

## Swoop Holdings Limited

### Appendix 4E Preliminary final report

#### 1. Company details

Name of entity:	Swoop Holdings Limited
ABN:	20 009 256 535
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

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#### 2. Results for announcement to the market

##### Statutory results

			\$
Revenue from ordinary activities	up	51.0% to	77,993,093
Loss from ordinary activities after tax attributable to the owners of Swoop Holdings Limited	down	668.3% to	(37,513,503)
Loss for the year attributable to the owners of Swoop Holdings Limited	down	668.3% to	(37,513,503)

##### Non-Statutory Results

		%		\$
Gross margin *	up	13.9%	to	32,263,317
Underlying EBITDA **	up	25.0%	to	16,302,047
Underlying Net Loss Before Tax***	down	280.6%	to	(4,315,780)

	2023 Cents	2022 Cents
Basic earnings per share	(18.15)	(2.55)
Diluted earnings per share	(18.15)	(2.55)

##### Dividends

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

##### Comments

The loss for the Group after providing for income tax amounted to \$37,513,503 (30 June 2022: loss of \$4,882,810). This included impairment charges of \$27,046,000 (30 June 2022: Nil). The loss for the Group before providing for tax and impairment charges amounted to \$8,411,235 (30 June 2022: \$6,480,411). This included \$2,403,074 (30 June 2022: Nil) of amortisation charges incurred in relation to identifiable intangible assets acquired as part of the Telco Pay Pty Ltd (Moose Mobile) acquisition in the first half of the financial year.

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## Swoop Holdings Limited

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#### 3. Underlying results

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

##### \*Gross Margin

	Consolidated	
	2023	2022
	\$	\$
Revenue from ordinary activities	77,993,093	51,667,928
Other income	189,106	18,023
	<u>78,182,199</u>	<u>51,685,951</u>
Cost of sales	<u>(45,918,882)</u>	<u>(23,369,609)</u>
<b>Gross margin</b>	<b><u>32,263,317</u></b>	<b><u>28,316,342</u></b>

\* Gross Margin - is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents operating revenue, plus other income, less the direct cost of deriving revenue from operating activities. The Gross Margin calculation for 2023 has been presented on a basis consistent with 2022.

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

	Consolidated	
	2023	2022
	\$	\$
<b>Gross margin</b>	<u>32,263,317</u>	<u>28,316,342</u>
<b>Operating expenses</b>		
Employee benefit expense	(9,742,153)	(9,133,966)
Marketing and advertising	(2,556,985)	(1,214,473)
General and administrative	(2,284,240)	(3,197,138)
Other expenses	(1,318,907)	(1,553,925)
Bad and doubtful debt expense	(58,985)	(171,518)
<b>Total operating expenses</b>	<u>(15,961,270)</u>	<u>(15,271,020)</u>
<b>Underlying EBITDA</b>	<b><u>16,302,047</u></b>	<b><u>13,045,322</u></b>

\*\* 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, impairment charges) 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 2023 has been presented on a basis consistent with 2022.

## Swoop Holdings Limited

### Appendix 4E Preliminary final report

#### 3. Underlying results (continued)

##### \*\*\*Underlying Net Loss before Tax

	Consolidated	
	2023 \$	2022 \$
<b>Net Loss before Tax</b>	<u>(35,457,235)</u>	<u>(6,480,411)</u>
<b>Non-operating and other one-off expenses</b>		
Share based payments expense	(1,219,170)	(799,596)
Corporate restructuring expenses	(342,880)	-
Acquisition and integration costs	(2,210,404)	(3,512,298)
One-off legal costs	(323,001)	(1,034,649)
Impairment charges	(27,046,000)	-
<b>Total non-operating and other one-off expenses</b>	<u>(31,141,455)</u>	<u>(5,346,543)</u>
<b>Underlying Net Loss before Tax</b>	<u><b>(4,315,780)</b></u>	<u><b>(1,133,868)</b></u>

\*\*\* Underlying Net Loss before Tax is a financial measure which is not prescribed by the Australian Accounting Standards ('AAS') and represents Net Loss before Tax, adjusted for non-cash (share based payments expense, impairment charges) 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 before Tax calculation for 2023 has been presented on a basis consistent with 2022.

#### 4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>8.45</u>	<u>26.39</u>

#### 5. Commentary on Preliminary Financial Results

FY2023 was another significant year for Swoop.

After a successful first full year on the ASX in FY2022, the company continued in FY2023 to integrate and grow the seven materially accretive acquisitions it had completed; being Speedweb, Countrytell, Voicehub, Luminet, iFibre, Beam Internet and Community Communications, delivering significant synergies and organic growth opportunities in high margin products.

During the year the company completed the acquisition of Queensland-based national mobile virtual network operator Telco Pay Pty Ltd (Moose Mobile). Moose provides over 111,000 mobile services on the Optus network to customers across Australia, with strong cash generation. This successful acquisition will facilitate the continued expansion and diversification of Swoop into new markets and new services. The \$24 million purchase price comprised \$19 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. An earn out of up to a maximum of \$7.0 million is based on Moose Mobile's FY23 and FY24 EBITDA and SIO growth.

## 5. Commentary on Preliminary Financial Results (continued)

The company commenced an on-market share buy-back program as announced on 15 August 2022. The buy-back was 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 year ended 30 June 2023 the company has acquired 9,333,145 shares for \$3.7 million, being 64.2% of the fully paid ordinary shares able to be bought back. On 25 August 2023, Swoop announced it will extend the current on-market share buy-back program, which was due to expire on 29 August 2023, as part of its ongoing capital management strategy, for up to an additional 10% of the Company's shares on issue (approximately 207,123,937 shares), for a further 12 month period from 25 August 2023 through to 23 August 2024.

Revenue of the Group for the year is \$78.0 million (30 June 2022: \$51.7 million), the 51.0% increase driven by the acquisition of Moose Mobile and solid organic growth in the remaining business.

Total Services in Operation (SIOs) at the end of the year were 155,843. Mobile SIOs were 111,176, up 16,828 from 30 June 2022, representing 17.8% annual growth. Non-Mobile SIO's were 44,667 at the end of the year, representing 15.8% annual growth.

While the group generated a loss after tax for the year of \$37.5 million (30 June 2022: loss of \$4.9 million), this included impairment charges of \$27.0 million (30 June 2022: Nil).

As part of the annual impairment testing required under AASB 136 *Impairment of Assets* the company reviewed the carrying value of fixed assets and intangibles. During that review it was identified that certain assets were expressing indicators of impairment. As a result a provision for impairment has been recognised to ensure the carrying value of these assets do not exceed their recoverable amount. Of the \$27.0 million impairment charges, \$7.5 million relates to fixed assets, \$15.2 million relates to intangibles (excluding goodwill) and \$4.4 million relates to goodwill.

Other expenses included in the result are share based payment expenses of \$1.2 million (30 June 2022: \$0.8 million), acquisition and integration costs of \$2.2 million (30 June 2022: \$3.5 million), corporate restructuring expenses \$0.3 million (30 June 2022: Nil) and one-off legal costs \$0.3 million (30 June 2022: \$1.0 million).

Depreciation and amortisation expense increased to \$18.6 million (30 June 2022: \$13.4 million). The increase included \$2.4 million of amortisation charges incurred in relation to identifiable intangible assets acquired as part of the Telco Pay Pty Ltd (Moose Mobile) acquisition in the first half of the financial year.

The consolidated preliminary financial results for Swoop Holdings include the results of the businesses it acquired during the financial year:

- Telco Pay Pty Ltd (Moose Mobile) for the period from 1 August 2022 to 30 June 2023

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## 6. Control gained over entities

Name of entities (or group of entities)	Telco Pay Pty Ltd (Moose Mobile) Control gained 1 August 2022
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Contribution of such entities to the reporting entity's loss from ordinary activities after income tax during the period (where material)	\$ 1,035,779
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## **7. 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.

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## **8. Dividend reinvestment plans**

Not applicable.

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## **9. Foreign entities**

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

MyStemKits, Inc. is a company incorporated in the USA and applied International Financial Reporting Standards (IFRS).

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## **10. Audit qualification or review**

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

The annual financial report is in the process of being audited by PKF. The annual report and financial statements are unlikely to be the subject of dispute or qualification.

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## **11. Attachments**

*Details of attachments (if any):*

The Preliminary Final Report of Swoop Holdings Limited for the year ended 30 June 2023 is attached.

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## **12. Signed**



Signed \_\_\_\_\_

Date: 31 August 2023

James Spenceley  
Chairman

# **Swoop Holdings Limited**

**ABN 20 009 256 535**

**Preliminary Final Report - 30 June 2023**

**Swoop Holdings Limited**  
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**Swoop Holdings Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

		<b>Consolidated</b>	
		<b>2023</b>	<b>2022</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	1	77,993,093	51,667,928
Other income	2	257,271	18,023
<b>Expenses</b>			
Cost of sales		(45,918,882)	(23,369,609)
Marketing and advertising		(2,556,985)	(1,214,473)
Finance costs		(2,051,187)	(813,370)
General and administrative		(2,284,240)	(3,197,138)
Depreciation and amortisation expense		(18,634,805)	(13,377,658)
Bad and doubtful debt expense		(58,985)	(171,518)
Employee benefit expense		(9,742,153)	(9,133,966)
Share based payments expense		(1,219,170)	(799,596)
One-off legal costs		(323,001)	(1,034,649)
Gain/loss on disposal asset		-	11,838
Acquisition and integration costs		(2,210,404)	(3,512,298)
Corporate restructuring expenses		(342,880)	-
Impairment charges	3	(27,046,000)	-
Other expenses		(1,318,907)	(1,553,925)
<b>Loss before income tax (expense) / benefit</b>		(35,457,235)	(6,480,411)
Income tax (expense) / benefit		(2,056,268)	1,597,601
<b>Loss after income tax (expense) / benefit for the year attributable to the owners of Swoop Holdings Limited</b>		(37,513,503)	(4,882,810)
<b>Other comprehensive income</b>			
<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		(76,825)	(124,487)
Other comprehensive income for the year, net of tax		(76,825)	(124,487)
<b>Total comprehensive income for the year attributable to the owners of Swoop Holdings Limited</b>		<u>(37,590,328)</u>	<u>(5,007,297)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(18.15)	(2.55)
Diluted earnings per share		(18.15)	(2.55)



**Swoop Holdings Limited**  
**Statement of financial position**  
**As at 30 June 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		19,043,911	32,020,568
Trade receivables		5,599,055	3,608,688
Inventories		2,297,497	1,934,455
Prepayments		1,675,406	1,822,830
Other financial assets		456,166	38,986
<b>Total current assets</b>		<u>29,072,035</u>	<u>39,425,527</u>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income		1,247,981	1,339,964
Property, plant and equipment	4	32,398,112	34,758,251
Right-of-use assets	5	8,134,009	9,297,184
Intangibles	6	51,192,551	45,527,889
Deferred tax		1,869,352	1,818,910
Other assets		-	195,553
Other financial assets		333,458	279,153
<b>Total non-current assets</b>		<u>95,175,463</u>	<u>93,216,904</u>
<b>Total assets</b>		<u>124,247,498</u>	<u>132,642,431</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		15,433,352	10,097,195
Other payables		2,835,897	2,526,553
Contract liabilities		2,151,327	1,683,229
Current tax liabilities		317,886	-
Lease liabilities		2,415,301	2,430,064
Borrowings		1,780,814	-
Deferred consideration	7	2,399,377	5,479,236
Employee benefits		1,351,971	1,618,581
<b>Total current liabilities</b>		<u>28,685,925</u>	<u>23,834,858</u>
<b>Non-current liabilities</b>			
Borrowings		16,865,493	-
Lease liabilities		6,434,263	7,607,708
Deferred tax		7,539,312	4,282,200
Employee benefits		172,769	165,563
Provisions		168,096	168,096
Deferred consideration	7	2,078,923	-
<b>Total non-current liabilities</b>		<u>33,258,856</u>	<u>12,223,567</u>
<b>Total liabilities</b>		<u>61,944,781</u>	<u>36,058,425</u>
<b>Net assets</b>		<u>62,302,717</u>	<u>96,584,006</u>
<b>Equity</b>			
Issued capital	8	126,550,345	123,737,206
Reserves		3,861,647	3,365,747
Accumulated losses		<u>(68,109,275)</u>	<u>(30,518,947)</u>
<b>Total equity</b>		<u>62,302,717</u>	<u>96,584,006</u>

**Swoop Holdings Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**

<b>Consolidated</b>	<b>Issued capital</b>	<b>Foreign exchange translation reserve</b>	<b>Share-based payment reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2021	70,020,923	11,755	5,014,742	(25,511,650)	49,535,770
Loss after income tax benefit for the year	-	-	-	(4,882,810)	(4,882,810)
Other comprehensive income for the year, net of tax	-	-	-	(124,487)	(124,487)
Total comprehensive income for the year	-	-	-	(5,007,297)	(5,007,297)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	44,155,937	-	-	-	44,155,937
Consideration shares issued to vendors of acquired entities	6,925,000	-	-	-	6,925,000
Issue of shares to Directors on vesting and conversion of performance rights	2,460,346	-	(2,460,346)	-	-
Share options exercised during the period	175,000	-	-	-	175,000
Share based payments expense	-	-	799,596	-	799,596
Balance at 30 June 2022	<u>123,737,206</u>	<u>11,755</u>	<u>3,353,992</u>	<u>(30,518,947)</u>	<u>96,584,006</u>

<b>Consolidated</b>	<b>Issued capital</b>	<b>Foreign exchange translation reserve</b>	<b>Share-based payment reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2022	123,737,206	11,755	3,353,992	(30,518,947)	96,584,006
Loss after income tax expense for the year	-	-	-	(37,513,503)	(37,513,503)
Other comprehensive income for the year, net of tax	-	-	-	(76,825)	(76,825)
Total comprehensive income for the year	-	-	-	(37,590,328)	(37,590,328)
<i>Transactions with owners in their capacity as owners:</i>					
On-market share buy-back, including transaction costs	(3,743,466)	-	-	-	(3,743,466)
Consideration shares issued to vendors of acquired entities	5,833,335	-	-	-	5,833,335
Issue of shares to employees on vesting and conversion of performance rights	723,270	-	(723,270)	-	-
Share based payments expense	-	-	1,219,170	-	1,219,170
Balance at 30 June 2023	<u>126,550,345</u>	<u>11,755</u>	<u>3,849,892</u>	<u>(68,109,275)</u>	<u>62,302,717</u>

**Swoop Holdings Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	82,793,131	51,435,496
Payments to suppliers (inclusive of GST)	<u>(69,444,567)</u>	<u>(43,123,577)</u>
	13,348,564	(8,311,919)
Interest received	77,335	412
Interest and other finance costs paid	(1,005,449)	(70,831)
Government grants received	1,332,571	840,841
Income taxes paid	<u>-</u>	<u>(221,165)</u>
Net cash from operating activities	<u>13,753,021</u>	<u>8,861,176</u>
<b>Cash flows from investing activities</b>		
Payment for purchase of business, net of cash acquired	(330,000)	(1,318,772)
Payment for purchase of subsidiary, net of cash acquired	(22,866,501)	(17,773,750)
Payments for property, plant and equipment	(16,712,502)	(17,941,099)
Payments for investments	(200,000)	(388,222)
Payments for intangibles	(1,178,714)	(417,574)
Proceeds from disposal of property, plant and equipment	30,492	-
Proceeds from disposal of business	<u>-</u>	<u>203,245</u>
Net cash used in investing activities	<u>(41,257,225)</u>	<u>(37,636,172)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	45,989,160
Proceeds from borrowings	19,560,040	-
Repayment of borrowings	(1,299,878)	(643,744)
Transaction costs related to issue of shares	-	(1,772,277)
Proceeds from the exercise of options	-	175,000
On-market share buy-back, including transaction costs	(3,744,498)	-
Transaction costs related to borrowings	<u>-</u>	<u>(519,765)</u>
Net cash from financing activities	<u>14,515,664</u>	<u>43,228,374</u>
Net increase in cash and cash equivalents	(12,988,540)	14,453,378
Cash and cash equivalents at the beginning of the financial year	32,020,568	17,497,867
Effects of exchange rate changes on cash and cash equivalents	11,883	69,323
Cash and cash equivalents at the end of the financial year	<u><u>19,043,911</u></u>	<u><u>32,020,568</u></u>

**Swoop Holdings Limited**  
**Notes to the Preliminary Final Report**  
**For the year ended 30 June 2023**

**Note 1. Revenue**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Sales of goods - Business	9,102,045	9,773,220
Sales of goods - Residential	45,037,844	19,551,471
Sales of goods - Wholesale	20,819,053	19,702,396
Other revenue	3,034,151	2,640,841
	<u>77,993,093</u>	<u>51,667,928</u>
Revenue	<u>77,993,093</u>	<u>51,667,928</u>

*Disaggregation of revenue*

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

	Business services	Residential services	Wholesale services	Other revenue	Total
<b>Consolidated - 2023</b>	\$	\$	\$	\$	\$
<i>Timing of revenue recognition</i>					
Goods transferred at a point in time	56,687	195,009	39,541	-	291,237
Services transferred over time	9,045,358	44,842,835	20,779,512	3,034,151	77,701,856
	<u>9,102,045</u>	<u>45,037,844</u>	<u>20,819,053</u>	<u>3,034,151</u>	<u>77,993,093</u>

	Business services	Residential services	Wholesale services	Other revenue	Total
<b>Consolidated - 2022</b>	\$	\$	\$	\$	\$
<i>Timing of revenue recognition</i>					
Goods transferred at a point in time	40,024	311,919	33,863	-	385,806
Services transferred over time	9,733,196	19,239,552	19,668,533	2,640,841	51,282,122
	<u>9,773,220</u>	<u>19,551,471</u>	<u>19,702,396</u>	<u>2,640,841</u>	<u>51,667,928</u>

**Note 2. Other income**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Other income	189,106	17,239
Interest income	68,165	784
	<u>257,271</u>	<u>18,023</u>
Other income	<u>257,271</u>	<u>18,023</u>

**Swoop Holdings Limited**  
**Notes to the Preliminary Final Report**  
**For the year ended 30 June 2023**

**Note 3. Impairment charges**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
Impairment – property, plant and equipment	4	7,463,082	-
Impairment – intangibles	6	19,582,918	-
		<hr/>	
Impairment charges		<u>27,046,000</u>	<u>-</u>

The Group assesses goodwill for impairment at the cash-generating-units (CGUs) level at each reporting period end, or more frequently if there are indicators of impairment for the CGUs that goodwill is allocated to. For other non-current assets, impairment testing is undertaken when there is an internal or external indicator of impairment.

As at 30 June 2023, the Group has identified the following indicators of impairment:

- The market capitalisation of the Group was less than its net assets,
- There has been a decrease in the earnings margins from some customers, as well as the loss of customers at a higher than originally expected rate of attrition, and
- Some fixed assets and intangibles were no longer in use by the Group.

As a result of the impairment testing, the Group recognised an impairment loss of non-current assets and goodwill, as outlined below. The two CGUs that the assets are allocated to, including goodwill, are also outlined below, being:

- Swoop CGU, consisting of internet and telecommunication services; fixed wireless services; wholesale transit services and fibre network management and construction services, included in the following businesses: NodeOne, Bosley, CountryTell, Anycast, Cirrus, VoiceHub and Luminet, and
- Moose Mobile CGU, consisting of the mobile virtual network operator services, included in the Moose Mobile business.

		<b>Consolidated</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
Impairment of non-current assets <sup>1</sup>			
Property, plant and equipment	(a)	7,463,082	-
Intangibles, excluding goodwill	(b)	15,227,996	-
Goodwill	(c)	4,354,922	-
		<hr/>	
Impairment charges for the year		<u>27,046,000</u>	<u>-</u>

<sup>1</sup> The impaired non-current assets were previously used in the one reportable segment of the Group.

**(a) Impairment of property, plant and equipment**

Impaired property, plant and equipment, consists of network assets, plant and equipment, and motor vehicles previously used in the Swoop CGU. These assets were fully impaired as they are no longer being used by the Group.

**Swoop Holdings Limited**  
**Notes to the Preliminary Final Report**  
**For the year ended 30 June 2023**

**Note 3. Impairment charges (continued)**

**(b) Impairment of intangibles, excluding goodwill**

Intangible assets (excluding goodwill) include customer contracts and relationships acquired by the Group through previous acquisitions. As noted above, an impairment indicator was identified in relation to the customer contracts and relationships intangible assets. This primarily resulted from a decrease in earnings margins from some customers, as well as the loss of customer at a higher than originally expected rate of attrition. The Group has tested these assets for impairment individually and determined that their recoverable amount exceeds their carrying amount, resulting in impairment of \$13,644,000. The key assumptions used in reaching this conclusion are discussed below.

In addition to customer contracts and relationships, the Group has also tested other intangible assets for impairment individually and determined that their recoverable amount exceeds their carrying amount, resulting in the following impairments – patents and trademarks \$32,553, brands which have been discontinued \$147,282 and software which is no longer in use \$1,404,161.

Fair value methodology

The valuation of these intangible assets (excluding goodwill and software), i.e. brands, customer contracts and relationships, has been determined based on multi period excess earnings method using the present value of the earnings expected to be generated out of these assets net of a reasonable return on other assets contributing to the earnings streams.

Key assumptions:

In carrying out the valuation of the customer contracts and relationships, the following key assumptions have been applied by the Group:

<b>Assumptions</b>	<b>Description</b>	<b>FY23<sup>1</sup></b>
Attrition rate	The attrition rates for these contracts and relationships have been applied to the period since acquisition and future periods for the purpose of their valuation.	30%
Earnings margin	Earnings margin for customer contracts and relationships represents estimated EBITA margins over the remaining period of their expected benefit to the Group. Operating expenditure is allocated to the customer contracts and relationships on a pro-rata revenue basis.	(12.9%) – 38.5%
Discount rate	Discount rate represents post tax nominal discount rates estimated based on previous transactions involving the acquisition of these assets and observed external market factors as at the date of assessment.	8.3% to 24.5% <sup>2</sup>

<sup>1</sup> Comparative information is not included as no indicators of impairment were identified as at 30 June 2022.

<sup>2</sup> The discount rate across all customer contracts and relationships as at the respective acquisitions made in recent years ranged from 7.5% to 24.5%.

As a result of the impairment, the Group has also re-assessed the useful lives of the customer contracts and relationships.

**(c) Goodwill impairment**

Following the identification of the impairments discussed above, the Group has also tested the recoverability of goodwill. For the purpose of impairment testing, goodwill is allocated to the CGUs which represent the lowest level at which goodwill is monitored for internal management purposes. Goodwill as at 30 June 2023 of \$43,382,552 (refer to Note 6) was allocated between the Swoop CGU (\$26,429,791) and the Moose Mobile CGU (\$16,952,761).

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**Note 3. Impairment charges (continued)**

An impairment test was performed at reporting period end, resulting in an impairment charge of \$4,354,922 to the goodwill in the Swoop CGU for the year ended 30 June 2023. The key assumptions used in reaching this conclusion are discussed below:

Fair value methodology

The recoverable amounts for the Swoop CGU and Moose Mobile CGU have been determined based on FVLCD calculations using DCF projections. The DCF projections are based on three-years forecast beyond FY23 as approved by management. The cash flows used in the FVLCD calculations beyond the three-years period are estimated using a long-term growth rate and a terminal value consistent with the Reserve Bank of Australia's long-term inflation target under standard valuation principles.

Key assumptions

The fair value measurement of the recoverable amount is a level 3 measurement under the fair value hierarchy of AASB 13 *Fair Value Measurement*, which reflects that the inputs are not based on observable market data.

In calculating the FVLCD recoverable amount for the CGUs that goodwill is allocated to, the following key assumptions have been applied:

<b>Assumption</b>	<b>Description</b>	<b>Swoop</b>	<b>Moose Mobile</b>
Revenue Growth rate	Revenue growth rate is based on the CGU's business plan approved by management, with the terminal value reflecting the long-term growth rate.	FY24 to FY26: 9.3% - 16.2% FY27 to FY28: 2.8% - 5.0%	FY24 to FY26: 5.0% to 13.2% FY27 and beyond: Long-term growth rate
Earnings Margin	Earnings margin represents the forecasted earnings margin (EBITDA), on a pre AASB 16 <i>Leases</i> basis, based on the CGU's business plan for three years from FY24 to FY26 and for FY27 and beyond period by growing operating expenditure at the long term growth rate, in line with the revenue growth.	FY24 to FY26: 12.6% - 18.2% FY27 and beyond: 18.1%	FY24 to FY26: 16.5% - 16.9% FY27 and beyond, 16.9%
Long-term growth rate	Long-term growth rate reflects the management's estimation for terminal growth rate in line with the Reserve Bank of Australia's long-term inflation target.	2.5%	2.5%
Period of projected cashflows for DCF	The cash flows projection for three years from FY24 to FY26 included in the model are based on management's forecast derived through past experience and assessment of economic and regulatory factors affecting the business in which the Group's businesses operate. The cashflows beyond the three year period have been extrapolated for the two year period from FY27 to FY28 using a long-term growth rate.	3 years	3 years
Discount rate	Discount rate represents post tax nominal discount rates estimated based on past experience, consistent with previous transactions involving the Swoop Group.	13.75%	17.25%

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**Note 3. Impairment charges (continued)**

In the prior year, the recoverability of goodwill was supported by a value-in-use assessments made for Swoop CGU. The key inputs used in that value-in-use assessment for Swoop CGU was a pre-tax discount rate of 20%, and a long-term growth rate of 5% respectively. No goodwill attributable to the Moose Mobile CGU existed in the prior year as the group acquired the Moose Mobile business in the current financial year, refer to Note 11.

Sensitivity

The Group has conducted a sensitivity analysis of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the CGUs to which goodwill is allocated to and anticipates that any change in the key assumptions that negatively impacts the recoverable amount of the Swoop CGU would cause further impairment.

For the Mobile Moose CGU, the following changes in assumptions would cause the CGU's recoverable amount to equal its carrying value:

Assumption	Increase / decrease	Movement	Movement (% on base assumption per table above)
Discount rate	Increase	279 bps	16.2%

**Note 4. Property, plant and equipment**

	Consolidated 2023 \$	2022 \$
Networks - at cost	77,992,486	64,130,864
Less: Provision for impairment	(7,246,439)	-
Less: Accumulated depreciation	<u>(40,733,459)</u>	<u>(31,906,520)</u>
	30,012,588	32,224,344
Plant and equipment - at cost	5,601,696	4,787,887
Less: Provision for impairment	(213,561)	-
Less: Accumulated depreciation	<u>(3,234,186)</u>	<u>(2,500,846)</u>
	2,153,949	2,287,041
Motor vehicles - at cost	826,557	790,640
Less: Provision for impairment	(3,082)	-
Less: Accumulated depreciation	<u>(591,900)</u>	<u>(543,774)</u>
	231,575	246,866
	<u>32,398,112</u>	<u>34,758,251</u>



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**Note 4. Property, plant and equipment (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Networks \$	Plant & equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2022	32,224,344	2,287,041	246,866	34,758,251
Additions	12,658,310	814,029	91,364	13,563,703
Reclassification	1,053,780	-	-	1,053,780
Disposals	-	-	(3,285)	(3,285)
Provision for impairment	(7,246,439)	(213,561)	(3,082)	(7,463,082)
Depreciation expense	(8,677,407)	(733,560)	(100,288)	(9,511,255)
Balance at 30 June 2023	<u>30,012,588</u>	<u>2,153,949</u>	<u>231,575</u>	<u>32,398,112</u>

**Note 5. Right-of-use assets**

**(a) Right-of-use assets**

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

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
Premises and sites - right-of-use	8,502,939	1,603,116
Less: Accumulated depreciation	(3,829,179)	(562,533)
	<u>4,673,760</u>	<u>1,040,583</u>
Network assets - right-of-use	5,954,720	13,388,627
Less: Accumulated depreciation	(2,494,471)	(5,132,026)
	<u>3,460,249</u>	<u>8,256,601</u>
	<u>8,134,009</u>	<u>9,297,184</u>

*Reconciliations*

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

<b>Consolidated</b>	Premises and sites \$	Network assets \$	Total \$
Balance at 1 July 2022	1,040,583	8,256,601	9,297,184
Additions	1,587,197	318,381	1,905,578
Disposals	(207,361)	(109,225)	(316,586)
Transfers in/(out)	4,230,732	(4,230,732)	-
Depreciation expense	(1,977,391)	(774,776)	(2,752,167)
Balance at 30 June 2023	<u>4,673,760</u>	<u>3,460,249</u>	<u>8,134,009</u>

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**Note 5. Right-of use-assets (continued)**

**(b) Lease liabilities**

The carrying value of lease liabilities is presented below:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Lease liabilities – current	2,415,301	2,430,064
Lease liabilities - non-current	6,434,263	7,607,708
	<u>8,849,564</u>	<u>10,037,772</u>

**(c) Maturity profile of contractual undiscounted liability cashflows:**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
- not later than one year	2,586,944	2,612,972
- later than one year but not later than five years	7,421,589	9,491,291
	<u>10,008,533</u>	<u>12,104,263</u>

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**Note 6. Intangibles**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	43,382,552	26,146,671
Less: Provision for impairment	<u>(4,354,922)</u>	<u>-</u>
	<u>39,027,630</u>	<u>26,146,671</u>
Licence agreements - at cost	536,095	536,095
Less: Accumulated amortisation	<u>(338,324)</u>	<u>(231,105)</u>
	<u>197,771</u>	<u>304,990</u>
Patents and trademarks - at cost	431,686	418,942
Less: Provision for impairment	<u>(32,553)</u>	<u>-</u>
Less: Accumulated amortisation	<u>(61,485)</u>	<u>(19,674)</u>
	<u>337,648</u>	<u>399,268</u>
Customer relationships and contracts - at cost	21,974,947	18,036,896
Less: Provision for impairment	<u>(13,644,000)</u>	<u>-</u>
Less: Accumulated amortisation	<u>(5,998,100)</u>	<u>(3,066,227)</u>
	<u>2,332,847</u>	<u>14,970,669</u>
Computer software - at cost	6,635,381	5,249,116
Less: Provision for impairment	<u>(1,404,161)</u>	<u>-</u>
Less: Accumulated amortisation	<u>(3,148,248)</u>	<u>(1,808,893)</u>
	<u>2,082,972</u>	<u>3,440,223</u>
Brands - at cost	2,426,276	375,516
Less: Provision for impairment	<u>(147,282)</u>	<u>-</u>
Less: Accumulated amortisation	<u>(228,234)</u>	<u>(109,448)</u>
	<u>2,050,760</u>	<u>266,068</u>
Contractual agreements - at cost	6,845,280	-
Less: Accumulated amortisation	<u>(1,682,357)</u>	<u>-</u>
	<u>5,162,923</u>	<u>-</u>
	<u>51,192,551</u>	<u>45,527,889</u>

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**Note 6. Intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	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	17,235,881	3,938,050	12,744	6,845,280	2,590,028	-	2,050,760	32,672,743
Reclassification	-	-	-	-	(1,053,780)	-	-	(1,053,780)
Provision for impairment	(4,354,922)	(13,644,000)	(32,553)	-	(1,404,161)	-	(147,282)	(19,582,918)
Amortisation expense	-	(2,931,872)	(41,811)	(1,682,357)	(1,489,338)	(107,219)	(118,786)	(6,371,383)
Balance at 30 June 2023	<u>39,027,630</u>	<u>2,332,847</u>	<u>337,648</u>	<u>5,162,923</u>	<u>2,082,972</u>	<u>197,771</u>	<u>2,050,760</u>	<u>51,192,551</u>

**Note 7. Deferred consideration**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Consideration payable – completion adjustment	-	5,236
Deferred consideration (fair value of contingent consideration)	<u>2,399,377</u>	<u>5,474,000</u>
	<u>2,399,377</u>	<u>5,479,236</u>
<b>Non-current</b>		
Deferred consideration (fair value of contingent consideration)	<u>2,078,923</u>	<u>-</u>
	<u>2,078,923</u>	<u>-</u>

**Swoop Holdings Limited**  
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**Note 8. Issued capital**

	<b>2023</b>	<b>Consolidated</b>		
	<b>Shares</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
		<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>207,092,671</u>	<u>205,627,377</u>	<u>126,550,345</u>	<u>123,737,206</u>

*Movements in share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
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)
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
Luminet – vendor consideration shares	20 March 2023	2	\$1.079	2
Conversion of performance rights	18 April 2023	50,000		90,000
Cancellation of shares pursuant to on-market buy-back	30 June 2023	(1,474,364)		(304,487)
Transaction costs for on-market buy-back	Various dates			(11,196)
Balance	30 June 2023	<u>207,092,671</u>		<u>126,550,345</u>

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**Note 9. 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:

<b>Consolidated</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<i>Financial assets at amortised cost:</i>		
Cash and cash equivalents	19,043,911	32,020,568
Trade receivables	5,599,055	3,608,688
Other financial assets	789,624	318,139
<i>Financial assets at fair value:</i>		
Financial assets at fair value	<u>1,247,981</u>	<u>1,339,964</u>
Total financial assets	<u>26,680,571</u>	<u>37,287,359</u>
<i>Financial Liabilities:</i>		
Trade payables	15,433,352	10,097,195
Other payables	2,835,897	2,526,553
Deferred consideration at fair value	4,478,300	5,479,236
Finance lease liabilities	241,794	313,977
Borrowings	<u>18,646,307</u>	<u>-</u>
Total financial liabilities	<u>41,635,650</u>	<u>18,416,961</u>

**Note 10. 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.

<b>Consolidated – 30 June 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Assets</i>				
Financial assets at fair value	<u>1,247,981</u>	-	-	<u>1,247,981</u>
Total assets	<u>1,247,981</u>	-	-	<u>1,247,981</u>
<i>Liabilities</i>				
Deferred consideration at fair value	-	<u>4,478,300</u>	-	<u>4,478,300</u>
Total liabilities	-	<u>4,478,300</u>	-	<u>4,478,300</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.

**Note 10. Fair value measurement (continued)**

***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 11. Business combinations**

**Telco Pay Pty Ltd (Moose Mobile)**

On 1 August 2022, Swoop Telecommunications 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 \$28,578,435. Moose was acquired as part of Swoop's growth strategy and entry into the mobile market.

The goodwill of \$16,952,761 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 \$21,951,995 and profit after tax of \$1,035,779 to the consolidated entity for the period from 1 August 2022 to 30 June 2023.

**Note 11. Business combinations (continued)**

Details of the acquisition are as follows:

	<b>Fair value</b> <b>\$</b>
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>16,952,761</u>
Acquisition-date fair value of the total consideration transferred	<u>28,578,435</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>4,310,703</u>
	<u>28,578,435</u>
Acquisition costs expensed to profit and loss	<u>401,385</u>

**Note 12. Share-based payments**

**Performance rights**

During the financial year the following grants of unlisted Performance Rights were made:

- 2,293,476 performance rights granted to Executive Management on 12 April 2023
- 978,264 performance rights granted to Senior Management on 14 April 2023

The performance rights granted vest over the period to 1 October 2025 and are subject to ongoing employment and Performance Hurdles (Individual Performance and TSR) being met.

The share based payments expense for the financial year ended 30 June 2023 relates to performance rights granted in the current and previous financial years.