

Appendix 4E

Preliminary Final Report

30 June 2023

ActivePort Group Ltd
and Controlled Entities

ABN 24 636 569 634

31 August 2023

ActivePort Group Ltd and Controlled Entities

ABN: 26 636 569 634

Appendix 4E – Preliminary Final Report (unaudited)

Results for announcement to the market

For the year ended 30 June 2023

(Prior corresponding period: 30 June 2022)

Key Information	2023 \$	2022 \$	Change \$	Up / down	%
Revenues from customer sales	19,887,942	10,638,545	9,249,397	Up	86.9%
Loss from ordinary activities after tax attributable to members	(2,895,813)	(6,676,170)	3,780,357	Down	56.6%
Net loss for the period attributable to members	(2,895,813)	(6,676,170)	3,780,357	Down	56.6%

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	Nil	- ¢
Final dividend	Nil	- ¢
Previous corresponding period	Nil	- ¢

No dividends have been paid or declared since the start of the financial year by the Company. The directors do not propose to pay either a final or an interim dividend.

The Company does not have a dividend reinvestment plan.

Net Tangible Assets per share	30 June 2023	30 June 2022
Net tangible asset per ordinary security (cents per share)	0.22	0.12

Brief explanation

During the year, software sales increased to \$8,278,481 (2022: \$1,161,677), being an increase of 614%, and accounting for 41.6% of group revenue. Gross margins increased from 41% to 50% and the resulting loss decreased from \$6,676,170 down to \$2,859,813 for the year to 30 June 2023.

Status of audit

The accounts are in the process of being audited.

This announcement has been authorised for release by the Board of Directors of ActivePort Group Ltd.

ActivePort Group Ltd
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ABN: 24 636 569 634

For more information, please visit: www.activeport.com.au

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

Directors

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

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

Principal activities

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

Financial position

The Group reported a net asset position of \$28,614,365 (2022: \$28,083,908) and net current assets of \$454,965 (2022: \$1,427,707) as at 30 June 2023 and incurred a loss of \$2,895,813 (2022: \$ 6,676,170) and net operating cash outflow of \$1,057,424 (2022: \$ 7,766,962) for the year ended 30 June 2023.

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

Dividends

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

Review of operations

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

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

In June we launched our Global Edge network as a service product. Retail customers can login to Global Edge and start building their edge to Cloud network immediately using our points-of-presence

integrated networks operated by third-party carriers. We will scale up the Global Edge platform throughout FY24 and hope to show great results of accelerated recurring revenue with relatively high margins as utilisation of this innovative product grows.

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

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

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

Events since the end of the financial year

On 25 August 2023, the Company issued 23,500,000 ordinary shares to raise \$2.35m with directors committing to invest a further \$0.15m for 1,500,000 ordinary shares subject to shareholder approval. In addition, 12.5m attaching unlisted options, with an exercise price of \$0.20 and expiry date of 30 November 2026, will be issued subject to approval by shareholders.

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

	Note	Consolidated	
		2023 \$	2022 \$
Revenue			
Sales of goods and services	1	19,887,942	10,638,545
Cost of goods sold		(9,851,980)	(6,256,672)
Gross profit		10,035,962	4,381,873
Other income	2	1,756,471	1,808,181
Expenses			
Distribution and marketing expenses		(131,800)	(132,950)
Administration expense		(2,100,791)	(1,985,328)
Employee benefits expense		(9,670,480)	(8,854,780)
Depreciation and amortisation		(1,631,124)	(916,411)
Net fair value loss on investments		(94,257)	(107,686)
Fair value loss on deferred consideration		(523,419)	(1,166,324)
Other expenses		(16,182)	(47,384)
Total expenses		(14,168,053)	(13,210,863)
Operating loss		(2,375,620)	(7,020,809)
Finance income		30,979	33,772
Finance costs		(514,628)	(246,133)
Loss before income tax benefit		(2,859,269)	(7,233,170)
Income tax (expense)/ benefit		(36,544)	557,000
Loss after income tax (expense)/ benefit for the year		(2,895,813)	(6,676,170)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		394	(394)
Other comprehensive loss for the year, net of tax		394	(394)
Total comprehensive loss for the year		(2,895,419)	(6,676,564)
		Cents	Cents
Earnings per share for loss			
Basic earnings loss share	9	(0.11)	(3.03)
Diluted loss per share	9	(0.11)	(3.03)

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	Consolidated	
		2023	2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,157,074	3,169,444
Trade and other receivables		8,116,730	5,417,971
Income tax receivables		34,484	-
Contract assets		184,763	141,349
Inventories		63,192	74,303
Financial assets at fair value through profit or loss		57,231	151,488
Financial asset at amortised cost		2,450	116,704
Total current assets		9,615,924	9,071,259
Non-current assets			
Property, plant and equipment	3	171,820	255,604
Right-of-use assets	4	1,178,012	2,101,130
Intangibles	5	28,062,067	27,773,797
Financial asset at amortised cost		277,906	494,998
Total non-current assets		29,689,805	30,625,529
Total assets		39,305,729	39,696,788
Liabilities			
Current liabilities			
Trade and other payables		4,215,413	3,627,674
Contract liabilities		487,956	118,297
Borrowings		3,580,874	234,933
Lease liabilities		327,839	352,729
Employee benefits		548,877	512,046
Provisions		-	2,697,873
Total current liabilities		9,160,959	7,643,552
Non-current liabilities			
Borrowings		375,792	2,016,109
Lease liabilities		1,104,613	1,953,219
Provisions		50,000	100,000
Total non-current liabilities		1,530,405	3,969,328
Total liabilities		10,691,364	11,612,880
Net assets		28,614,365	28,083,908
Equity			
Issued capital		40,309,121	36,970,539
Reserves		423,193	1,028,039
Accumulated losses		(12,117,949)	(9,914,670)
Total equity		28,614,365	28,083,908

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

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

	Issued capital	Option reserves	Foreign exchange translation reserve	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2021	10,949,988	59,451	-	(3,238,500)	7,770,939
Loss after income tax benefit for the year	-	-	-	(6,676,170)	(6,676,170)
Other comprehensive loss for the year, net of tax	-	-	(394)	-	(394)
Total comprehensive loss for the year	-	-	(394)	(6,676,170)	(6,676,564)
Transactions with owners in their capacity as owners:					
Issue of shares	27,116,073	-	-	-	27,116,073
Issue of options	-	968,982	-	-	-
Share issue expenses	(1,095,522)	-	-	-	(1,095,522)
Balance at 30 June 2022	36,970,539	1,028,433	(394)	(9,914,670)	28,083,908
	Issued capital	Option reserves	Foreign exchange translation reserve	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2022	36,970,539	1,028,433	(394)	(9,914,670)	28,083,908
Loss after income tax benefit for the year	-	-	-	(2,895,813)	(2,895,813)
Other comprehensive loss for the year, net of tax	-	-	394	-	394
Total comprehensive loss for the year	-	-	394	(2,895,813)	(2,895,419)
Transactions with owners in their capacity as owners:					
Issue of shares	3,338,582	-	-	-	3,338,582
Issue of options/ performance rights	-	87,294	-	-	87,294
Unexercised/ expired options	-	(692,534)	-	692,534	-
Balance at 30 June 2023	40,309,121	423,193	-	(12,117,949)	28,614,365

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

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

	Note	Consolidated	
		2023	2022
		\$	\$
Operating activities:			
Receipts from customers		19,181,117	9,517,552
Payments to suppliers and employees		(22,059,569)	(17,627,400)
Interest and lease charges paid		(514,628)	(246,133)
Interest received		30,979	33,772
Government grant received		2,375,705	117
Income tax		(71,028)	555,130
Net cash used in operating activities		(1,057,424)	(7,766,962)
Investing activities:			
Cash acquired on business combination		-	770,326
Payments for financial assets		-	(259,174)
Payments for property, plant and equipment		(35,016)	-
Proceeds from sale of property, plant and equipment		5,936	-
Payments for intangible assets		(1,669,940)	(1,771,019)
Additional cost in relation to acquisition		-	(24,002)
Net cash used in investing activities		(1,699,020)	(1,283,869)
Financing activities:			
Proceeds from issue of shares		-	12,052,628
Payments for principal portion of lease liabilities		(301,641)	(263)
Proceeds from borrowings		3,414,867	-
Repayment of borrowings		(2,370,153)	-
Share issue transaction costs		-	(819,079)
Net cash from financing activities		744,074	11,233,286
Net increase in cash and cash equivalents		(2,012,370)	2,182,455
Cash and cash equivalents at the beginning of the financial year		3,169,444	986,989
Cash and cash equivalents at the end of the financial year		1,157,074	3,169,444

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

Notes to the Preliminary Consolidated Financial Statements

Note 1. Sales of goods and services

	Consolidated	
	2023	2022
	\$	\$
<i>Revenue from contracts with customers</i>		
Hardware	4,727,413	3,202,700
ActivePort software	6,958,581	864,289
Professional fees	2,983,364	4,189,819
Managed services	1,676,687	1,359,662
Network revenue	2,272,302	363,243
Other revenue	1,269,595	658,832
	19,887,942	10,638,545

	Consolidated	
	2023	2022
	\$	\$
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
<i>Geographical regions</i>		
Australia	14,942,341	10,516,383
Rest of the World	4,945,601	122,162
	19,887,942	10,638,545
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	10,839,181	5,366,183
Services transferred over time	9,048,761	5,272,362
	19,887,942	10,638,545

Note 2. Other income

	Consolidated	
	2023	2022
	\$	\$
Sundry income	84,496	8,770
Research and development tax incentive rebate	1,671,975	1,799,411
Other income	1,756,471	1,808,181

Note 3. Property, plant and equipment

	Consolidated	
	2023 \$	2022 \$
Non-current assets		
Plant and equipment - at cost	481,813	235,924
Less: Accumulated depreciation	(354,542)	(48,753)
	<u>127,271</u>	<u>187,171</u>
Office furniture and equipment - at cost	95,547	88,362
Less: Accumulated depreciation	(58,322)	(29,278)
	<u>37,225</u>	<u>59,084</u>
Leasehold improvements - at cost	10,126	10,126
Less: Accumulated depreciation	(2,802)	(777)
	<u>7,324</u>	<u>9,349</u>
	<u>171,820</u>	<u>255,604</u>

Reconciliations

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

	Plant and equipment \$	Office furniture and equipment \$	Leasehold improvements \$	Total \$
Consolidated				
Balance at 1 July 2021	101,025	-	-	101,025
Additions through business combinations	135,512	88,362	10,126	234,000
Disposals	(613)	-	-	(613)
Depreciation expense	(48,753)	(29,278)	(777)	(78,808)
Balance at 30 June 2022	<u>187,171</u>	<u>59,084</u>	<u>9,349</u>	<u>255,604</u>
Additions	29,380	5,636	-	35,016
Disposals	(1,298)	(4,637)	-	(5,936)
Depreciation expense	(87,982)	(22,858)	(2,025)	(112,866)
Balance at 30 June 2023	<u>127,271</u>	<u>37,225</u>	<u>7,324</u>	<u>171,820</u>

Note 4. Right-of-use assets

	Consolidated	
	2023 \$	2022 \$
Non-current assets		
Right-of-use assets - at cost	1,633,934	2,399,641
Less: Accumulated depreciation	(455,922)	(238,511)
	<u>1,178,012</u>	<u>2,101,130</u>

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

The Group's lease portfolio includes buildings and equipment. The buildings lease has a lease term for 5 years and contains the option to renew the lease after that date. One of the building lease was surrendered during the financial year. The equipment leases have lease terms between 3 to 4 years.

Note 5. Intangibles

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

Reconciliations

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

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

	Goodwill	Developed software	Developed intellectual property	Customer relationships	Purchased software	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2022	24,110,937	2,451,706	260,151	884,445	66,558	27,773,797
Additions	-	1,471,356	-	-	1,284	1,472,640
Transfers (out)/in	-	-	-	-	-	-
Amortisation expense	-	(733,325)	(71,243)	(346,274)	(33,528)	(1,184,370)
Balance at 30 June 2023	<u>24,110,937</u>	<u>3,189,737</u>	<u>188,908</u>	<u>538,171</u>	<u>34,314</u>	<u>28,062,067</u>

Note 6. Operating segment information

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

This segment note includes a restatement of the segment note from the prior financial year.

Consolidated - 2023	ActivePort Software	MSP	Network	Corporate services	Total
	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	8,278,481	9,173,290	2,272,302	163,869	19,887,942
Intersegment sales	508,484	30,599	-	95,829	634,912
Total sales revenue	8,786,965	9,203,889	2,272,302	259,698	20,522,854
Other income	1,671,976	62,470	-	27,199	1,716,645
Total segment revenue	10,458,941	9,266,359	2,272,302	286,897	22,284,499
Intersegment eliminations					(691,922)
<i>Unallocated revenue:</i>					
Net realised/unrealised forex gain					51,836
Total revenue and other income					21,644,413
EBITDA	4,598,753	(900,796)	(187,910)	(4,254,543)	(744,496)
Depreciation and amortisation					(1,631,124)
Interest revenue					30,979
Finance costs					(514,628)
Loss before income tax expense					(2,859,269)
Income tax expense					(36,544)
Loss after income tax expense					(2,895,813)
<i>Material items include:</i>					
Net fair value loss on investments	-	-	-	(94,257)	(94,257)
Assets					
Segment assets	6,079,460	378,800	48,587	30,229,041	36,735,888
Intersegment eliminations					2,569,841
Deferred tax asset					-
Total assets					39,305,729
Liabilities					
Segment liabilities	2,275,099	2,417,444	1,395,026	4,851,200	10,938,769
Intersegment eliminations					(247,405)
Total liabilities					10,691,364

Note 6. Operating segment information (continued)

Consolidated - 2022	ActivePort Software \$	MSP \$	Network \$	Corporate services \$	Total \$
Revenue					
Sales to external customers	1,161,677	9,102,764	363,243	10,861	10,638,545
Intersegment sales	323,234	47,732	-	23,411	394,377
Total sales revenue	1,484,911	9,150,496	363,243	34,272	11,032,922
Other income	1,799,528	8,653	-	-	1,808,181
Total segment revenue	3,284,439	9,159,149	363,243	34,272	12,841,103
Intersegment eliminations					(394,377)
Total revenue and income	3,284,439	9,159,149	363,243	34,272	12,446,726
EBITDA					
Depreciation and amortisation	2,150,999	(80,169)	(342,273)	(7,832,955)	(6,104,398)
Interest revenue					33,772
Finance costs					(246,133)
Loss before income tax expense					(7,233,170)
Income tax expense					557,000
Loss after income tax expense					(6,676,170)
<i>Material items include:</i>					
Net fair value loss on investments	-	-	-	(107,686)	(107,686)
Assets					
Segment assets	1,351,900	1,178,554	278,289	33,430,290	36,239,033
Intersegment eliminations					3,457,755
Total assets					39,686,788
Liabilities					
Segment liabilities	1,832,409	2,160,169	1,390,843	6,340,929	11,724,350
Intersegment eliminations					(111,470)
Total liabilities					11,612,880

Note 7. Dividends

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

Note 8. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

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

Note 9. Loss per share

The calculation of basic and diluted loss per share is based on the net loss from ordinary activities attributable to equity holders of the Group for the year of \$2,035,920 (2022: loss of \$6,676,170) and the weighted average of 273,809,226 (2022: 220,579,273) ordinary shares on issue during the year.

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