

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 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

Statutory results

\$

Continuing Operations

Revenues from ordinary activities	up	16.3%	to	81,142,791
Loss after income tax from continuing operations	up	84.9%	to	(5,326,666)

Discontinued Operations

Profit after tax from discontinued operations	up	168.4%	to	1,536,584
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Total Group

Loss after income tax for the year attributable to the owners of Swoop Holdings Limited	up	89.9%	to	(3,790,082)
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Non-Statutory results

Gross margin*	up	8.4%	to	34,756,959
Underlying EBITDA**	up	0.5%	to	16,376,103
Underlying net loss before tax***	up	66.9%	to	(1,427,717)

	2024 Cents	2023 Cents
Earnings per share from continuing operations		
Basic earnings per share	(2.56)	(17.06)
Earnings per share from discontinued operations		
Basic earnings per share	0.74	(1.09)
Earnings per share attributable to the owners of Swoop Holdings Limited		
Basic earnings per share	(1.82)	(18.15)
Diluted earnings per share	(1.82)	(18.15)

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 \$3,790,082 (30 June 2023: loss of \$37,513,503). The prior year loss for the year ended 30 June 2023 included impairment charges of \$27,046,000. There are no impairment charges for the year ended 30 June 2024.

Swoop Holdings Limited

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3. Underlying results

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

*Gross margin

	2024	2023
	\$	\$
Revenue	88,894,687	77,993,093
Cost of sales	<u>(54,137,728)</u>	<u>(45,918,882)</u>
Gross margin	<u>34,756,959</u>	<u>32,074,211</u>

* 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 2024 has been presented on a basis consistent with 2023. Gross margin reported above includes revenue and cost of sales for both discontinued operations and continuing operations.

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

	2024	2023
	\$	\$
Gross margin	<u>34,756,959</u>	<u>32,074,211</u>
Operating expenses		
Employee benefit expense	(10,343,246)	(9,742,153)
Marketing and advertising	(3,121,436)	(2,556,985)
General and administrative	(3,566,660)	(2,284,240)
Other expenses, net of other income	(887,497)	(1,129,801)
Bad and doubtful debt expense	(462,017)	(58,985)
Total operating expenses	<u>(18,380,856)</u>	<u>(15,772,164)</u>
Underlying EBITDA	<u>16,376,103</u>	<u>16,302,047</u>

** 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 2024 has been presented on a basis consistent with 2023. Underlying EBITDA reported above includes gross margin and operating expenses for both discontinued operations and continuing operations.

3. Underlying results (continued)*****Underlying net loss before tax**

	2024	2023
	\$	\$
Net loss before tax	(5,905,812)	(35,457,235)
Non-operating and other one-off expenses		
Share based payments expense	(1,203,321)	(1,219,170)
Corporate restructuring expenses	(72,271)	(342,880)
Acquisition and integration costs	(3,202,503)	(2,210,404)
One-off legal costs	-	(323,001)
Impairment charges	-	(27,046,000)
Total non-operating and other one-off expenses	(4,478,095)	(31,141,455)
Underlying net loss before tax	(1,427,717)	(4,315,780)

***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 2024 has been presented on a basis consistent with 2023. Underlying net loss before tax reported above includes net loss before tax and non-operating and other one-off expenses for both discontinued operations and continuing operations.

4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	6.72	8.45

5. Commentary on Preliminary Financial Results

FY24 has been another significant year for Swoop.

FY24 highlights include:

- Revenue of \$88.9 million, up 14.0% on FY23.
- Underlying EBITDA of \$16.4 million. Excluding co-build projects (which are one-off in nature and have varying revenue profiles year on year), Underlying EBITDA is up 6.4% on FY23.
- A 17.6% increase in total subscriber numbers from June 2023 to 179,092, all from organic growth.
- Operating cashflow, before net interest, was strong with \$10.7 million delivered in the year.
- Announced the divestment of the wholesale voice business in June 2024 for \$9.0 million, with the transaction completing in July 2024.
- \$17.3 million of available funding (including \$11.8 million of cash and \$5.4 million undrawn debt facilities) as at 30 June 2024. Together with the wholesale voice business divestment proceeds received in July 2024 we continue to have a significant runway for further investment in growth and strategic opportunities.

5. Commentary on Preliminary Financial Results (continued)

In its third full year of being listed on the ASX, the company continued to integrate and source organic growth from the previous eight acquisitions, with the most recent being Moose Mobile in FY23, delivering significant synergies and benefits from operating as a combined integrated entity.

Since the acquisition of Moose Mobile in November 2022, the company has continued to grow our national mobile virtual network operator presence. At the time of the transaction announcement, Moose provided just over 94,000 mobile services on the Optus network to customers across Australia. This has now grown to over 131,000 services at the end of the financial year. This coupled with significant cross-sell opportunities and strong cash generation from the revenue and cost synergies of the combined organisation, has demonstrated the success of our growth strategy, through both acquisition and organic growth opportunities.

Swoop has achieved further record sales throughout the year across its key products of fixed wireless broadband, NBN, mobile and voice. The sustained increase in the group's revenue this year, fuelled primarily by organic growth, demonstrates the strong demand for dependable internet and mobile services with one of the highest customer satisfaction ratings in Australia, that continues to withstand the impact of the rising cost of living.

Following a strategic review of operations and plan to focus on key markets, in June 2024 Swoop announced the decision to divest its' wholesale focused voice call termination business to Pivotel Group Pty Ltd (Pivotel). Swoop entered into a binding sale agreement to divest the entire issued share capital of Voicehub Group Pty Ltd and Harbourtel Pty Ltd (the entities that own and operate Swoop's wholesale focused voice call termination business) to Pivotel for \$9 million cash. The purchase price is comprised of \$8 million payable on completion and an additional amount of \$1 million to be retained by Pivotel / in escrow and will be adjusted based on the performance of the business for 9 months post completion. The sale was subsequently completed on 19 July 2024. The financial statements have been prepared in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", as at 30 June 2024. The assets of the divested business have been classified as held for sale in the Preliminary Final Report and the results classified as discontinued operations. As the sale was completed in July 2024 the results for the discontinued operations included in the Preliminary Final Report for the year ended 30 June 2024 are the results of the divested operations for the full 12 month period. Where applicable the prior period results have been restated to comply with AASB 5 guidance. The expected gain on sale from this transaction will be recognised in the year ending 30 June 2025, based on the July 2024 completion date.

At the back end of the financial year, Swoop also announced its move into residential fibre infrastructure, alongside its fixed wireless products, delivering high margin services to its customers.

Summary financial results, including both discontinued operations and continuing operations:

- Revenue of the Group for the year of \$88.9 million, including \$7.8 million from discontinued operations (2023: \$78.0 million, including \$8.2 million from discontinued operations)
- Loss after income tax of \$3.8 million (2023: loss after income tax of \$37.5 million including impairment charges of \$27.0 million).
- Other expenses included in the result are share based payment expenses of \$1.2 million (2023: \$1.2 million) and acquisition and integration costs of \$3.2 million (2023: \$2.2 million).
- Depreciation and amortisation expense of \$15.5 million (2023: \$18.6 million).

A summary of the results of discontinued operations which have been included in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows is included in Note 3 to the Preliminary Final Report.

The Group is in a net asset position of \$59.5 million as at 30 June 2024 (30 June 2023: \$62.3 million). Total assets are \$124.7 million (2023: \$124.2 million).

Working capital, being current assets less current liabilities, is in a deficit position of \$6.6 million as at 30 June 2024 (30 June 2023: surplus of \$0.4 million). The movement in working capital is due to the estimated fair value of the 2nd tranche of the Moose Mobile deferred consideration, payable in November 2024, becoming current in the year ended 30 June 2024, and the funding of Group capital expenditure with operating cash flows.

5. Commentary on Preliminary Financial Results (continued)

The Group had positive net cash flows from operating activities (including net interest payments) for the year of \$9.1 million. The cash and cash equivalents as at 30 June 2024 were \$11.8 million and the Group has an additional \$5.4 million in undrawn financing facilities available.

In July 2024 the Group received \$8.0 million cash from the previously announced divestment of its wholesale voice business, with an additional amount of \$1.0 million retained by the Purchaser / in escrow and to be adjusted based on the performance of the business for the nine months post completion.

Based on forecasts of cash and available funding the Directors believe there will be sufficient funds for the group to meet its obligations and liabilities for at least twelve months from the expected signing date of the annual financial report.

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. Dividend reinvestment plans

Not applicable.

8. Foreign entities

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

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

9. 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.

10. Attachments

Details of attachments (if any):

The Preliminary Final Report of Swoop Holdings Limited for the year ended 30 June 2024 is attached.

Swoop Holdings Limited

**Appendix 4E
Preliminary final report**

11. Signed



Signed _____

Date: 29 August 2024

James Spenceley
Chairman

Swoop Holdings Limited

ABN 20 009 256 535

Preliminary Final Report - 30 June 2024

Swoop Holdings Limited
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30 June 2024

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Swoop Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Revenue	1	81,142,791	69,776,701
Other income	2	201,436	257,271
Expenses			
Cost of sales		(49,094,482)	(40,092,883)
Marketing and advertising		(3,121,436)	(2,556,985)
Finance costs		(2,497,508)	(2,051,187)
General and administrative		(3,460,674)	(2,180,441)
Depreciation and amortisation expense		(15,485,987)	(18,200,516)
Bad and doubtful debt expense		(532,017)	(58,985)
Employee benefit expense		(9,856,091)	(9,371,593)
Share based payments expense		(1,206,321)	(1,219,170)
One-off legal costs		-	(323,001)
Impairment charges		-	(22,779,390)
Acquisition and integration costs		(3,202,053)	(2,210,404)
Corporate restructuring expenses		(72,271)	(342,880)
Other expenses		(885,878)	(1,326,165)
Loss before income tax benefit from continuing operations		(8,070,491)	(32,679,628)
Income tax benefit / (expense) from continuing operations		2,743,825	(2,586,704)
Loss after income tax (expense)/benefit from continuing operations		(5,326,666)	(35,266,332)
Profit / (loss) after income tax (expense)/benefit from discontinued operations	3	1,536,584	(2,247,171)
Loss after income tax (expense)/benefit for the year attributable to the owners of Swoop Holdings Limited		(3,790,082)	(37,513,503)
Other comprehensive income for the year, net of tax		(243,113)	(76,825)
Total comprehensive income for the year attributable to the owners of Swoop Holdings Limited		(4,033,195)	(37,590,328)
Total comprehensive income for the year is attributable to:			
Continuing operations		(5,569,779)	(35,343,157)
Discontinued operations		1,536,584	(2,247,171)
		(4,033,195)	(37,590,328)
		Cents	Cents
Earnings per share from continuing operations			
Basic earnings per share		(2.56)	(17.06)
Earnings per share from discontinued operations			
Basic earnings per share		0.74	(1.09)
Earnings per share attributable to the owners of Swoop Holdings Limited			
Basic earnings per share		(1.82)	(18.15)
Diluted earnings per share		(1.82)	(18.15)

Swoop Holdings Limited
Statement of financial position
As at 30 June 2024

	Note	Consolidated 2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	4	10,897,573	19,043,911
Trade receivables		6,499,226	5,599,055
Inventories		2,023,958	2,297,497
Prepayments		1,527,148	1,675,406
Other assets		687,333	-
Other financial assets		144,094	456,166
		<u>21,779,332</u>	<u>29,072,035</u>
Assets classified as held for sale	3	2,596,780	-
Total current assets		<u>24,376,112</u>	<u>29,072,035</u>
Non-current assets			
Financial assets at fair value through other comprehensive income		1,004,868	1,247,981
Property, plant and equipment	5	38,016,066	32,398,112
Right-of-use assets	6	7,971,458	8,134,009
Intangibles	7	49,824,314	51,192,551
Deferred tax		3,210,216	1,869,352
Other financial assets		304,753	333,458
Total non-current assets		<u>100,331,675</u>	<u>95,175,463</u>
Total assets		<u>124,707,787</u>	<u>124,247,498</u>
Liabilities			
Current liabilities			
Trade payables		17,021,204	15,433,352
Other payables		1,816,766	2,835,897
Contract liabilities		1,582,729	2,151,327
Borrowings		1,907,494	1,763,915
Lease liabilities	6	2,769,148	2,432,200
Current tax liabilities		-	317,886
Employee benefits		1,305,558	1,351,971
Deferred consideration	8	2,637,563	2,399,377
		<u>29,040,462</u>	<u>28,685,925</u>
Liabilities directly associated with assets classified as held for sale	3	1,914,111	-
Total current liabilities		<u>30,954,573</u>	<u>28,685,925</u>
Non-current liabilities			
Borrowings		21,353,351	16,781,708
Lease liabilities	6	6,039,641	6,518,048
Deferred tax		6,707,639	7,539,312
Employee benefits		180,715	172,769
Deferred consideration	8	-	2,078,923
Provisions		-	168,096
Total non-current liabilities		<u>34,281,346</u>	<u>33,258,856</u>
Total liabilities		<u>65,235,919</u>	<u>61,944,781</u>
Net assets		<u>59,471,868</u>	<u>62,302,717</u>

Swoop Holdings Limited
Statement of financial position
As at 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Equity			
Issued capital	9	127,266,230	126,550,345
Reserves		4,348,108	3,861,647
Accumulated losses		<u>(72,142,470)</u>	<u>(68,109,275)</u>
Total equity		<u>59,471,868</u>	<u>62,302,717</u>

Swoop Holdings Limited
Statement of changes in equity
For the year ended 30 June 2024

	Issued capital \$	Share-based payments reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2022	123,737,206	3,353,992	11,755	(30,518,947)	96,584,006
Loss after income tax expense for the year	-	-	-	(37,513,503)	(37,513,503)
Other comprehensive loss for the year, net of tax	-	-	-	(76,825)	(76,825)
Total comprehensive loss 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>3,849,892</u>	<u>11,755</u>	<u>(68,109,275)</u>	<u>62,302,717</u>
	Issued capital \$	Share-based payments reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2023	126,550,345	3,849,892	11,755	(68,109,275)	62,302,717
Loss after income tax benefit for the year	-	-	-	(3,790,082)	(3,790,082)
Other comprehensive loss for the year, net of tax	-	-	-	(243,113)	(243,113)
Total comprehensive loss for the year	-	-	-	(4,033,195)	(4,033,195)
<i>Transactions with owners in their capacity as owners:</i>					
On-market share buy-back, including transaction costs	(3,975)	-	-	-	(3,975)
Issue of shares to employees on vesting and conversion of performance rights	719,860	(719,860)	-	-	-
Share based payments expense	-	1,206,321	-	-	1,206,321
Balance at 30 June 2024	<u>127,266,230</u>	<u>4,336,353</u>	<u>11,755</u>	<u>(72,142,470)</u>	<u>59,471,868</u>

Swoop Holdings Limited
Statement of cash flows
For the year ended 30 June 2024

	Note	Consolidated	
		2024	2023
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		91,812,243	82,793,131
Payments to suppliers and employees (inclusive of GST)		<u>(81,670,879)</u>	<u>(69,444,567)</u>
		10,141,364	13,348,564
Interest received		171,634	77,335
Interest and other finance costs paid		(1,759,053)	(1,005,449)
Co-build income received		<u>576,952</u>	<u>1,332,571</u>
Net cash from operating activities		<u>9,130,897</u>	<u>13,753,021</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(490,445)	(330,000)
Payment for purchase of subsidiary, net of cash acquired		(3,313,753)	(22,866,501)
Payments for investments		-	(200,000)
Payments for property, plant and equipment		(16,398,930)	(16,712,502)
Divestment costs		(647,308)	-
Payments for intangibles		-	(1,178,714)
Proceeds from disposal of property, plant and equipment		<u>23,271</u>	<u>30,492</u>
Net cash used in investing activities		<u>(20,827,165)</u>	<u>(41,257,225)</u>
Cash flows from financing activities			
Proceeds from borrowings		6,557,384	19,560,040
On-market share buy-back, including transaction costs		(3,977)	(3,744,498)
Repayment of borrowings		<u>(2,052,392)</u>	<u>(1,299,878)</u>
Net cash from financing activities		<u>4,501,015</u>	<u>14,515,664</u>
Net decrease in cash and cash equivalents for the year		(7,195,253)	(12,988,540)
Cash and cash equivalents at the beginning of the financial year		19,043,911	32,020,568
Effects of exchange rate changes on cash and cash equivalents		<u>(2,407)</u>	<u>11,883</u>
Cash and cash equivalents at the end of the financial year	4	<u><u>11,846,251</u></u>	<u><u>19,043,911</u></u>

Swoop Holdings Limited
Notes to the Preliminary Final Report
30 June 2024

Note 1. Revenue

	Consolidated	
	2024	2023
	\$	\$
<i>Revenue from contracts with customers</i>		
Business	11,960,909	9,102,045
Residential	51,537,713	45,037,844
Channel	22,371,150	20,819,053
Other revenue	3,024,915	3,034,151
Revenue	<u>88,894,687</u>	<u>77,993,093</u>

	Business services \$	Residential services \$	Channel \$	Other revenue \$	Total \$
Consolidated - 30 June 2024					
<i>Timing of revenue recognition</i>					
Goods transferred at a point in time	5,121	518,051	-	-	523,172
Services transferred over time	11,955,788	51,019,662	22,371,150	3,024,915	88,371,515
	<u>11,960,909</u>	<u>51,537,713</u>	<u>22,371,150</u>	<u>3,024,915</u>	<u>88,894,687</u>

	Business services \$	Residential services \$	Channel \$	Other revenue \$	Total \$
Consolidated - 30 June 2023					
<i>Timing of revenue recognition</i>					
Goods transferred at a point in time	57,418	292,781	-	-	350,199
Services transferred over time	9,044,627	44,745,063	20,819,053	3,034,151	77,642,894
	<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>

	Consolidated	
	2024	2023
	\$	\$
<i>Revenue composition</i>		
Continuing operations	81,142,791	69,776,701
Discontinued operations	7,751,896	8,216,392
Revenue	<u>88,894,687</u>	<u>77,993,093</u>

Further information on discontinued operations is included in Note 3.

Swoop Holdings Limited
Notes to the Preliminary Final Report
30 June 2024

Note 2. Other income

	Consolidated	
	2024	2023
	\$	\$
Other income	17,653	189,106
Interest income	183,783	68,165
	<u>201,436</u>	<u>257,271</u>

Note 3. Assets held for sale and discontinued operations

Following a strategic review of operations and plan to focus on key markets, in June 2024 Swoop announced the decision to divest its' wholesale focused voice call termination business to Pivotel Group Pty Ltd (Pivotel). Swoop entered into a binding sale agreement to divest the entire issued share capital of Voicehub Group Pty Ltd and Harbortel Pty Ltd (the entities that own and operate Swoop's wholesale focused voice call termination business) to Pivotel for \$9 million cash. The purchase price is comprised of \$8 million payable on completion and an additional amount of \$1 million to be retained by Pivotel / in escrow and will be adjusted based on the performance of the business for 9 months post completion. The sale was subsequently completed on 19 July 2024. The financial statements have been prepared in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", as at 30 June 2024. The assets of the divested business have been classified as held for sale in the Preliminary Final Report and the results classified as discontinued operations. As the sale was completed in July 2024 the results for the discontinued operations included in the Preliminary Final Report for the year ended 30 June 2024 are the results of the divested operations for the full 12 month period. Where applicable the prior period results have been restated to comply with AASB 5 guidance. The expected gain on sale from this transaction will be recognised in the year ending 30 June 2025, based on the July 2024 completion date.

Profit or loss from discontinued operations included in the statement of profit or loss and other comprehensive income

	Discontinued operations	
	2024	2023
	\$	\$
Revenue	7,751,896	8,216,392
Expenses	(5,587,217)	(6,727,389)
Impairment charges	-	(4,266,610)
Profit or loss before income tax (expense)/benefit	2,164,679	(2,777,607)
Income tax (expense)/benefit	(628,095)	530,436
	<u>1,536,584</u>	<u>(2,247,171)</u>

Assets and liabilities associated with assets held for sale included in the statement of financial position

	30 June 2024
	\$
Cash and cash equivalents	948,678
Trade receivables	1,409,601
Prepayments	93,674
Other financial assets	100,000
Property plant and equipment	6,834
Intangibles – computer software	37,993
	<u>2,596,780</u>
Assets classified as held for sale – current assets	
	<u>2,588,014</u>
Goodwill	2,588,014
Non-current assets associated with assets classified as held for sale	<u>2,588,014</u>

Swoop Holdings Limited
Notes to the Preliminary Final Report
30 June 2024

Note 3. Assets held for sale and discontinued operations (continued)

Trade payables	1,595,414
Other payables	55,801
Contract liabilities	192,524
Employee benefits	<u>70,372</u>
Liabilities associated with assets classified as held for sale – current liabilities	<u><u>1,914,111</u></u>

Cash flows from operating, investing and financing activities included in the statement of cash flows

	Discontinued operations	
	2024	2023
	\$	\$
Cash flows from operating activities	2,977,242	2,142,520
Effects of exchange rate changes on cash and cash equivalents	<u>(14,571)</u>	<u>18,615</u>
Net increase in cash and cash equivalents for the year	<u><u>2,962,671</u></u>	<u><u>2,161,135</u></u>

Cash flows above exclude intercompany cash flows between the discontinued operations and other entities in the group.

Note 4. Cash and cash equivalents

Cash and cash equivalents are reconciled from the statement of financial position to the statement of cash flows as follows:

	2024
	\$
Cash and cash equivalents - statement of financial position	10,897,573
Cash and cash equivalents - included in assets classified as held for sale (Note 3)	<u>948,678</u>
Total cash and cash equivalents – statement of cash flows	<u><u>11,846,251</u></u>

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Note 5. Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
Networks - at cost	74,846,530	61,852,134
Less: Accumulated depreciation	<u>(39,242,406)</u>	<u>(31,839,546)</u>
	<u>35,604,124</u>	<u>30,012,588</u>
Plant and equipment - at cost	4,693,617	4,331,281
Less: Accumulated depreciation	<u>(2,869,065)</u>	<u>(2,177,332)</u>
	<u>1,824,552</u>	<u>2,153,949</u>
Motor vehicles - at cost	903,464	787,720
Less: Accumulated depreciation	<u>(635,575)</u>	<u>(556,145)</u>
	<u>267,889</u>	<u>231,575</u>
Property – at cost	<u>319,501</u>	<u>-</u>
	<u><u>38,016,066</u></u>	<u><u>32,398,112</u></u>

Reconciliations

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

Consolidated	Networks \$	Plant & equipment \$	Motor vehicles \$	Property \$	Total \$
Balance at 1 July 2023	30,012,588	2,153,949	231,575	-	32,398,112
Additions	13,005,967	400,204	115,744	319,501	13,841,416
Reclassified as held for sale	-	(6,834)	-	-	(6,834)
Disposals	(11,571)	(791)	-	-	(12,362)
Depreciation expense	<u>(7,402,860)</u>	<u>(721,976)</u>	<u>(79,430)</u>	<u>-</u>	<u>(8,204,266)</u>
Balance at 30 June 2024	<u><u>35,604,124</u></u>	<u><u>1,824,552</u></u>	<u><u>267,889</u></u>	<u><u>319,501</u></u>	<u><u>38,016,066</u></u>

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Note 6. Right-of-use assets

(a) Right-of-use assets

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

	Consolidated	
	2024	2023
	\$	\$
Premises and sites - right-of-use	9,461,713	10,106,698
Less: Accumulated depreciation	<u>(4,801,441)</u>	<u>(4,715,160)</u>
	<u>4,660,272</u>	<u>5,391,538</u>
Network assets - right-of-use	5,704,517	4,350,961
Less: Accumulated depreciation	<u>(2,393,331)</u>	<u>(1,608,490)</u>
	<u>3,311,186</u>	<u>2,742,471</u>
	<u><u>7,971,458</u></u>	<u><u>8,134,009</u></u>

Reconciliations

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

Consolidated	Premises and sites \$	Network assets \$	Total \$
Balance at 1 July 2023	5,391,538	2,742,471	8,134,009
Additions	1,571,734	1,732,043	3,303,777
Disposals	(130,663)	(44,808)	(175,471)
Depreciation expense	<u>(2,172,337)</u>	<u>(1,118,520)</u>	<u>(3,290,857)</u>
Balance at 30 June 2024	<u><u>4,660,272</u></u>	<u><u>3,311,186</u></u>	<u><u>7,971,458</u></u>

(b) Lease liabilities

The carrying value of lease liabilities is presented below:

	Consolidated	
	2024	2023
	\$	\$
Lease liabilities - current	2,769,148	2,432,200
Lease liabilities - non-current	<u>6,039,641</u>	<u>6,518,048</u>
	<u><u>8,808,789</u></u>	<u><u>8,950,248</u></u>

(c) Maturity profile of contractual undiscounted liability cashflows

	Consolidated	
	2024	2023
	\$	\$
- not later than one year	2,964,890	2,586,944
- later than one year but not later than five years	<u>6,829,778</u>	<u>7,421,589</u>
	<u><u>9,794,668</u></u>	<u><u>10,008,533</u></u>

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Note 7. Intangibles

	Consolidated	
	2024	2023
	\$	\$
Goodwill - at cost	39,027,630	39,027,630
Licence agreements - at cost	536,095	536,095
Less: Accumulated amortisation	<u>(445,543)</u>	<u>(338,324)</u>
	90,552	197,771
Patents and trademarks - at cost	389,824	389,824
Less: Accumulated amortisation	<u>(90,610)</u>	<u>(52,176)</u>
	299,214	337,648
Customer relationships and contracts - at cost	7,311,952	7,311,952
Less: Accumulated amortisation	<u>(5,568,021)</u>	<u>(4,979,105)</u>
	1,743,931	2,332,847
Computer software - at cost	6,063,300	3,442,412
Less: Accumulated amortisation	<u>(2,775,354)</u>	<u>(1,359,440)</u>
	3,287,946	2,082,972
Brands - at cost	2,050,760	2,050,760
Contractual agreements - at cost	6,845,280	6,845,280
Less: Accumulated amortisation	<u>(3,520,999)</u>	<u>(1,682,357)</u>
	3,324,281	5,162,923
	<u>49,824,314</u>	<u>51,192,551</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial 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 2023	39,027,630	2,332,847	337,648	5,162,923	2,082,972	197,771	2,050,760	51,192,551
Additions	-	-	-	-	2,660,620	-	-	2,660,620
Reclassified to held for sale	-	-	-	-	(37,993)	-	-	(37,993)
Amortisation expense	-	(588,916)	(38,434)	(1,838,642)	(1,417,653)	(107,219)	-	(3,990,864)
Balance at 30 June 2024	<u>39,027,630</u>	<u>1,743,931</u>	<u>299,214</u>	<u>3,324,281</u>	<u>3,287,946</u>	<u>90,552</u>	<u>2,050,760</u>	<u>49,824,314</u>

Note 7. Intangibles (continued)

Impairment disclosures, cash generating units and testing of goodwill

As disclosed in the 30 June 2023 Annual Report, as part of the annual impairment testing required under AASB 136 Impairment of Assets, the Group reviewed the carrying value of fixed assets and intangibles at that date. During that review it was identified that certain assets were showing indicators of impairment. As a result, a provision for impairment was recognised to ensure the carrying value of those assets did not exceed their recoverable amount. Of the \$27,046,000 impairment charges recognised for the year ended 30 June 2023, \$7,463,082 related to fixed assets, \$15,227,996 related to intangibles (excluding goodwill) and \$4,354,922 related to goodwill.

The Group has again assessed at 30 June 2024 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 30 June 2024 included, amongst other factors, consideration of the general market volatility currently affecting smaller capitalisation stocks, the current liquidity in Swoop's shares and the Directors' longer term view of the underlying intrinsic value of the business.

As part of the annual impairment testing, the Group also tested the recoverability of goodwill. For the purpose of impairment testing, goodwill is allocated to the CGU's which represent the lowest level at which goodwill is monitored for internal management purposes. Following the acquisition of Telco Pay Pty Limited in November 2022 and for the year ended 30 June 2023, Swoop impairment testing was conducted on the basis of 2 CGU's, the Moose CGU and the Swoop CGU which consisted of the rest of the group entities. This was on the basis that Moose was previously managed and tracked as a separately run business over that specific period. Following the integration of Moose and a restructure of the business during FY24 the group now manages the entire business as one CGU, this is reflected in reporting and management structures, centralised systems, cost synergies and resource use and interdependent product revenues through cross-selling. The cash flows of the business are considered to be fully integrated and interdependent, and therefore annual impairment testing as at 30 June 2024 has been conducted on a single CGU basis.

In performing the annual impairment testing, the recoverable amount for the Swoop CGU has been determined based on Fair Value Less Costs of Disposal (FVLCD) calculations using DCF projections. The DCF projections are based on three-years forecast beyond FY24 as approved by the Board. The cash flows used in the FVLCD calculations beyond the three-years period are estimated using long term growth rates and a terminal value consistent with the Reserve Bank of Australia's long- term inflation target under standard valuation principles.

As a result of the annual impairment assessment, the Group has determined that no impairment charge is required at 30 June 2024.

Note 8. Deferred consideration

	Consolidated	
	2024	2023
	\$	\$
Current		
Deferred consideration - fair value of contingent consideration	2,637,563	2,399,377
	<u>2,637,563</u>	<u>2,399,377</u>
Non-current		
Deferred consideration - fair value of contingent consideration	-	2,078,923
	<u>-</u>	<u>2,078,923</u>

Deferred consideration as at 30 June 2024 is the fair value of contingent consideration in relation to the potential earn out payment to the vendors of Telco Pay Pty Ltd for the Second Performance Period. It is subject to assessment of specific contractual conditions being met at 30 June 2024 and any amounts determined as being payable are due to be paid in November 2024. During the year an amount of \$2,450,000 was paid to the vendors of Telco Pay Pty Limited, being the earn out payment for the First Performance Period.

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Note 9. Issued capital

	2024	Consolidated		2023
	Shares	2023	2024	2023
		Shares	\$	\$
Ordinary shares - fully paid	<u>208,208,937</u>	<u>207,092,671</u>	<u>127,266,230</u>	<u>126,550,345</u>

Movements in share capital

Details	Date	Shares	\$
Opening balance	1 July 2023	207,092,671	126,550,345
Vesting and conversion of employee performance rights	28 July 2023	50,000	90,000
Cancellation of shares pursuant to on-market buy-back	24 August 2023	(18,734)	(3,964)
Vesting and conversion of employee performance rights	26 September 2023	300,000	154,020
Vesting and conversion of employee performance rights	23 October 2023	785,000	475,840
Transaction costs for on-market buy-back	Various dates	-	(11)
Closing balance	30 June 2024	<u>208,208,937</u>	<u>127,266,230</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	2024	2023
	\$	\$
<i>Financial assets at amortised cost:</i>		
Cash and cash equivalents	10,897,573	19,043,911
Trade receivables	6,499,226	5,599,055
Other financial assets	448,847	789,624
<i>Financial assets at fair value:</i>		
Financial assets at fair value	1,004,868	1,247,981
Total financial assets	<u>18,850,514</u>	<u>26,680,571</u>
<i>Financial liabilities at amortised cost:</i>		
Trade payables	17,021,201	15,433,352
Other payables	1,816,766	2,835,897
Borrowings	23,260,845	18,545,623
Lease liabilities	156,741	281,835
<i>Financial liabilities at fair value</i>		
Deferred consideration – fair value of contingent consideration	2,637,563	4,478,300
Total financial liabilities	<u>44,893,116</u>	<u>41,575,007</u>

The fair values of financial assets and liabilities above exclude those associated with assets held for sale, the details of assets and liabilities associated with assets classified as held for sale are set out in Note 3.

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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 – 30 June 2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets at fair value through other comprehensive income	1,004,868	-	-	1,004,868
Total assets	<u>1,004,868</u>	<u>-</u>	<u>-</u>	<u>1,004,868</u>
<i>Liabilities</i>				
Deferred consideration – fair value of contingent consideration	-	-	2,637,563	2,637,563
Total liabilities	<u>-</u>	<u>-</u>	<u>2,637,563</u>	<u>2,637,563</u>

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 3.

Deferred consideration has been valued using a discounted cash flow model based on the earn out estimated to be achieved in the performance period.

The fair value 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.

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Note 12. Share-based payments

Performance rights

In connection with its long-term incentive program, Swoop granted 6,024,380 performance rights to management in November 2023. Of the performance rights granted, 4,068,282 are subject to market based vesting conditions associated with total shareholder returns (TSR) measured against an absolute range of returns as outlined in the table below:

Annual %TSR Thresholds	Performance Rights that vest
Less than 20%	0%
>=20%	100% allocation

The other 1,956,098 performance rights are subject only to non-market based vesting conditions in the form of a service condition.

The vesting conditions above and the TSR test will be measured having regard to an assessment period. For the purpose of the TSR assessment, the market value will be based on the 15 days volume weighted average price (VWAP) at the beginning and at the end of the performance period. The TSR of Swoop is determined on an annual growth rate basis by reference to:

- the changes in the market value of a share in Swoop from the beginning to the end of the assessment periods (i.e. the TSR test dates) which is the date Swoop’s audited financial statements are released for that year; and
- the value of any shareholder benefits (including dividends or any other benefits) paid or otherwise made generally available to shareholders in Swoop during the assessment periods.

Each vested performance right is a right to receive one security. Performance rights will vest and convert into shares at the end of their respective assessment periods and be issued at a zero-exercise price. The employee must remain an employee of Swoop at each applicable vesting date.

The performance rights subject to market based vesting conditions are split into three tranches (Tranche 1,2 and 3) with the performance rights subject to non-market vesting conditions split into two tranches (Tranche 4 and 5).

The table below sets out the grant date, expiry date, vesting period and indicative fair value of the performance rights granted during the year ended 30 June 2024:

	Grant date	Expiry date	Vesting date	No. of rights granted	Fair value per right at grant date
Tranche 1	1 Nov 2023	31 Dec 2026	1 Oct 2024	1,356,094	\$0.109
Tranche 2	1 Nov 2023	31 Dec 2026	1 Oct 2025	1,356,094	\$0.117
Tranche 3	1 Nov 2023	31 Dec 2026	1 Oct 2026	1,356,094	\$0.123
Tranche 4	1 Nov 2023	31 Dec 2026	1 Oct 2025	978,049	\$0.200
Tranche 5	1 Nov 2023	31 Dec 2026	1 Oct 2026	978,049	\$0.200
				<u>6,024,380</u>	

The share-based payments expense disclosed in the statement of profit or loss and other comprehensive income for the year ended 30 June 2024 relates to performance rights granted in the current year, details of which are disclosed above, and those performance rights issued in previous financial years.