

Swoop Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Swoop Holdings Limited
ABN:	20 009 256 535
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

Statutory results

Revenues from ordinary activities	up	55.2% to	37,021,409
Loss from ordinary activities after tax attributable to the owners of Swoop Holdings Limited	up	48.0% to	(4,236,793)
Loss for the half-year attributable to the owners of Swoop Holdings Limited	up	48.0% to	(4,236,793)

Non-Statutory Results

		%	\$
Gross margin *	up	15.1% to	15,687,314
Underlying EBITDA **	up	37.5% to	7,267,789
Underlying Net Loss After Tax ***	up	71.1% to	(2,308,861)

		2022 Cents	2021 Cents
Basic earnings per share		(2.07)	(1.57)
Diluted earnings per share		(2.07)	(1.57)
Underlying earnings per share****		(1.13)	(0.74)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$4,236,793 (31 December 2021: loss of \$2,861,835).

**** Underlying earnings per share is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and is calculated by dividing the Underlying Net Profit / (Loss) after Tax by the weighted average number of shares for the period. The underlying earnings per share calculation for 2022 has been presented on a basis consistent with 2021.

3. Underlying results

Underlying results disclosed in section 2 above have been derived as follows:

*Gross Margin

	2022 \$	2021 \$
Revenue	37,021,409	23,852,777
Cost of sales	(21,334,095)	(10,227,995)
Gross margin	15,687,314	13,624,782

* Gross Margin - is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents operating revenue, less the direct cost of deriving revenue from operating activities. The Gross Margin calculation for 2022 has been presented on a basis consistent with 2021.

**Underlying Earnings before interest, tax, depreciation, and amortisation (Underlying EBITDA)

	2022 \$	2021 \$
Gross margin	15,687,314	13,624,782
Operating expenses		
Employee benefit expense	(4,390,803)	(5,940,525)
Marketing and advertising	(1,246,297)	(552,783)
General and administrative	(1,817,157)	(1,287,460)
Other expenses, net of other income	(920,775)	(558,688)
Bad and doubtful debt expense	(44,493)	-
Total operating expenses	(8,419,525)	(8,339,456)
Underlying EBITDA	7,267,789	5,285,326

** Underlying EBITDA - Earnings before interest, tax, depreciation, and amortisation (EBITDA) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash (share-based payments expense) and other one-off items (corporate restructuring expenses, acquisition and integration costs, one-off legal costs) which are not considered to be reflective of underlying earnings. The underlying EBITDA calculation for 2022 has been presented on a basis consistent with 2021.

***Underlying Net Loss after Tax

	2022 \$	2021 \$
Net Loss after Tax	(4,236,793)	(2,861,835)
Non-operating and other one-off expenses		
Share based payments expense	(722,392)	(250,000)
Corporate restructuring expenses	(259,953)	-
Acquisition and integration costs	(1,080,466)	(1,262,758)
One-off legal costs	(317,286)	-
Tax impact of above items	452,165	-
Total non-operating and other one-off expenses	(1,927,932)	(1,512,758)
Underlying Net Loss after Tax	(2,308,861)	(1,349,077)

Swoop Holdings Limited
Appendix 4D
Half-year report

***Underlying Net Loss after Tax is a financial measure which is not prescribed by the Australian Accounting Standards ('AAS') and represents Net Loss after Tax, adjusted for non-cash (share-based payments expense) and other one-off items (corporate restructuring expenses, acquisition and integration costs, one-off legal costs) which are not considered to be reflective of underlying earnings. The Underlying Net Loss after Tax calculation for 2022 has been presented on a basis consistent with 2021.

4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>12.00</u>	<u>26.39</u>

5. Control gained over entities

Name of entities (or group of entities)	Telco Pay Pty Ltd (Moose Mobile)	
Contribution of such entities to the reporting entity's loss from ordinary activities before income tax during the period (where material).		\$ 1,621,521

This contribution is before the amortisation of acquired identifiable intangible assets. After the amortisation of acquired identifiable intangible assets the contribution of Telco Pay Pty Ltd to the reporting entity's loss from ordinary activities before income tax during the period was \$527,307.

6. Dividends

Current period

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

Previous period

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

7. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.


8. Attachments

Details of attachments (if any):

The Interim Report of Swoop Holdings Limited for the half-year ended 31 December 2022 is attached.

Swoop Holdings Limited
Appendix 4D
Half-year report

9. Signed

Signed  _____

James Spenceley
Chairman

Date: 28 February 2023

Swoop Holdings Limited

ABN 20 009 256 535

Interim Report - 31 December 2022

Swoop Holdings Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Swoop Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

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

James Spenceley
Anthony Grist
Jonathan Pearce
Matthew Hollis
William (Paul) Reid

Principal activities

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

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

Dividends

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

Financial and operating performance

Revenue of the Group for the half-year was \$37.0 million (2021: \$23.9 million).

The loss for the Group after income tax benefit was \$4.2 million (2021: loss of \$2.9 million).

Expenses for the half-year were \$41.8 million (2021: \$26.8 million). Total expenses included share based payment expenses of \$0.7 million, acquisition and integration costs of \$1.1 million, corporate restructuring expenses of \$0.3 million and one-off legal costs of \$0.3 million. Depreciation and amortisation costs were \$8.9 million.

The results of Telco Pay Pty Ltd are included from 1 August 2022.

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

- Cirrus Communications Pty Ltd (and controlled entities) for the 6 months ended 31 December 2022
- NodeOne Telecommunications Pty Ltd for the 6 months ended 31 December 2022
- Wan Solutions Pty Ltd (trading as Beam Internet) for the 6 months ended 31 December 2022
- Kallistrate Pty Ltd (trading as Speedweb) for the 6 months to 31 December 2022
- Countrytell Holdings Pty Ltd for the 6 months to 31 December 2022
- VoiceHub Pty Ltd for the 6 months to 31 December 2022
- Telco Pay Pty Ltd (trading as Moose Mobile) from 1 August 2022 (effective date of acquisition) to 31 December 2022

Swoop Holdings Limited
Directors' report
31 December 2022

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

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

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

Through the acquisition of Moose Mobile during the half year Swoop now provides mobile services to customers across Australia, while positioning the Group for significant cross-selling opportunities with its existing core businesses and customer base.

The Group's strategic focus is to:

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

Operational highlights for the half year include:

- Total Services in Operation (SIO's) for the business at 31 December 2022 was 142,441 with non-Mobile services increasing to 41,832 from 38,582 at 30 June 2022, an 8.4% increase.
- Moose Mobile SIO's of 100,609 as at 31 December 2022, representing significant growth compared with 94,000 subscribers at the time we announced the transaction in July.
- Swoop continues to execute on its regional roll out program in both Victoria and Western Australia.
- Cash balance at 31 December 2022 was \$20.9 million.
- The Company has unused debt facilities at 31 December 2022 of \$13.0 million, to fund further growth and expansion.

Financial position

The consolidated entity is in a net asset position of \$95.4 million as at 31 December 2022 (30 June 2022: \$96.6 million).

Working capital, being current assets less current liabilities, was in surplus of \$3.6 million as at 31 December 2022 (30 June 2022: surplus of \$15.6 million). The consolidated entity had cash flows from operating activities for the 6 months of \$7.3 million (31 December 2021 positive cash flows from operations: \$2.9 million). The cash and cash equivalents as at 31 December 2022 were \$20.9 million (30 June 2022: \$32.0 million).

Swoop Holdings Limited
Directors' report
31 December 2022

Significant changes in the state of affairs

During the reporting period, the following significant events occurred:

- Completion of the acquisition of Queensland-based national mobile virtual network operator Telco Pay Pty Ltd (Moose Mobile). The \$24.0 million purchase price of the acquisition comprised \$19.0 million in cash (subject to customary adjustments for net working capital and net debt) and \$5.0 million in Swoop shares which were issued at the 5-day VWAP prior to signing which equated to 9,881,423 fully paid ordinary shares. These shares are to be held in voluntary escrow until 1 August 2023. \$2.85 million of the cash component of the purchase price will be held in escrow for 6 months (from the completion date) for any potential claims and adjustments. An earn out of up to a maximum of \$7.0 million is payable based on Moose Mobile's FY23 and FY24 EBITDA and SIO growth.
- Commenced the Company's on-market share buy-back as announced on 15 August 2022. The Buy-back is for up to 14,532,529 fully paid ordinary shares, representing 10% of the Company's issued share capital at the time of the commencement of the buy-back. In the period to 31 December 2022 the Company has acquired 54.1% of the fully paid ordinary shares able to be bought back.

Matters subsequent to the end of the financial half-year

There are no significant matters subsequent to the end of the financial half-year to report.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



James Spenceley
Chairman

28 February 2023

Swoop Holdings Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



PKF



PAUL PEARMAN
PARTNER

28 FEBRUARY 2023
SYDNEY, NSW

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

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under Professional Standards Legislation

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

Swoop Holdings Limited
Contents
31 December 2022

Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	18
Independent auditor's review report to the members of Swoop Holdings Limited	19

Swoop Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 \$	31 Dec 2021 \$
Revenue	3	37,021,409	23,852,777
Other income	4	26,671	6,415
Expenses			
Cost of sales		(21,334,095)	(10,227,995)
Marketing and advertising expense		(1,246,297)	(552,783)
General and administrative expense		(1,817,157)	(1,287,460)
Bad and doubtful debt expense		(44,493)	-
Employee benefit expense		(4,650,756)	(5,940,525)
Depreciation and amortisation expense		(8,916,889)	(6,376,921)
Share based payments expense		(722,392)	(250,000)
One-off legal costs		(317,286)	-
Finance costs		(731,369)	(347,828)
Acquisition and integration costs		(1,080,466)	(1,262,758)
Other expenses		(932,699)	(558,688)
Loss before income tax benefit		(4,745,819)	(2,945,766)
Income tax benefit		509,026	83,931
Loss after income tax benefit for the half-year attributable to the owners of Swoop Holdings Limited		(4,236,793)	(2,861,835)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of financial assets at fair value through other comprehensive income, net of tax		(108,191)	-
Other comprehensive loss for the half-year, net of tax		(108,191)	-
Total comprehensive loss for the half-year attributable to the owners of Swoop Holdings Limited		(4,344,984)	(2,861,835)
		Cents	Cents
Basic earnings per share		(2.07)	(1.57)
Diluted earnings per share		(2.07)	(1.57)

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

Swoop Holdings Limited
Statement of financial position
As at 31 December 2022

	Note	Consolidated	30 Jun 2022
		31 Dec 2022	\$
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		20,938,662	32,020,568
Trade receivables		4,439,402	3,608,688
Inventories		2,551,333	1,934,455
Prepayments		1,734,930	1,822,830
Other financial assets		148,945	38,986
Total current assets		<u>29,813,272</u>	<u>39,425,527</u>
Non-current assets			
Financial assets at fair value		1,231,773	1,339,964
Property, plant and equipment	5	36,799,212	34,758,251
Right-of-use assets	6	8,693,126	9,297,184
Intangibles	7	74,270,763	45,527,889
Deferred tax		1,782,368	1,818,910
Other assets		460,289	195,553
Other financial assets		477,708	279,153
Total non-current assets		<u>123,715,239</u>	<u>93,216,904</u>
Total assets		<u>153,528,511</u>	<u>132,642,431</u>
Liabilities			
Current liabilities			
Trade payables		13,203,467	10,097,195
Other payables		2,814,486	2,526,553
Contract liabilities		1,806,263	1,683,229
Borrowings		1,878,018	-
Lease liabilities	6	2,417,218	2,430,064
Income tax		320,899	-
Employee benefits		1,584,017	1,618,581
Deferred consideration	8	2,229,546	5,479,236
Total current liabilities		<u>26,253,914</u>	<u>23,834,858</u>
Non-current liabilities			
Borrowings		17,311,257	-
Lease liabilities	6	7,022,394	7,607,708
Deferred tax		4,984,550	4,282,200
Employee benefits		171,354	165,563
Deferred consideration	8	2,260,266	-
Provisions		168,096	168,096
Total non-current liabilities		<u>31,917,917</u>	<u>12,223,567</u>
Total liabilities		<u>58,171,831</u>	<u>36,058,425</u>
Net assets		<u>95,356,680</u>	<u>96,584,006</u>
Equity			
Issued capital	9	126,790,292	123,737,206
Reserves		3,430,319	3,365,747
Accumulated losses		<u>(34,863,931)</u>	<u>(30,518,947)</u>
Total equity		<u>95,356,680</u>	<u>96,584,006</u>

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

Swoop Holdings Limited
Statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital \$	Share-based payments reserves \$	Foreign currency reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	70,020,924	5,014,742	11,755	(25,064,558)	49,982,863
Loss after income tax benefit for the half-year	-	-	-	(2,861,835)	(2,861,835)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(2,861,835)	(2,861,835)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	44,157,710	-	-	-	44,157,710
Share based payments expense	-	250,000	-	-	250,000
Share options exercised during the period	175,000	-	-	-	175,000
Consideration shares issued to vendors of acquired entities	5,325,000	-	-	-	5,325,000
Balance at 31 December 2021	<u>119,678,634</u>	<u>5,264,742</u>	<u>11,755</u>	<u>(27,926,393)</u>	<u>97,028,738</u>

Consolidated	Issued capital \$	Share-based payments reserves \$	Foreign currency reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	123,737,206	3,353,992	11,755	(30,518,947)	96,584,006
Loss after income tax benefit for the half-year	-	-	-	(4,236,793)	(4,236,793)
Other comprehensive loss for the half-year, net of tax	-	-	-	(108,191)	(108,191)
Total comprehensive loss for the half-year	-	-	-	(4,344,984)	(4,344,984)
<i>Transactions with owners in their capacity as owners:</i>					
On-market share buy-back, including transaction costs	(3,438,066)	-	-	-	(3,438,066)
Consideration shares issued to vendors of acquired entities	5,833,332	-	-	-	5,833,332
Issue of shares to employees on vesting and conversion of performance rights	657,820	(657,820)	-	-	-
Share based payments expense	-	722,392	-	-	722,392
Balance at 31 December 2022	<u>126,790,292</u>	<u>3,418,564</u>	<u>11,755</u>	<u>(34,863,931)</u>	<u>95,356,680</u>

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

Swoop Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated	Consolidated
		31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		39,622,401	23,741,085
Payments to suppliers and employees (inclusive of GST)		(32,932,766)	(21,620,851)
Interest received		16,945	272
Interest and other finance costs paid		(230,034)	(57,222)
Government grants received		864,850	840,841
		<u>7,341,396</u>	<u>2,904,125</u>
Net cash from operating activities			
Cash flows from investing activities			
Payment for purchase of business		(330,000)	(272,524)
Payment for purchase of subsidiary, net of cash acquired		(22,702,911)	(11,101,869)
Payments for investments		(200,000)	-
Payments for property, plant and equipment		(9,767,182)	(8,201,427)
Payments for intangibles		(1,098,578)	(283,861)
Proceeds from disposal of property, plant and equipment		26,582	203,245
		<u>(34,072,089)</u>	<u>(19,656,436)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares		-	45,989,160
Proceeds from exercise of share options		-	175,000
Proceeds from borrowings		19,260,040	-
On-market share buy-back, including transaction costs		(3,439,094)	-
Share issue transaction costs		-	(1,747,190)
Repayment of borrowings		(189,000)	(643,744)
		<u>15,631,946</u>	<u>43,773,226</u>
Net cash from financing activities			
Net (decrease)/increase in cash and cash equivalents		(11,098,747)	27,020,915
Cash and cash equivalents at the beginning of the financial half-year		32,020,568	17,497,867
Effects of exchange rate changes on cash and cash equivalents		16,841	29,211
		<u>20,938,662</u>	<u>44,547,993</u>
Cash and cash equivalents at the end of the financial half-year			

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

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 1. General information

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

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

Level 5, 126 Phillip Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The directors believe there will be sufficient funds for the consolidated entity to meet its obligations and liabilities for at least twelve months from the date of this half-year financial report.

Note 3. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Sales of goods - Business	5,835,799	3,346,195
Sales of goods - Residential	19,756,831	10,681,007
Sales of goods - Wholesale	10,557,783	8,508,325
Other revenue	870,996	1,317,250
Revenue	<u>37,021,409</u>	<u>23,852,777</u>

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 3. Revenue (continued)

Disaggregation of revenue

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

	Business services	Residential services	Wholesale services	Other revenue	Total
Consolidated - 31 December 2022	\$	\$	\$	\$	\$
<i>Timing of revenue recognition</i>					
Goods transferred at a point in time	40,097	91,766	40,106	-	171,969
Services transferred over time	5,795,702	19,665,065	10,517,677	870,996	36,849,440
	<u>5,835,799</u>	<u>19,756,831</u>	<u>10,557,783</u>	<u>870,996</u>	<u>37,021,409</u>

Note 4. Other income

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Other income	11,924	6,361
Interest income	14,747	54
Other income	<u>26,671</u>	<u>6,415</u>

Note 5. Property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Networks - at cost	70,335,293	64,130,864
Less: Accumulated depreciation	(35,775,641)	(31,906,520)
	<u>34,559,652</u>	<u>32,224,344</u>
Plant and equipment - at cost	4,933,130	4,787,887
Less: Accumulated depreciation	(2,875,106)	(2,500,846)
	<u>2,058,024</u>	<u>2,287,041</u>
Motor vehicles - at cost	744,469	790,640
Less: Accumulated depreciation	(562,933)	(543,774)
	<u>181,536</u>	<u>246,866</u>
	<u>36,799,212</u>	<u>34,758,251</u>

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 5. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Networks \$	Plant & equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2022	32,224,344	2,287,041	246,866	34,758,251
Additions	6,205,982	142,073	-	6,348,055
Disposals	-	-	(7,076)	(7,076)
Depreciation expense	<u>(3,870,674)</u>	<u>(371,090)</u>	<u>(58,254)</u>	<u>(4,300,018)</u>
Balance at 31 December 2022	<u><u>34,559,652</u></u>	<u><u>2,058,024</u></u>	<u><u>181,536</u></u>	<u><u>36,799,212</u></u>

Note 6. Right-of-use assets

(a) Right-of-use assets

The carrying value of right-of-use assets is presented below:

	Consolidated 31 Dec 2022 \$	30 Jun 2022 \$
Office premises - right-of-use	8,221,059	1,603,116
Less: Accumulated depreciation	<u>(3,643,887)</u>	<u>(562,533)</u>
	<u>4,577,172</u>	<u>1,040,583</u>
Network assets - right-of-use	6,227,720	13,388,627
Less: Accumulated depreciation	<u>(2,111,766)</u>	<u>(5,132,026)</u>
	<u>4,115,954</u>	<u>8,256,601</u>
	<u><u>8,693,126</u></u>	<u><u>9,297,184</u></u>

Reconciliations

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

Consolidated	Premises \$	Network assets \$	Total \$
Balance at 1 July 2022	1,040,583	8,256,601	9,297,184
Additions	846,235	333,179	1,179,414
Disposals	(312,905)	(90,115)	(403,020)
Transfers in/(out)	4,017,744	(4,017,744)	-
Depreciation expense	<u>(1,014,485)</u>	<u>(365,967)</u>	<u>(1,380,452)</u>
Balance at 31 December 2022	<u><u>4,577,172</u></u>	<u><u>4,115,954</u></u>	<u><u>8,693,126</u></u>

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 6. Right-of-use assets (continued)

(b) Lease liabilities

The carrying value of lease liabilities is presented below:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Lease liabilities - current	2,417,218	2,430,064
Lease liabilities - non-current	7,022,394	7,607,708
	<u>9,439,612</u>	<u>10,037,772</u>

(c) Maturity profile of contractual undiscounted liability cashflows:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
- not later than one year	2,550,011	2,612,972
- later than one year but not later than five years	8,559,380	9,491,291
	<u>11,109,391</u>	<u>12,104,263</u>

Note 7. Intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Goodwill - at cost	43,437,848	26,146,671
Licence agreements - at cost	536,095	536,095
Less: Accumulated amortisation	(285,155)	(231,105)
	<u>250,940</u>	<u>304,990</u>
Patents and trademarks - at cost	420,633	418,942
Less: Accumulated amortisation	(40,618)	(19,674)
	<u>380,015</u>	<u>399,268</u>
Customer relationships and contracts - at cost	21,974,947	18,036,896
Less: Accumulated amortisation	(4,571,595)	(3,066,227)
	<u>17,403,352</u>	<u>14,970,669</u>
Computer software - at cost	7,104,178	5,249,116
Less: Accumulated amortisation	(2,641,217)	(1,808,893)
	<u>4,462,961</u>	<u>3,440,223</u>
Brands - at cost	2,426,276	375,516
Less: Accumulated amortisation	(169,866)	(109,448)
	<u>2,256,410</u>	<u>266,068</u>
Contractual agreements - at cost	6,845,280	-
Less: Accumulated amortisation	(766,043)	-
	<u>6,079,237</u>	<u>-</u>
	<u>74,270,763</u>	<u>45,527,889</u>

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 7. Intangibles (continued)

Reconciliations

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

Consolidated	Goodwill \$	Customer relationships and contracts \$	Patents and trademarks \$	Contractual agreements \$	Computer software \$	Licence agreements \$	Brands \$	Total \$
Balance at 1 July 2022	26,146,671	14,970,669	399,268	-	3,440,223	304,990	266,068	45,527,889
Additions	17,291,177	3,938,051	1,691	6,845,280	1,852,334	-	2,050,760	31,979,293
Amortisation expense	-	(1,505,368)	(20,944)	(766,043)	(829,596)	(54,050)	(60,418)	(3,236,419)
Balance at 31 December 2022	<u>43,437,848</u>	<u>17,403,352</u>	<u>380,015</u>	<u>6,079,237</u>	<u>4,462,961</u>	<u>250,940</u>	<u>2,256,410</u>	<u>74,270,763</u>

Impairment disclosures and testing of goodwill

The Group has assessed at 31 December 2022 whether there is any indication that a group asset, including goodwill and other intangible assets, may be impaired. A key indicator considered was that the net assets of the Group as at the reporting date exceeded its market capitalisation. The evaluation of whether any impairment existed at 31 December 2022 included, amongst other factors, consideration of the general market volatility currently affecting smaller capitalisation stocks, the current liquidity in Swoop's shares (60.3 million of Swoop's fully paid ordinary shares are subject to escrow until 25 May 2023) and the Directors' longer term view of the underlying intrinsic value of the business. In conjunction with these considerations a cross check was performed using both a fair value less costs of disposal calculation and a value in use calculation. As a result of the assessment, the Group has determined that no impairment charge is required at 31 December 2022. Annual impairment testing will again be undertaken in relation to the 30 June 2023 reporting period.

Note 8. Deferred consideration

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Current		
Consideration payable – completion adjustment	7,691	5,236
Deferred consideration (fair value of contingent consideration)	<u>2,221,855</u>	<u>5,474,000</u>
	<u>2,229,546</u>	<u>5,479,236</u>
Non-current		
Deferred consideration (fair value of contingent consideration)	<u>2,260,266</u>	<u>-</u>
	<u>2,260,266</u>	<u>-</u>

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 9. Issued capital

	Consolidated			
	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>208,567,033</u>	<u>205,627,377</u>	<u>126,790,292</u>	<u>123,737,206</u>

Movements in share capital

Details	Date	Shares	Issue price	\$
Opening Balance	1 July 2022	205,627,377		123,737,206
Cancellation of shares pursuant to on-market buy-back	14 September 2022	(5,620,864)		(2,436,913)
Voicehub - vendor consideration shares	16 September 2022	397,014	\$2.099	833,332
Cancellation of shares pursuant to on-market buy-back	27 September 2022	(1,898,479)		(855,302)
Conversion of performance rights	3 October 2022	420,000		608,720
Cancellation of shares pursuant to on-market buy-back	11 October 2022	(231,500)		(91,219)
Cancellation of shares pursuant to on-market buy-back	17 October 2022	(107,938)		(44,348)
Conversion of performance rights	26 October 2022	50,000		24,550
Moose Mobile - vendor consideration shares	1 November 2022	9,881,423	\$0.506	5,000,000
Conversion of performance rights	1 November 2022	50,000		24,550
Transaction costs for on-market buy-back	Various dates	-		(10,284)
Balance	31 December 2022	<u>208,567,033</u>		<u>126,790,292</u>

Note 10. Financial instruments

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

Consolidated	31 Dec 2022	30 June 2022
	\$	\$
<i>Financial assets at amortised cost:</i>		
Cash and cash equivalents	20,938,662	32,020,568
Trade receivables	4,439,402	3,608,688
Other financial assets	626,653	318,139
<i>Financial assets at fair value:</i>		
Financial assets at fair value	<u>1,231,773</u>	<u>1,339,964</u>
Total financial assets	<u>27,236,490</u>	<u>37,287,359</u>
<i>Financial Liabilities:</i>		
Trade payables	13,203,467	10,097,195
Other payables	2,814,486	2,526,553
Deferred consideration at fair value	4,489,812	5,479,236
Finance lease liabilities	241,794	313,977
Borrowings	<u>19,189,275</u>	-
Total financial liabilities	<u>39,938,834</u>	<u>18,416,961</u>

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 11. Fair value measurement

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 or liability.

Consolidated – 31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets at fair value	1,231,773	-	-	1,231,773
Total assets	<u>1,231,773</u>	<u>-</u>	<u>-</u>	<u>1,231,773</u>
<i>Liabilities</i>				
Deferred consideration at fair value	-	4,489,812	-	4,489,812
Total liabilities	<u>-</u>	<u>4,489,812</u>	<u>-</u>	<u>4,489,812</u>

There were no transfers between levels during the financial half-year.

Valuation techniques for fair value measurements categorised within level 2

Deferred consideration has been valued by taking into account the assessed probability weighting as applied to the performance metrics and performance periods which determine the amounts which may ultimately become payable.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Critical accounting judgements, estimates and assumptions - Deferred consideration

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

Note 12. Business combinations

Telco Pay Pty Ltd (Moose Mobile)

On 1 August 2022, Cirrus Communications Pty Ltd ("Swoop"), a subsidiary of Swoop Holdings Limited, acquired 100% of the ordinary shares of Telco Pay Pty Ltd ("Moose"). The acquisition has been assessed to be a Business Combination under AASB 3 and the transaction was completed on 1 November 2022, however Swoop is deemed to have been in control of Moose from 1 August 2022, the effective date.

Total consideration for the acquisition of 100% of the share capital of Moose was \$28,633,732. Moose was acquired as part of Swoop's growth strategy and entry into the mobile market.

The goodwill of \$17,008,058 represents the substantial cross-sell opportunities in the Mobile and Residential Internet markets, as well as Moose being a strong cash generating growth engine.

The acquired business contributed revenues of \$9,547,738 and profit after tax of \$1,212,834 to the consolidated entity for the period from 1 August 2022 to 31 December 2022. This contribution is before the amortisation of acquired identifiable intangible assets.

Swoop Holdings Limited
Notes to the financial statements
31 December 2022

Note 12. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	2,199,377
Trade receivables	202,361
Inventories	64,630
Other current assets	125,728
Customer relationships	3,938,050
Brand	2,050,760
Contractual agreements	6,845,280
Trade payables	(1,479,053)
Other payables	(42,730)
Provision for income tax	(563,546)
Employee benefits	(41,556)
Deferred revenue	(197,479)
Deferred tax liability	<u>(1,476,148)</u>
Net assets acquired	11,625,674
Goodwill	<u>17,008,058</u>
Acquisition-date fair value of the total consideration transferred	<u><u>28,633,732</u></u>
Representing:	
Cash paid or payable to vendor (including customary adjustments for net debt and working capital)	19,267,732
Swoop Holdings Limited shares issued to vendor	5,000,000
Contingent consideration	<u>4,366,000</u>
	<u><u>28,633,732</u></u>
Acquisition costs expensed to profit and loss	<u><u>332,775</u></u>

Note 13. Share-based payments

Performance rights

During the financial half-year there were no further grants of unlisted Performance Rights.

The share based payments expense for the financial half-year ended 31 December 2022 relates to performance rights granted in the previous financial year.

Swoop Holdings Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



James Spenceley
Chairman

28 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SWOOP HOLDINGS LIMITED

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Swoop Holdings Limited (the 'consolidated entity'), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Swop Holdings Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022, and of its financial performance for the half year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the consolidated entity a written Auditor's Independence Declaration.

Directors' Responsibility for the Half Year Financial Report

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

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Swoop Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF



PAUL PEARMAN
PARTNER

28 FEBRUARY 2023
SYDNEY, NSW