- Acquisition of right-of-use assets – note 14
- Equity instruments issued to employees and Directors under employee incentive scheme for no cash consideration – note 19

## Note 21. Financial risk management

**Introduction and overview**

The Group activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed are market risk, credit risk and liquidity risk.

**Risk management framework**

**Market risk**

Market risk is analysed as market price risk, interest rate risk and currency risk.

## Note 21. Financial risk management (continued)

***Market price risk***

Market price risk is the risk that changes in market prices (other than changes due to currency or interest rate risk) will affect the Group's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures.

The Motio share price fluctuations would affect the holding value of the listed shares. The loss on the valuation of Motio shares have been accounted for in this reporting period. Therefore, as at balance date the exposure to market price risk related to financial instruments was considered to be immaterial.

***Interest rate risk***

Interest rate risk consists of cash flow interest rate risk (the risk that future cash flows of a financial instrument will vary due to changes in market interest rates) and fair value interest rate risk (the risk that the value of a financial instrument will vary due to changes in market interest rates).

**Management of interest rate risk**

Interest rate risk is the risk of financial loss and / or increased costs due to adverse movements in the values of the financial assets and liabilities as a result of changes in interest rates.

**Exposure to interest rate risk**

As at the reporting date the interest rate risk was considered to be immaterial because the group borrowings were fixed rate instruments.

**Currency risk**

Currency risk is the risk that the value of assets and liabilities denominated in a foreign currency will fluctuate due to adverse movements in exchange rates. As at 30 June 2023, the Group has no exposure to currency risk relating to an operating lease and contractual commitments denominated in $US. A 10% movement in exchange rate would not have a material impact for the Group.

**Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

**Management of credit risk**

The group limits its exposure to credit risk from trade receivables through regular review. At the reporting date there were no significant concentrations of credit risk.

**Exposure to credit risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| **Carrying amount** | | |
| Cash and cash equivalents | 2,073 | 3,750 |
| Trade and other receivables | 3,206 | 2,656 |
| | **5,279** | **6,406** |

## Note 21. Financial risk management (continued)

The Group makes use of a simplified approach, under AASB 9, in accounting for short term trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group has used a general approach, under AASB 9, in accounting for long term trade receivables. Loss allowance for lifetime expected credit losses is recorded, if there is a significant increase in credit risk since initial recognition of the financial asset. At 30 June 2023, the Group has assessed that the long term debts are recoverable in full amount.

**Loss Allowance**

| | 2023 | 2022 |
|---|---|---|
| | **$000** | **$000** |
| Opening loss allowance at 1 July (calculated under AASB 9) | 116 | 116 |
| Decrease in loss allowance recognised in profit or loss during the year | (113) | - |
| **Closing loss allowance as at 30 June** | **3** | **116** |

For the loss provision, the management has segmented receivables into "Retention monies" and "Capex and monthly enterprise sales". As a result of assessment, the Company has utilised $113k loss allowance in relation to Pindan retention monies.

The management also assessed the history of other debtors and concluded that there is little to nil likelihood of default and as such has not provided additional loss allowance in this reporting period.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least A-.

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

**Exposure to liquidity risk**

As at reporting date the Group had sufficient cash reserves and access to facilities or arrangements for further funding or borrowings in place to meet its requirements (refer to note 28 Going concern for further details).

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments. The Group also has borrowings (refer to note 13) and lease liabilities (refer to note 14).

The following table sets out the carrying amounts, by maturity, of the financial instruments including exposure to interest rate risk:

## Note 21. Financial risk management (continued)

**Exposure to liquidity risk**

The following table sets out the carrying amounts, by maturity, of the financial instruments including exposure to interest rate risk:

| | | | Maturity | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Weighted average interest rate** | **6 months or less** | **6-12 months** | **1-2 years** | **More than 2 years** | **Total Contractual cash flows** |
| | **$000** | **%** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Consolidated - 2023** | | | | | | | |
| *Financial liabilities* | | | | | | | |
| Trade payables | 3,154 | - | 3,152 | 3 | - | (1) | 3,154 |
| Other payables | 2,001 | 12 | 1,109 | 130 | 362 | 400 | 2,001 |
| Loan | 6,418 | 9.5 | - | - | - | 7,686 | 7,686 |
| Lease liability | 769 | 5.6 | 93 | 99 | 446 | 131 | 769 |
| Closing net book amount | **12,342** | **-** | **4,354** | **232** | **808** | **8,216** | **13,610** |

| | | | Maturity | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Weighted average interest rate** | **6 months or less** | **6-12 months** | **1-2 years** | **More than 2 years** | **Total Contractual cash flows** |
| | **$000** | **%** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Consolidated - 2022** | | | | | | | |
| *Financial liabilities* | | | | | | | |
| Trade payables | 3,063 | - | 3,066 | - | - | (3) | 3,063 |
| Other payables | 1,557 | - | 918 | 295 | 249 | 95 | 1,557 |
| Loan | 7,238 | 9.5 | 8,201 | - | - | - | 8,201 |
| Lease liability | 855 | 5.6 | 74 | 80 | 361 | 340 | 855 |
| Closing net book amount | **12,713** | **-** | **12,259** | **375** | **610** | **432** | **13,676** |

The Group maintains cash flow forecasts for the next 12 months on a rolling basis. This takes into consideration all projected debt payments.

## Note 21. Financial risk management (continued)

**Fair value of financial assets and liabilities**

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date.

The carrying amounts of financial assets and liabilities equates to their fair values at balance date.

**Fair value hierarchy**

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

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

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

Level 3: Unobservable inputs for the asset and liability

| | Level 1<br>$000 | Level 2<br>$000 | Level 3<br>$000 |
|---|---|---|---|
| | 622 | - | - |
| | **622** | - | **-** |

## Note 22. Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| **Auditors of the Company** | | |
| *BDO Audit (WA) Pty Ltd* | | |
| Audit and review of financial statements | 124 | 106 |
| Non-audit services provided:<br>Taxation advice and preparation of income tax returns | 33 | 26 |
| Total remuneration for audit and non-audit services | **157** | **132** |

## Note 23. Parent entity

| | Parent entity | |
|---|---|---|
| | **2023** | **2022** |
| | **$000** | **$000** |
| **(a) Statement of Profit or Loss and other comprehensive income** | | |
| The individual financial statements for the parent entity show the following aggregate amounts: | | |
| **Net profit/(loss) attributable to equity holders of the Company** | 11 | (1,350) |
| **(b) Statement of financial position** | | |
| **Assets** | | |
| Total current assets | 2,551 | 2,812 |
| Total non-current assets | 1,640 | 1,959 |
| **Total assets** | **4,191** | **4,771** |
| **Liabilities** | | |
| Total current liabilities | (243) | (8,214) |
| Total non-current liabilities | (7,436) | (56) |
| **Net assets** | **(3,488)** | **(3,499)** |
| **Shareholders' equity** | | |
| Share capital | 61,626 | 61,626 |
| Reserves | 2,180 | 2,180 |
| Accumulated losses | (67,294) | (67,305) |
| **Total equity** | **(3,488)** | **(3,499)** |

The Parent has no Contingent Liabilities as at 30 June 2023 (FY2022: nil). The Parent has a secured debt facility amounting to $6,418k (30 June 2022: $7,238k) (Refer to details in Note 13).

The Parent has no Contingent assets and no other contractual obligations on behalf of the Group as at 30 June 2023 (FY2022: nil).

## Note 24. Related party transactions

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's KMP for the year ended 30 June 2023.

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Short term employee benefits | 747,445 | 897,764 |
| Share based payments (non-cash) | 266,340 | 200,572 |
| Post-employment benefits | 64,516 | 81,677 |
| | **1,078,301** | **1,180,013** |

Disclosures relating to KMP are set out in the remuneration report of the Directors' report.

***Loans with Directors and Key Management Personnel***

The Company has no funds advanced by the Directors and their related parties as at 30 June 2023.

***Other transactions with Directors and Key Management Personnel***

Transactions with Directors and Key Management Personnel related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| Payments made to Wenro Holdings Pty Ltd, a company of which Robert Sofoulis is a Director and Ryan Sofoulis is associated with, for provision of premises, pursuant to lease. | - | 161,536 |

No other transactions existed during the year and as at reporting date between the Company and with Directors and or KMP.

## Note 25. Group entity

**Ultimate parent entity**

The ultimate parent entity in the wholly owned Group is Swift Networks Group Limited.

| Name of entity | Country of residence / establishment | Ownership interest 30 June 2023 % | Ownership interest 30 June 2022 % |
|---|---|---|---|
| Parent entity | | | |
| Swift Networks Group Limited | Australia | nil | nil |
| Controlled entities | | | |
| Swift Networks Pty Ltd | Australia | 100% | 100% |
| VOD Pty Ltd | Australia | 100% | 100% |
| Swift Networks Australia Pty Ltd[1] | Australia | 100% | n/a |
| Medical Media Group Pty Ltd | Australia | 100% | 100% |
| Movie Source Pty Ltd | Australia | 100% | 100% |
| Wizzie Pty Ltd | Australia | 100% | 100% |
| Stanfield Funds Management Limited | Hong Kong | 100% | 100% |

Of the controlled entities, Swift Networks Pty Ltd and VOD Pty Ltd were operating during the reporting period.

1. Incorporated in Oct 2022.

## Note 26. EPS

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Net loss from continuing operations for the year | **(3,978)** | **(3,653)** |
| | **No.** | **No.** |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 590,101,217 | 580,116,723 |
| Basic loss per share (cents) | (0.7) | (0.6) |
| Diluted loss per share (cents) | (0.7) | (0.6) |

There are no instruments considered to be dilutive.

## Note 27. Commitments

The Company only has a commitment in respect of a five-year payment plan for NetSuite ERP licence fees. Minimum commitments under the arrangement are as follows:

| | Consolidated 2023 $000 | Consolidated 2022 $000 |
|---|---|---|
| Not later than 1 year | 140 | 140 |
| Later than 1 year but not later than 2 years | 23 | 163 |
| | **163** | **303** |

## Note 28. Statement of Significant accounting policies

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The annual report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets after tax for the year ended 30 June 2023 of a loss of $4.0m (2022: loss of $3.7m) and net cash inflows from operating activities of $0.4m (2022: cash inflow of $1m).

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board and Management believe there are sufficient funds to meet the Group's working capital requirements as at the date of the financial statements.

The financial statements have been prepared on the basis that the Group is a going concern which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors have assessed the cash flow requirements for the 12 month period from the date of approval of the financial statements and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirement.
- The Group entered into an amended facility agreement with Pure Asset Management Pty Ltd in August 2022 extending the term until 30 September 2025. New covenants have been aligned as a discount to the Group's forecasts. All covenant testing points were met in FY23 and the Directors also expect to comply with all future covenant requirements.
- The Group received a Waiver and Amendment letter from Pure Asset Management Pty Ltd regarding the contraventions of the Competition and Consumer Act in Federal Court proceedings commenced on 17 February 2023 in relation to historical project bids in 2019. This waiver is contingent upon the Federal Court decision being in line with the statement of agreed facts and admissions, joint submissions and proposed orders that have been submitted to court by both parties in the matter. The Group has provided for potential penalties and associated legal costs in FY23. Please see Note 11.
- The Directors of the Group have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through commercialisation of the Group's products and services. The Group currently has $2.5m in forward booked project revenue on top of its recurring revenue receipts.
- $0.62m financial asset in listed entity MXO has been removed from escrow and the Group will explore its options to realise this asset within the next 12 months.
- Based on prior years, the Directors of the Group have reason to believe that the Group is eligible for the R&D Tax Incentive, which will provide additional cash flow to the business in the next 12 months.

## Note 28. Statement of Significant accounting policies (continued)

Whilst the Directors are confident in the outlook of the Group, the ability of the Group to continue as a going concern is dependent upon executing the strategy that has been put in place. As a result of these matters, there is a material uncertainty that may cast significant doubt upon the Group's ability as a going concern and whether the Group will realise its assets and settle it liabilities in the ordinary course of business at the amounts recorded in the financial statements.

The Directors have assessed the likely cash flow for the 12 months period from the date of signing this annual report and its impact on the Group and believe there will be sufficient funds to meet the Group's working capital requirements as at the date of this report, based on the belief that additional funds can be raised to finance the Group's activity.

The Group has historically demonstrated its ability to raise funds to satisfy its immediate cash requirements and will consider all funding options as required, for future capital requirements. The Directors of the Group have reason to believe that in addition to the cash flow currently available, additional funds from receipts are expected through commercialisation of the Group's products and services. Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

Noting all of the above, and in conjunction with the Group's historical ability to raise funds to satisfy its immediate cash requirements the Directors are satisfied the Group is a going concern and therefore have prepared the financial statements on the basis the Group will continue to meet its commitments and can therefore continue normal business activities and realise its assets and settle liabilities in the normal course of the business.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated Group have been eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

**Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at amortised cost in the Company's financial statements.

## Note 28. Statement of Significant accounting policies (continued)

**Transactions eliminated on consolidation**

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

**(b) Income Tax**

The income tax expense / (benefit) for the year comprises current income tax expense (income) and deferred tax expense / (benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities / (assets) are therefore measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense / (benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

## Note 28. Statement of Significant accounting policies (continued)

**(c) Financial Instruments**

**Accounting Policy**

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

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

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

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

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

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

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

**(d) Financing elements**

The Group from time to time enter into contracts where the period between the transfer of the promised goods to the customer exceeds one year. Should the transactions price include the effect of time value of money as the timing of payment provides the customer with a significant financing benefit, the financing element will be recognised as finance income over time.

## Note 28. Statement of Significant accounting policies (continued)

**(e) Impairment of Assets**

At the end of each reporting period, the Group assesses the internal and external indicators that an asset may be impaired. If such an indicator exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income unless the asset is carried at a relevant amount in accordance with another statement. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

**(f) Functional and presentation currency**

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

**(g) Share based payments**

The Group measures the cost of equity settled transactions 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 Black Scholes valuation model after 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 the assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

The fair value of options at grant date is determined using a Black-Scholes that takes into account the exercise price, term of 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.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon exercise of the options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received are credited to share capital.

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 with the recognition of the expense accounted for over the vesting period. The fair value is determined by an internal valuation using Black-Scholes option pricing model considering the terms and conditions upon which the instruments were granted.

The key inputs to the Black-Scholes options pricing model include the expected price volatility and risk-free interest rate. The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information. The risk interest is the risk-free of securities with comparable terms to maturity.

## Note 28. Statement of Significant accounting policies (continued)

**(h) Employee Benefits**

*Wages, salaries and leave entitlements*

Liabilities for wages, salaries and leave entitlements are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

*Superannuation*

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

**(i) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(j) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances only.

**(k) 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 30-60-days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. For long term trade receivables, the expected credit loss is based on either the 12 month or lifetime expected credit loss. 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 loss.

**(l) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

**(m) Property, Plant & Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

*Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| | |
|---|---|
| • Motor Vehicles | 25% |
| • Software | 25% - 66.66% |
| • Office Equipment, Fit Out & Furniture | 10% - 100% |
| • Test Equipment & Tools | 10% - 66.66% |
| • Rental Equipment – Digital Entertainment System | 20% - 100% |

## Note 28. Statement of Significant accounting policies (continued)

**(n) Intangibles**

Intangible assets with finite lives are amortised over the useful life and assessed for impairment at least twice a year or whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least each reporting period end. Changes in the expected useful life or flow of economic benefits intrinsic in the asset are an accounting estimate. The amortisation charge on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income.

*Customer contracts:*

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortization and any impairment losses. Where customer contracts useful lives are assessed as finite, the customer contracts are amortised over their estimated useful lives of 1 to 2 years. At the reporting date, the customer contracts have been fully amortised.

*Research and development costs*

Research costs are expensed as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be reliably measured. Expenditure capitalised comprises all directly attributable costs including costs of materials, services and direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Amortisation is calculated using the straight-line method to allocate the cost of intangible over its estimated useful life (1-5 years) commencing when the intangible is available for use. The carrying value of an intangible asset arising from development expenditure is tested for impairment when an indication of impairment arises during the period.

**(o) Contract Assets**

Subscriber acquisition costs directly attributable to obtaining customer contracts, generating or enhancing resources and are expected to be on-charged to the customer, are recognised as an asset when it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Group. Other subscriber acquisition costs that do not meet these criteria are recognised as an expense as incurred. Amortisation is calculated using the straight-line method to allocate the cost of intangible over its estimated useful life (contract life) commencing when the intangible is available for use. The carrying value of an intangible asset arising from subscriber acquisition costs is tested for impairment when an indication of impairment arises during the period.

**(p) Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

**(q) Financing Costs**

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

## Note 28. Statement of Significant accounting policies (continued)

### (r) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as non-current liabilities at the reporting date.

### (t) Contract Liabilities

Contract Liabilities represent the fair value of consideration received from its customer in advance of the Group meeting its performance obligations to deliver goods or services.

### (u) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available. other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

## Note 28. Statement of Significant accounting policies (continued)

**(v) Current and non-current classification**

Both assets and liabilities are classified as current if the Group expects to realise them within 12 months.

**(w) Contributed Equity**

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.

**(x) Earnings Per Share**

Basic earnings per share is calculated as a net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(y) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current reporting period.

**(z) Leases**

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use asses includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payment made on or before the commencement date less any lease incentives received.

Right-of-assets are depreciated on a straight-line basis over the lease terms.

At the commencement date of lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

The lease transaction details are disclosed in note 14.

## Note 28. Statement of Significant accounting policies (continued)

**(aa) Revenue**

The Company recognises revenue when it transfers control of a product or service to a customer and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The Company's revenue consists of sale of equipment and providing digital content and services.

- Revenue from sale of equipment is recognised at a point in time when the goods have been provided and the amount can be reliably estimated and is considered recoverable.
- Revenue from digital content is recognised over time as the customer is provided with the service.
- Revenue from licencing is recognised at a point in time on the transfer of the licence to the user.

**(ab) Government Grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group satisfies all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

**(ac) Critical Accounting Estimates and Judgments**

*Revenue from contracts with customer*

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

<u>Identifying performance obligations</u>

The Group provides software licences and equipment which are either sold separately or bundled together with the provision of ongoing content. The Group determined that the licence and equipment are distinct performance obligations to the provision of content as other content can be used on the Company's software and equipment and there is no significant service of integration or interdependency. The fact that the Company regularly sells both the licence and/or equipment and the content on a standalone basis indicates that the customer can benefit from both products on their own.

Revenue in relation to sale of equipment is recognised at a point in time, whilst revenue in relation to providing services and content is recognised over time.

<u>Allocating the transaction price</u>

Where contracts include multiple deliverables that are separate performance obligations, judgement is required in determining the allocation of the transaction price to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

<u>Consideration of significant financing component in a contract</u>

Certain contracts allow for deferred payment terms. The Group concluded that there is a significant financing component for these contracts in accordance with AASB 15. In determining the financing component to be applied to the amount of consideration, the Group has made judgements with respect to the interest rate used in this calculation and concluded that the interest rate implicit in the contract is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception.

## Note 28. Statement of Significant accounting policies (continued)

Assessing the reversal constraint

Certain contracts with deferred payments terms have a risk of payment forfeiture if the contract is terminated. The Directors have determined that it is highly improbable that these contracts would be terminated, or that the parties to these contracts would become insolvent, and accordingly have rebutted this possibility in recognising revenue.

*Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

*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 an external valuation using a Black-Scholes performance rights model, taking into account the terms and conditions upon which the instruments were granted. Refer to note 19 on Share based expenses for the reporting period.

*Impairment of intangible assets*

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

*Capitalised product development costs*

Product development costs have been capitalised as intangible assets in accordance with the accounting policy as detailed in note 28(o). Management has assessed that all capitalised development expenditure carried forward, comprises all directly attributable costs, including costs of materials, services and direct labour.

*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.

## Note 28. Statement of Significant accounting policies (continued)

**(ad) New, revised or amending Accounting Standards and Interpretations not yet adopted**

During the year, the Group reviewed all the new and revised Standards and Interpretations issued by the ASSB that are relevant to its operations and effective for annual financial year beginning on or after 1 July 2022.

New and amended standards and Interpretations issued by the AASB have been determined by the Group to have no impact, material or otherwise, on its business and therefore no further changes are necessary to Group accounting policies. No retrospective change in accounting policy or material reclassification has occurred requiring the including of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

## Note 29. Events subsequent to reporting date

There are no other matters or circumstances that have arisen since 30 June 2023 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

## DIRECTORS' DECLARATION

The Directors of the Company declare that the financial statements and notes, as set out on pages 21 to 61 are in accordance with the *Corporations Act 2001* and:

a. comply with Accounting Standards, which as stated in accounting policy Note 28 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

b. give a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the consolidated Group;

c. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;

d. the financial statements and notes for the financial year comply with the Accounting Standards; and

e. the financial statements and notes for the financial year give a true and fair view;

in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable as disclosed in Note 29 to the financial statements.

This declaration is made in accordance with a resolution of the Board of Directors.

Chairman
Charles Fear

Dated this 30th day of August 2023

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**INDEPENDENT AUDITOR'S REPORT**

To the members of Swift Networks Group Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Swift Networks Group 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 report, including a summary of significant accounting policies and the directors' declaration.

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

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

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

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

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

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

### Material uncertainty related to going concern

We draw attention to Note 28 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Revenue Recognition

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| Revenue recognition was determined to be a key audit matter as this area involves judgements and estimates made by management including whether contracts may contain multiple performance obligations which should be accounted for separately and determining the most appropriate methods of recognition of revenue for the identified performance obligations.<br><br>This comprises allocation of consideration to the individual performance obligations based on standalone pricing and whether the performance obligation is satisfied at a point in time or overtime.<br><br>Refer to Note 2 and Note 28 in the financial report for disclosures relating to the Group's revenue accounting policy and judgements applied in revenue recognition. | Our procedures included, but were not limited to the following:<br><br>• Understanding and documenting the processes and controls used by the group in recording revenue;<br><br>• Selecting a sample of contracts, considering the terms and conditions, performance obligations of these arrangements, their stand-alone pricing and assessing the accounting treatment under AASB 15 Revenue from Contracts with Customers ('AASB 15');<br><br>• Checking a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue and agreeing amounts recorded to supporting evidence;<br><br>• Testing a sample of outstanding customer contracts at year end and agreeing to supporting records to confirm that contract assets and contract liabilities have been recognised in accordance with AASB 15;<br><br>• Performing analytical procedures to understand movements and trends in revenue in comparison to expectations;<br><br>• Performing cut-off procedures to evaluate that revenue was captured in the appropriate financial year; and<br><br>• Assessing the adequacy of the related disclosures in the financial report. |

**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.

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 the financial report 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 auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 17 of the directors' report for the year ended 30 June 2023.

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

**Responsibilities**

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

**BDO Audit (WA) Pty Ltd**

BDO

JPrue

**Jarrad Prue**

**Director**

Perth

30 August 2023

## SHAREHOLDER INFORMATION

### A. Substantial Shareholders

The following have a relevant interest (>5%) in the capital of Swift Networks Group Limited as at 28th August 2023.

| Substantial ordinary shareholders | No. of ordinary shares held | Percentage held of Issued Ordinary Capital |
|---|---|---|
| Mr Robert Sofoulis and related entities | 97,374,768 | 16.23% |
| Pure Asset Management Pty Ltd ATF The Income and Growth Fund | 48,561,741 | 8.10% |
| Cyan Investment Management | 38,848,798 | 6.48% |

### B. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding as at 28th August 2023.

| Category (Size of Holdings) | | | Ordinary Share Number of Holders | Ordinary Share – Unlisted Options | Unlisted Warrants | Unlisted Ordinary Share Rights Conversion | Unlisted Performance Rights |
|---|---|---|---|---|---|---|---|
| 1 | - | 1,000 | 79 | - | - | - | - |
| 1,001 | - | 5,000 | 194 | - | - | - | - |
| 5,001 | - | 10,000 | 81 | - | - | - | - |
| 10,001 | - | 100,000 | 358 | - | - | 4 | - |
| 100,001 | - | and over | 335 | 2 | 23 | 28 | 0 |
| **Total** | | | **1,047** | **2** | **23** | **32** | **0** |

# SHAREHOLDER INFORMATION (CONTINUED)

**C. Equity Security Holders**

Twenty largest quoted equity security holders (28th August 2023).

**Top 20 shareholder table**

| | | Ordinary Shares | |
|---|---|---|---|
| | | **Number Held** | **Percentage of issued shares** |
| 1 | SOFOULIS HOLDINGS PTY LTD | 92,142,246 | 15.36 |
| 2 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 49,311,741 | 8.22 |
| 3 | SANDHURST TRUSTEES LTD | 38,848,798 | 6.48 |
| 4 | MEDICAL MEDIA INVESTMENTS PTY LTD | 27,616,833 | 4.60 |
| 5 | MR BRIAN FRANCIS MANGANO | 13,340,569 | 2.22 |
| 6 | SUETONE PTY LTD | 12,400,000 | 2.07 |
| 7 | LAXIA CAPITAL PTY LTD | 11,000,000 | 1.83 |
| 8 | ELTON PROPERTY PTY LTD | 9,948,205 | 1.66 |
| 9 | ARELEY KINGS PTY LTD | 9,024,000 | 1.50 |
| 10 | SWEET AS DEVELOPMENTS PTY LTD | 7,898,479 | 1.32 |
| 11 | 10 BOLIVIANOS PTY LTD | 7,328,116 | 1.23 |
| 12 | CINTELL PTY LTD | 6,759,060 | 1.13 |
| 13 | MR RUSSELL NEIL CREAGH | 6,707,366 | 1.12 |
| 14 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,331,822 | 1.06 |
| 15 | MR TONY LE FEVRE | 6,000,000 | 1.00 |
| 15 | MR STEPHEN JAMES PRICE | 6,000,000 | 1.00 |
| 15 | SHADSUPER PTY LTD | 6,000,000 | 1.00 |
| 18 | MILDREN INVESTMENTS PTY LTD | 5,850,000 | 0.98 |
| 19 | TRI-NATION HOLDINGS PTY LTD | 5,565,785 | 0.93 |
| 20 | KRISAMI INVESTMENTS PTY LTD | 5,288,850 | 0.88 |
| | **Total** | **333,391,870** | **55.58** |
| | Balance of register | 266,426,468 | 44.42 |
| | **Grand total** | **599,818,338** | **100.00** |

## SHAREHOLDER INFORMATION (CONTINUED)

**D. Voting Rights**

The voting rights, upon a poll, are one vote for each share held.

**E. Unquoted securities**

| Securities | Number of Options | Number of Holders | Holders with more than 20% |
|---|---|---|---|
| Options exercisable at $0.05 on or before 30 April 2025 | 2,000,000 | 1 | 1 |
| Ordinary share rights (conversion to 1 ordinary share for 1 right) exercisable after 19 November 2023 | 600,000 | 1 | 1 |
| Ordinary share rights (conversion to 1 ordinary share for 1 right) exercisable after 21 March 2024. | 150,000 | 1 | 1 |
| Ordinary share rights (conversion to 1 ordinary share for 1 right) exercisable after 19 November 2023 | 600,000 | 1 | 1 |
| 2018 Short Term Incentive conversion to 1 ordinary share for 1 right exercisable on or before 2 October 2023. | 458,747 | 4 | 1 |
| Warrants exercisable at $0.00165 on or before 4 December 2023. | 26,666,666 | 8 | 1 |
| Warrants exercisable at $0.08 on or before 22 January 2024 | 24,000,000 | 8 | 1 |
| Options exercisable at $0.05 on or before 1 January 2025 | 2,000,000 | 1 | 1 |
| Employee Share Rights (conversion to 1 ordinary share for 1 right) exercisable to 30 June 2024 | 2,556,232 | 8 | 0 |
| Warrants exercisable at $0.03 on or before 30 September 2025 | 60,000,000 | 5 | 1 |
| 2022 Long Term Incentive conversion to 1 ordinary share for 1 right exercisable to 30 June 2025 | 5,026,775 | 9 | 0 |
| 2022 Long Term Incentive conversion to 1 ordinary share for 1 right exercisable from 1 July 2024 to 30 June 2025 | 4,795,039 | 8 | 0 |

**F. On-market buyback**

There is no current on-market buy-back

**G. Stock Exchange listing**

Quotation has been granted for the Company's Ordinary Shares.

**H. Securities subject to escrow**

There are no securities currently subject to escrow

**I. Statement in relation to Listing Rule 4.10.19**

The Directors of Swift Networks Group Limited confirm in accordance with ASX Listing Rule 4.10.19 that during the period from reinstatement to official quotation to 30 June 2023, the Company has used its cash, and assets that are readily convertible to cash, in a way consistent with its business objectives.

## CORPORATE GOVERNANCE STATEMENT

The Company's Security Trading Policy is available on the Company's website at https://www.swiftnetworks.com.au/corporate-governance/