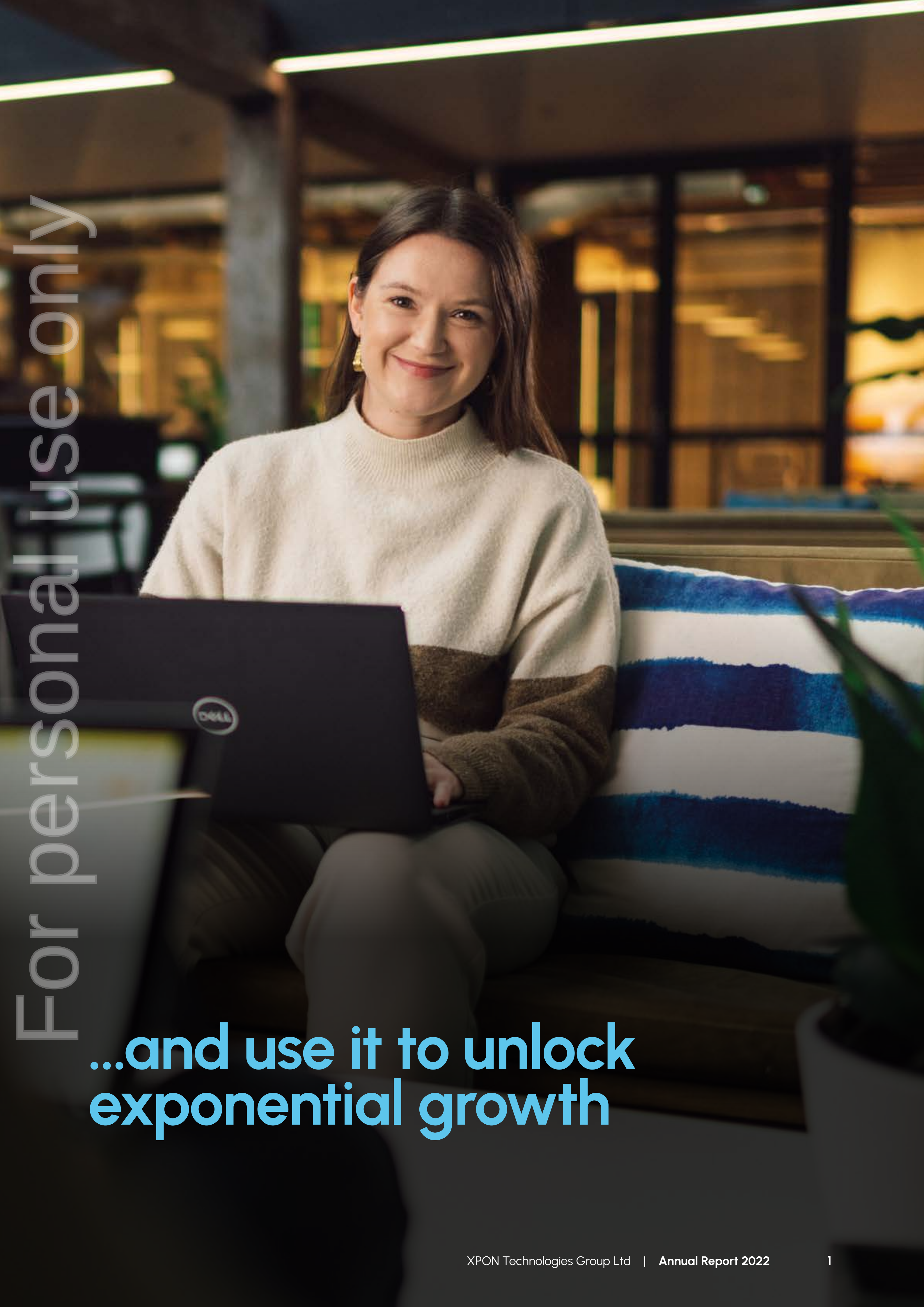
Unlocking Exponential Growth

Annual Report 2022

POWERED EXPONENTIALLY

We help businesses make sense of their customer data...



...and use it to unlock exponential growth

XPON's value proposition and business model

Whether working with employees, customers, or other stakeholders, XPON prides itself on being value-driven to always:

1. Meet you where you are

2. Unlock value quickly

3. Grow together incrementally

The typical XPON Technologies Group Ltd (XPON) customer is a mid-sized enterprise that has a digital marketing strategy underway and is looking to optimise its marketing investments. Whether they are working in-house or through an agency, the customer uses advertising technology to generate demand and leads to grow their business.

XPON helps businesses make sense of their customer data, and use it to unlock exponential growth.

Until recently, this adtech has relied heavily upon the use of third-party cookie data – data that will become obsolete in the imminent future. Without strategic intervention, existing marketing strategies and tactics used by these businesses will lose effectiveness.

XPON Technologies customers also seek to optimise their marketing technology in order to deliver more personalised, valuable, and privacy-centric experiences for their consumers.

Consumers are aware that their behaviour is being tracked across the devices, apps, and Internet browsers they use for daily activity, and they expect companies to protect their privacy and personal details. That has led to an increase in data sharing regulations and limitations being placed on these tools, adding greater pressure on businesses to make sure they handle their customers' data in a responsible, privacy-safe way.

These XPON customers have to navigate the balance between creating high-value consumer experiences, and being labelled as 'irresponsible' or 'creepy.'

For both customer scenarios, XPON helps businesses centralise their data and enables them to enrich it in order to build a unified customer view. From this evolved, single view, businesses are able to increase the value of their digital experiences with customers while also building a bankable asset for their marketing – first-party data.

XPON attributes its success and ability to unlock exponential growth for its stakeholders through consistent application of its unique value proposition, and relentless commitment to its core values. Whether engaging with XPON as an employee, customer, or other stakeholders, the company prides itself on being value-driven to:

- Meet people where they are and collaborate to identify value opportunities;
- Leverage the best of people and technology to realise value quickly; and
- Deploy powerful technology and strategic enablement tools incrementally for continued growth.

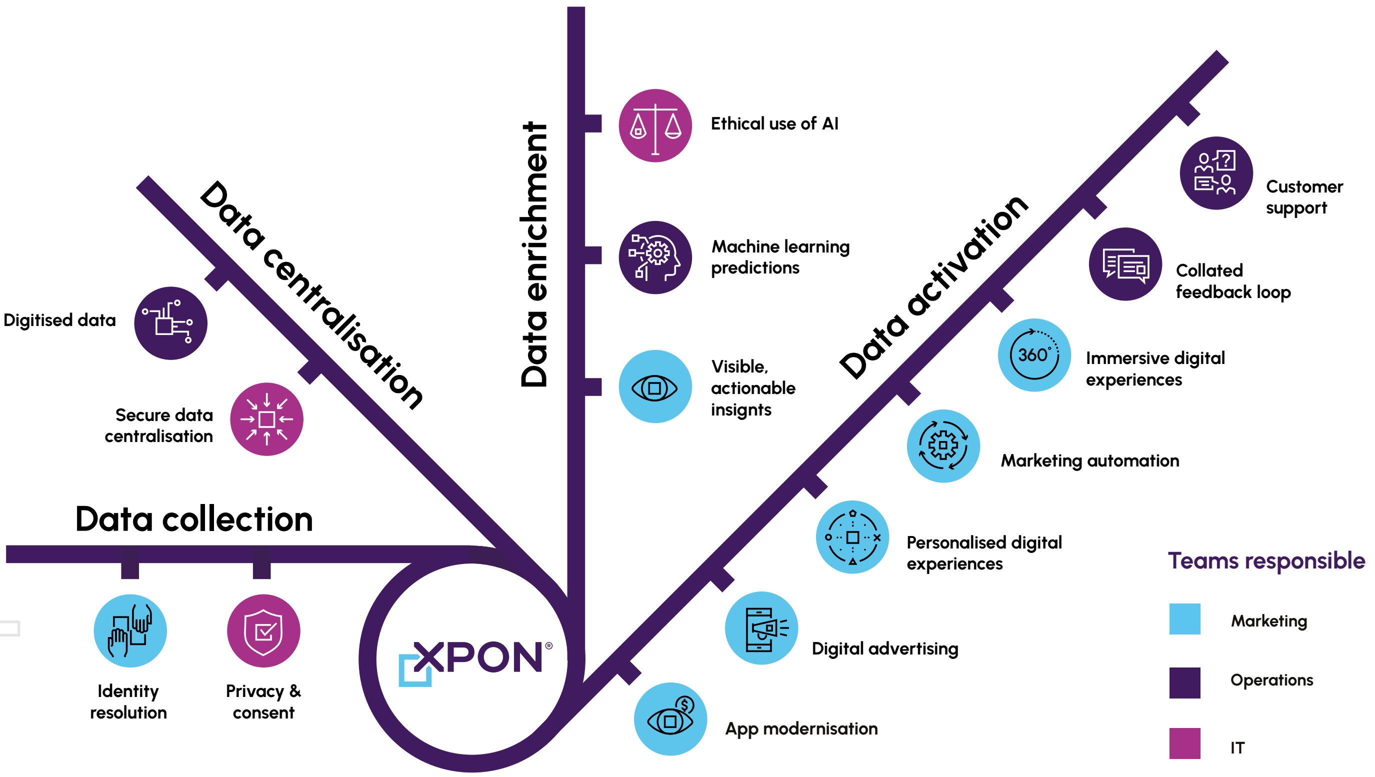
The estimated total addressable market for MarTech, customer-facing apps modernisation and extended reality solutions in Australia and Europe is

$201.6 billion[1]

1. Source: XPON Technologies Group Limited – IPO Prospectus, Independent Market report, Frost & Sullivan. 2021.

Unlocking Exponential Growth

The power of unlocking data silos



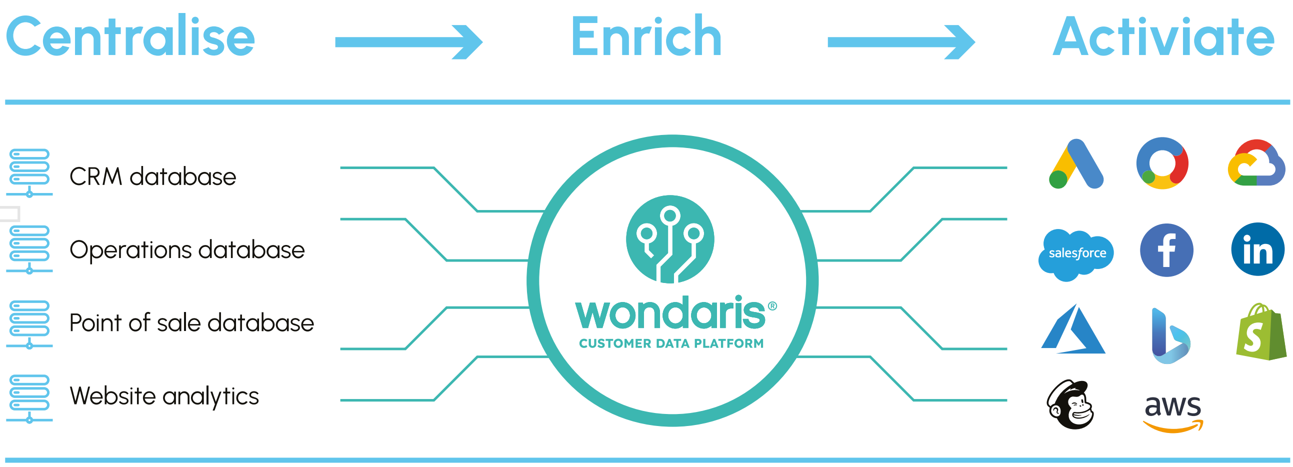
XPON is an integral part of the industry value chain

For the typical XPON customer, there are teams dedicated to using customer data to unlock value across various points in this landscape. These sub-chains are often managed by different business functions, business processes, and dedicated teams. XPON serves as a catalyst to break down the data silos, and democratise the data so the organisation benefits from a secure, holistic view of their consumer.

Unlocking Exponential Growth

Unleashing the potency of our platforms

Customers rely upon Wondaris to create better marketing campaign results. Its no-code interface produces actionable insights, without the need for additional developer or analytics resources.

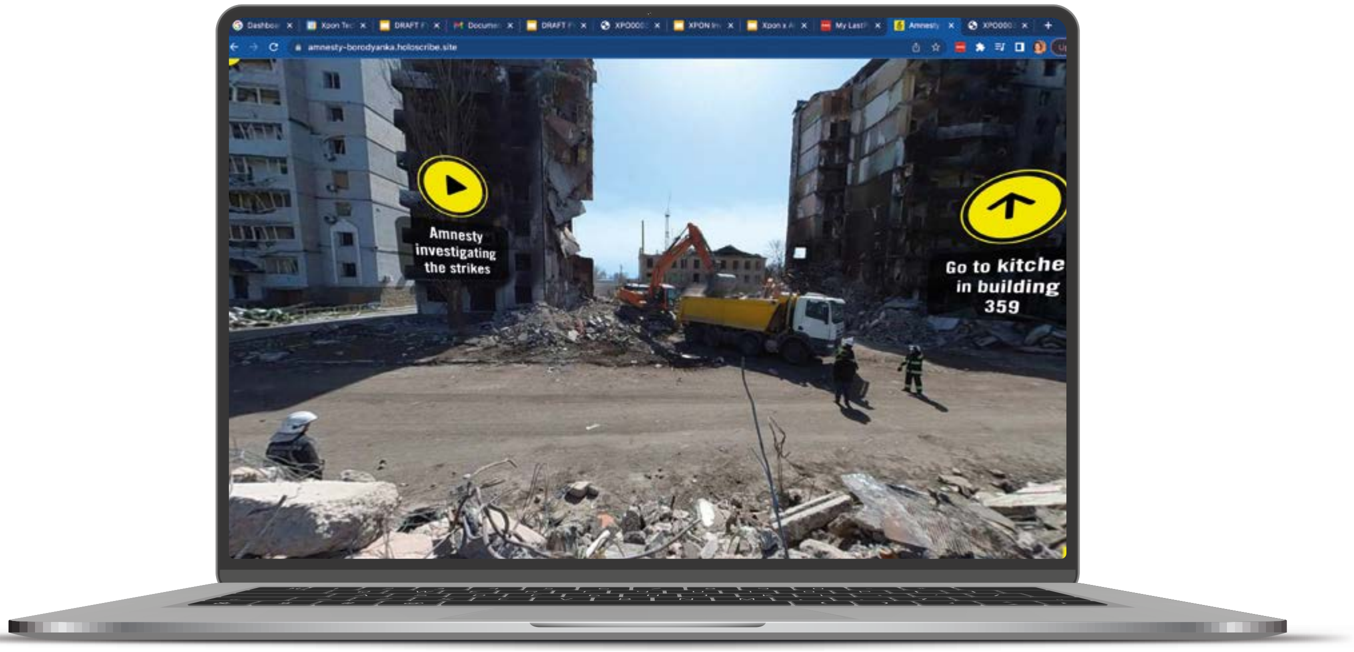


Wondaris® takes data from any of the public cloud vendors, including GCP, AWS, Azure and Snowflake, either via the pre-built connectors or businesses' existing integration stack. Once centralised, the platform enriches the data with ML and AI models to provide actionable data insights.

Wondaris® is managed with ISO-certified standards to deliver a privacy-safe, infinitely scalable first-party data solution that enablers marketers to rapidly activate omnichannel campaigns. The high-value audiences created by this platform can then be used to further enrich data collected by future campaigns.

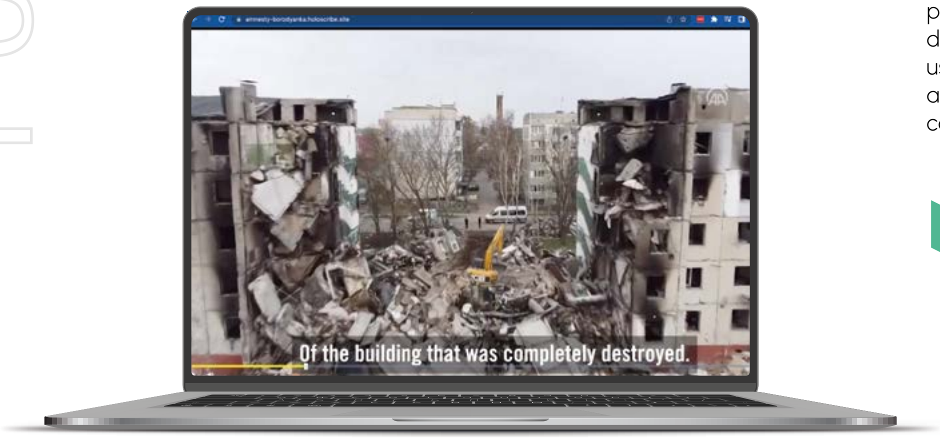
This creates a flywheel effect that brings greater effectiveness to the marketing campaigns collecting higher-integrity data for the marketing team, which then fuel more valuable, personalised experiences for consumers.

Immersive, highly personalised experiences



HOLOSCRIBE® CASE STUDY:
Amnesty International Digital Decoders

Amnesty International's Digital Decoders (DD) group aims to educate members on how to leverage technology tools in order to advocate for important causes. Earlier this year, DD used Holoscribe® technology to deliver a highly-immersive digital experience from the frontlines in the Ukraine. With little more than a 360-camera and resource on the ground, DD created footage of activity outside of Borodyanka and was able to publish to their website within just a few days. Amnesty International was able to use this documentation to bring greater attention to the situation and support its case to the International Criminal Court.



holoscribe

HOLOSCRIBE® + WONDARIS® CASE STUDY:

UniSC

The University of Sunshine Coast (UniSC) Open Day event is a primary student recruiting channel for the university, which was expected to bring an estimated 8,000 attendees to explore UniSC's campuses and programs. The 2020 COVID-19 pandemic and resulting restrictions led UniSC to seek a virtual solution to generate interest and applications. UniSC engaged XPON to create an XR Open Day Solution that included personalised digital promos as well as an immersive Virtual Open Day experience.

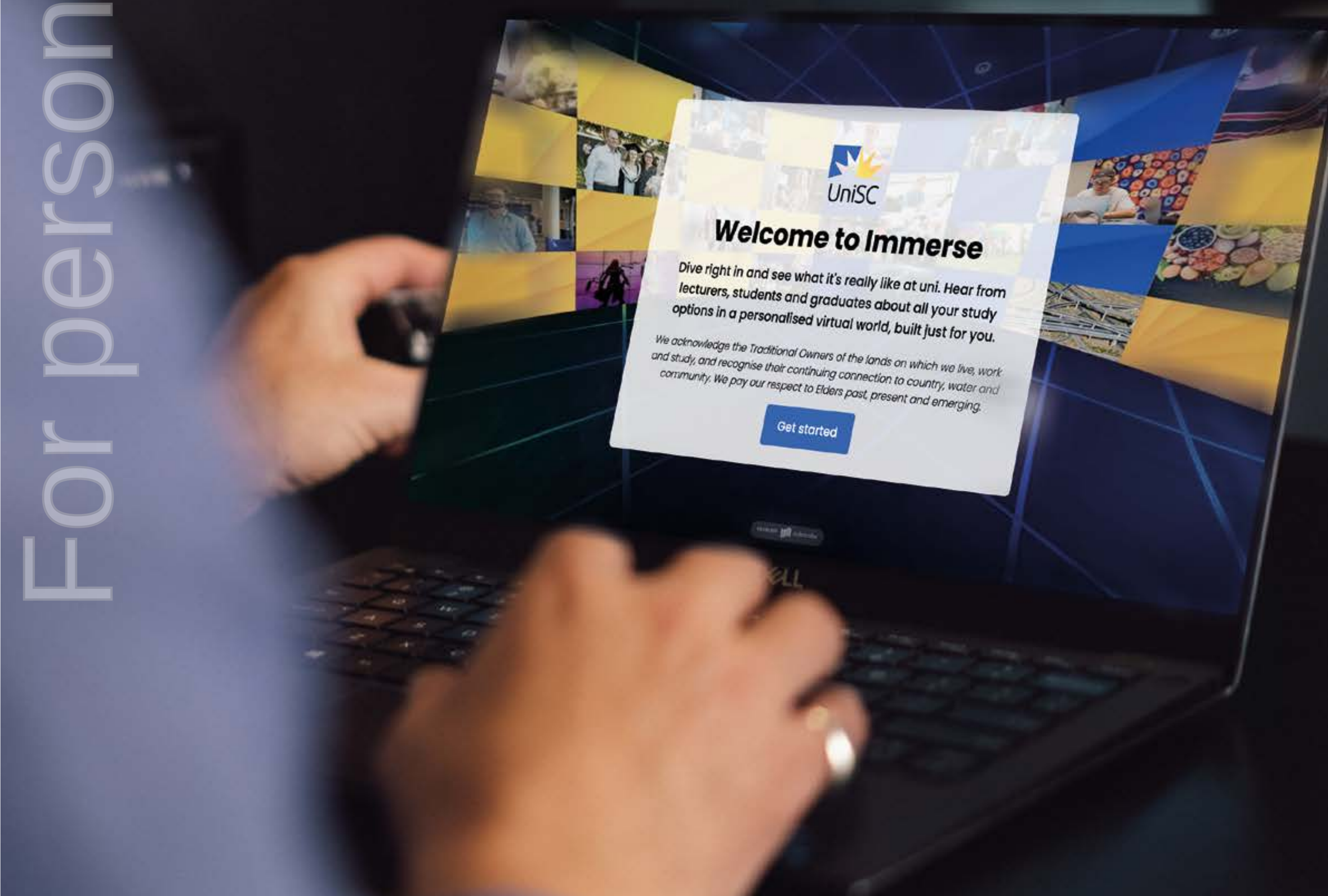
XPON leveraged its solutions and platforms to create a first-party data strategy, enabled by marketing technology and a 360-degree digital campus experience. UniSC's inclusion of Wondaris® into its XR Open Day strategy offered critical data that enabled the university to build more customised digital experiences to match the motivators and needs of school leavers, their families, and mature age students, respectively.

The engagement yielded 10,000 registered attendees and remains an active, ongoing lead generation method for UniSC.

holoscribe

wondaris® CUSTOMER DATA PLATFORM

Integrating the UniSC virtual Open Day experience with Wondaris enables continuous improvement of prospective student campaign outcomes every year.



Executing on strategic growth pillars

Strengthen existing solutions

Last year XPON successfully completed the integration of its Internetrix acquisition, consolidating both Internetrix and XPON's existing Datisan business into XPON Technologies AUNZ.

Expand value creation for existing customers

XPON achieved a Revenue Retention Rate of 160% by successfully expanding product adoption to existing customers, while maintaining a Net Promoter Score at or above 80%. The XPON Technologies AUNZ team also won the "Best Customer Use Case" award at the 2021 AUNZ Google Marketing Platform Partner Awards, for its ability to use creativity, Google marketing technology, and XPON's Wondaris® platform to resolve its client's challenges.

Wondaris® was also recognised as a Finalist in the ARN Innovation awards for 2021 in the Start-up Innovation category.

Extending the Wondaris ecosystem

The Wondaris® platform achieved ISO27001:2013 certification for information security management in Q3, and also joined a group of third-party integrators approved by Google as a Customer Match Segments Uploader (CMU) Partner, fortifying XPON's channel relationship with the world's number one digital advertising platform.

XPON also integrated the Wondaris® platform with Fivetran, enabling over 180 new data connectors to accelerate data ingestion and management for customers.

Investing in our capacity

XPON completed its talent acquisition targets to ensure appropriate marketing and sales capacity to meet growth targets in FY23 and beyond last year. XPON's talent acquisition strategy is anchored around its five core values and achieved a 97% employee satisfaction result in its latest people engagement survey. The company made several appointments at the group level including Jennifer Killian as Chief Marketing and Experience Officer and added five new sales and marketing team members, including the first business development manager in New Zealand in the fourth quarter. XPON also appointed a Global Director for Customer Delivery at the end of Q4.

Values-driven culture engages XPON employees and customers alike

Five core values

XPON unified cultural values across its companies to cultivate a highly engaging, innovative culture among its distributed workforce.

Limitless potential

It's a mindset, the way we see opportunities and the way we wish to see life for ourselves and others.

We don't accept what is, we look to push the barriers and innovate to find a better way.

Lead with curiosity

It's how we learn and continuously improve. Always asking "why", seeking to understand.

Our minds are open to possibility.

Own it

It's owning our outcomes in all parts of our lives. We are accountable for our actions and stand by our results with honesty and authenticity.

We cultivate a place of trust and support.

Brave enough

It's the courage and strength to hear the hard stuff and say when we don't agree.

We trust in each other, that we are safe to speak our truth.

Grow together

We embrace each other's individuality and diversities.

We are strongest when we are connected.

We share our experiences, learn from each other, to grow and to create a better experience for all.

Delivering the measures that matter

XPON has demonstrated strong growth, underpinned by a solid foundation of unit economics.[1,2,3]

$136m
Total customer lifetime value

99.5%↓
Average monthly customer retention rate

160%↑
Revenue retention rate

$667K↓
Lifetime value per customer

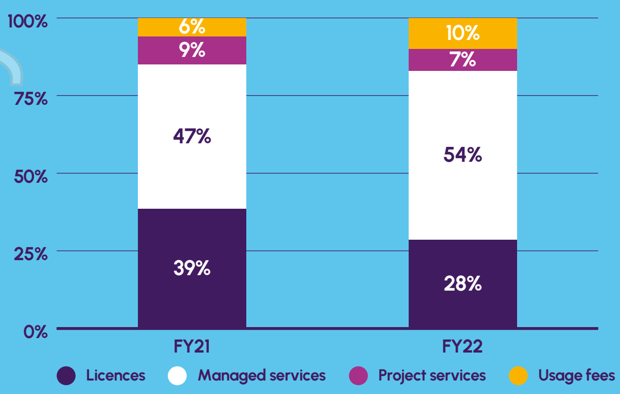
16X↓
LTV/CAC ratio

$43K↑
Customer acquisition cost (CAC)

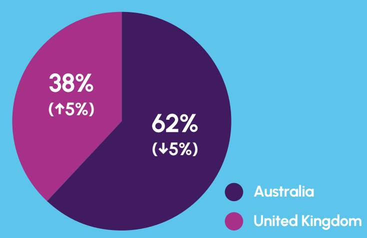
8MTH↓
CAC payback

1. FY22 vs FY21.
2. Refer to glossary for definitions.
3. The unit economics have not been subject to review by auditors.

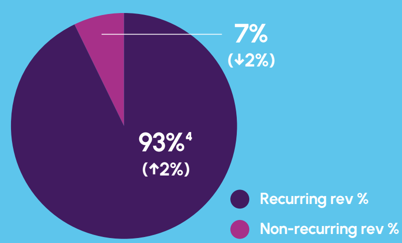
Revenue by services



Revenue by region*

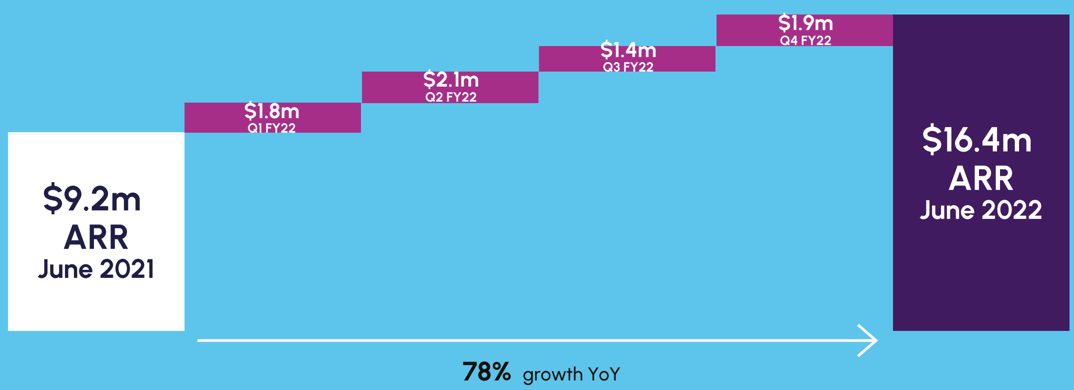


Recurring vs. non-recurring revenue %*



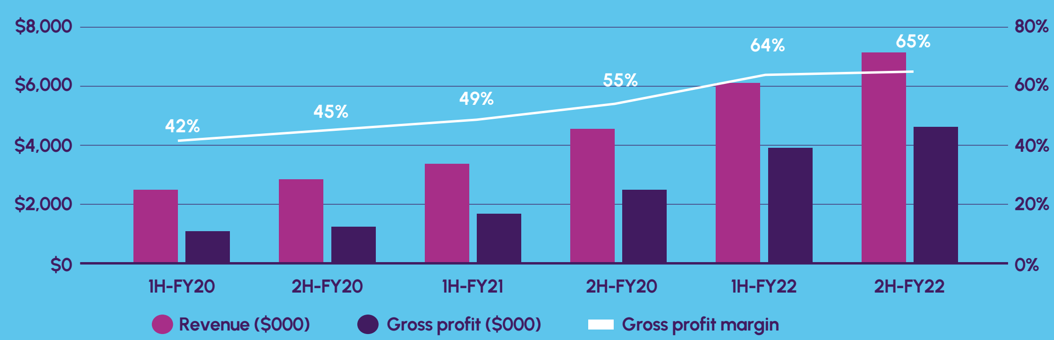
ARR Growth Timeline[1,2]

Strong continued momentum with 78% growth YoY



Strong revenue CAGR[3] of 42%, gross profit CAGR of 65%

Proforma Revenue, Gross Profit and Gross Margin % Trends



1. Refer to glossary for definitions.
2. This operating metric has not been subject to review by auditors.
3. CAGR is 2 years from FY20 to FY22.
4. Recurring revenue % – recurring revenue as a percentage of total revenue for the annual period ended 30 June 2022: unaudited.

* ppts changed compared to FY21.

XPON maintains a strategic focus

With 32 new customers added and 34 expanded across the year, XPON continues to build momentum and remains positive on its outlook with respect to growth in revenue and gross profit while continuing to demonstrate strong unit economics.

- Continued focus on optimising product and customer mix to accelerate gross margin expansion targeting cash flow break-even in full year FY24.
- Ongoing product development against the XPON roadmap to extend integrations and the Wondaris® ecosystem.
- Strategic investment in people and operations to support scaling of the business.
- Continued focus on developing sales and marketing capability to accelerate the XPON pipeline and land new customers.
- Steadily increasing customer revenue retention, and continuing to execute on its land and expand strategy with its customers.
- Leveraging channel partnerships to further validate new customer segments for the Wondaris® ecosystem.

Formula for sustainable growth

powered by strong unit economics

Once-in-a-generation opportunity (LAND)

+

Using our platforms, technology, and people (EXPAND)

=

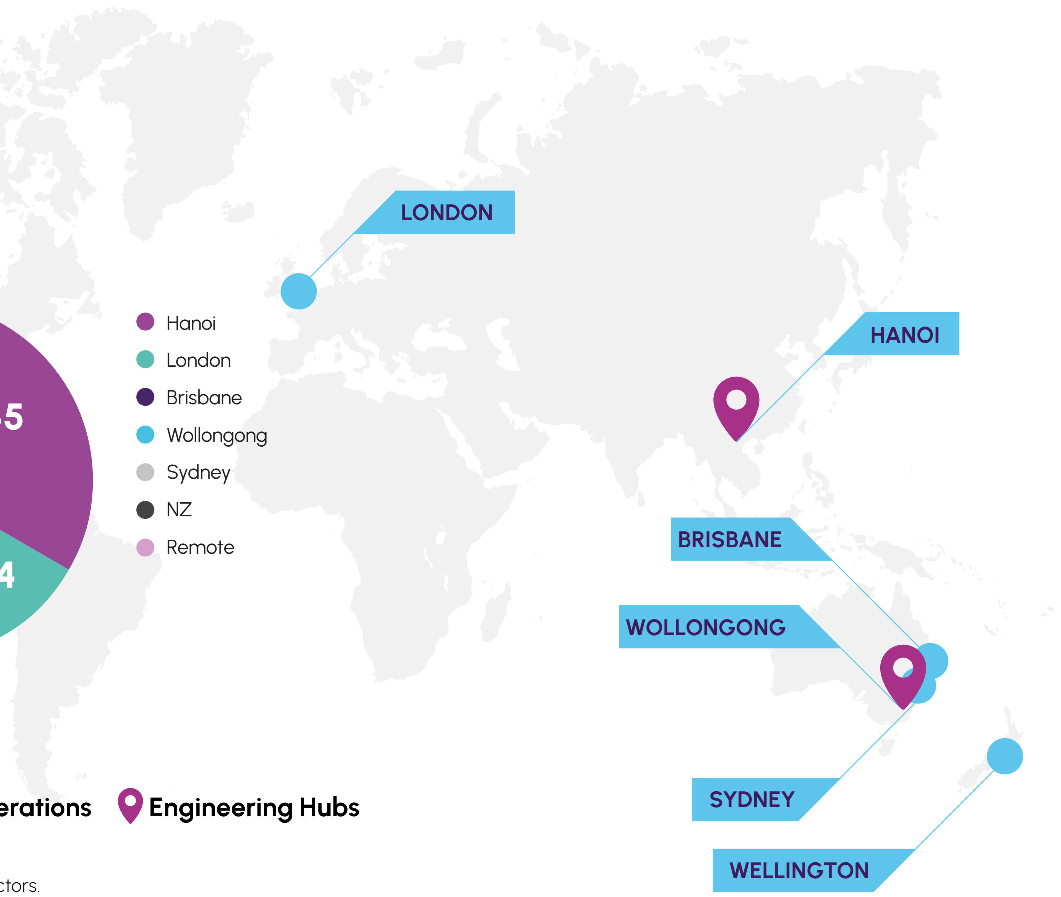
Operating leverage targeting cash flow break-even for full year FY24

The convergence of the macro industry trends presents a once-in-a-generation opportunity. XPON lands customers with its technology stack, supported by strategic enablement and continuous innovation. This combination, powered by strong unit economics and underlying customer profitability brings operating leverage as XPON progresses toward cash flow break-even in FY24.

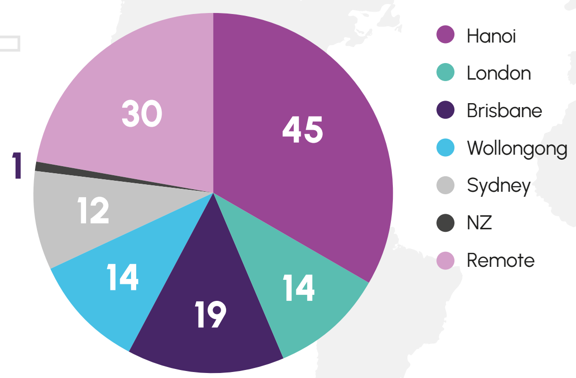
A strong culture to support the team

United by its core values, XPON nearly doubled its global workforce to 135[1] while maintaining high levels of employee engagement, satisfaction, and pride in the company.

Global footprint



Team breakdown

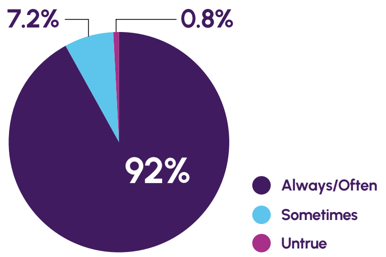


LEGEND Sales & Operations Engineering Hubs

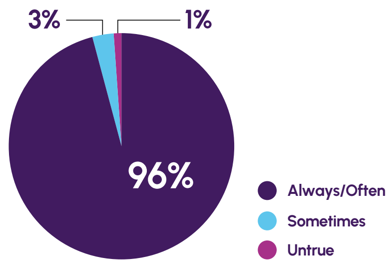
1. Includes 15 on-demand contractors.

97% of the team say XPON is a great place to work

Share a sense of ownership, feel supported



Trust in leadership



The first half of FY22 focussed on unification of XPON's back office and infrastructure, with key hires in group operations corporate strategy and marketing. The company further invested in ramping up marketing and sales capacity to support future growth, appointing its first business development manager for New Zealand.

In addition to scaling its global team footprint, XPON launched several people engagement initiatives including procurement of global HR management technology, and global rollout of its Employee Assistance Program (EAP), Employee Referral Programs, and employee engagement surveys (ESAT) respectively.

XPON employees indicated a strong team cohesion, shared sense of pride in the company, and trust in the leadership. XPON surveyed employees again in June, and 97% of respondents agreed that XPON was a great place to work. The sentiment, combined with strong engagement scores, contributed to XPON receiving certification with Great Place to Work®, a global authority on workplace culture.

Diversity and inclusion

XPON adopted and published its Diversity Policy as part of its governance activities, as well as to demonstrate its continued commitment to cultivating an environment that promotes inclusiveness and collaborative work practices in line with its core values such as 'Grow Together'.

XPON recognises and values diversity and inclusiveness as a key factor in unlocking the potential and supporting the exponential growth of its people. It embraces the diverse experience, ideas, skills and perspectives of its people and recognises that diversity encompasses gender, ethnicity, race, age, disability, religious beliefs, sexual orientation, gender identity, culture, socio-economic background, tenure and education. XPON's commitment to its diversity and inclusiveness principles ultimately is conjoined with a work environment conducive to the merit-based appointment of qualified employees, senior management and Directors.

XPON has set the following measurable objectives, with the view to continually review and build on them in line with its core values and the Diversity Policy:

- Gender diversity target of 30% women on the Board, senior management, and key operational positions
- Greater diversity across departments, roles and functions within the organisation to encourage thought leadership
- Recruit from a diverse pool of qualified candidates, making efforts to identify prospective employees who have diverse attributes and industry experience
- Ensure diversity of those involved in selection processes when selecting and appointing new employees and Board members
- Including diversity as a relevant consideration in XPON's succession planning
- Ensuring a diversity lens is taken in terms of promotions and exits within the organisation
- Undertake a gender pay equity audit to gain a stronger insight into the effectiveness of diversity initiatives
- Training programs and across the organisation of which all employees are given equal access to participate
- Professional development and education on diversity in the workforce

Progress against gender diversity is reported to the Board with a focus on improving the gender balance in leadership and in roles that are usually held by males across our industry. The proportion of women employed by XPON as at 30 June 2022 is shown below:

	Female		Male		Total
	#	%	#	%	
Company	45	37.5	75	62.5	**120**
SLT	4	36.4	7	63.6	**11**
Board	0	0.0	3	100.0	**3**

XPON has laid solid foundations for scalable and sustainable growth, and is well positioned to take advantage of the growth opportunities ahead in a large and growing global market.

— Phil Aris, Non-Executive Chairman

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you XPON Technologies Limited (ASX:XPN) Annual Report for the financial year 2022 (FY22), our inaugural year as an ASX listed entity.

XPON plays a critical role for our clients in delivering the solutions to enable compelling digital experiences and interactions for their customers. Those experiences are personalised, highly engaging, real-time, private and secure. XPON's technology accelerates the modernisation of marketing through digital experiences that customers love, while making it significantly simpler, quicker, and more cost effective, driving greater returns on investment for our clients.

XPON's solutions enable our clients to rapidly drive value from their own data by breaking down data silos and better targeting customers. The data that companies collect and own, first-party data, becomes the centrepiece of targeted digital marketing and personalised customer experience (CX), as third-party cookie-based advertising continues to be phased out. XPON is in the right place at the right time.

In the past year, the Group delivered a strong financial result for our shareholders, with revenue of $13.3m (up 145% on FY21), gross profit of $8.6m (up 169% on FY21), gross margin of 64.6% (up 6 percentage points on FY21) and a strong cash position of $8.2m as at 30 June 2022. Our programs to upsell and cross-sell our technology solutions are delivering greater value to our clients resulting in an increased customer revenue retention rate of 160% (up 50ppt from FY21). Our land and expand strategy is driving impressive unit economics with annualised recurring revenue (ARR) up 78% from FY21, average monthly customer retention rate of 99.5%, lifetime value per customer of $667k and an outstanding net promoter score (NPS) over 80% representing the value we create for our clients.

These strong unit economics have been achieved while growing our talent pool in a challenging recruitment market. XPON met its talent recruitment target during the year bolstering our sales, marketing and delivery capacity to meet our growth targets in FY23 and beyond. This outstanding result was achieved by focusing on the culture and values which are so important to the XPON team, delivering an exceptional employee engagement survey score of 97%. This is an impressive outcome by the management team led by CEO and founder, Matt Forman.

Throughout the year, the Group delivered a strong financial result for our shareholders, with revenue of $13.3m up 145% on FY21, gross profit of $8.6m

In FY22, XPON has laid solid foundations for scalable and sustainable growth, and is well positioned to take advantage of the growth opportunities ahead in a large and growing global market.

On behalf of the Board, I would like to thank the entire XPON team for their outstanding contributions this past year. Particular thanks go to our CEO Matt Forman, and his leadership team for driving the business so effectively during a particularly uncertain macro economic environment. I would also like to thank my fellow board members, and our shareholders for their support and I look forward to meeting you at our Annual General Meeting in October 2022.

Yours sincerely,
Phil

Phillip "Phil" Aris
Non-Executive Chairman

We are not afraid to think big, and we are passionate about creating better experiences.

— Matt Forman, Founder, Group Managing Director and CEO

CEO and Founder's Report

Dear Shareholders,

It has been a pivotal year for XPON, marked by our successful IPO on the Australian Stock Exchange (ASX) in December 2021 and continued growth momentum across our team, customers, and key metrics.

The DNA of XPON stems from a founding team that is not afraid to think big and is passionate about creating better experiences. XPON's senior leadership has been curated and incentivised to nurture and grow the business through an entrepreneurial drive and deep sense of ownership. Our entire team is rallied around our purpose of unlocking exponential growth for all our stakeholders.

Despite the uncertainties in the macro environment we continue to succeed. This is a testament to having the right team at the right place at the right time with the right solutions to solve the first-party data and privacy problems facing marketers today. We have proven technology and capability to empower marketing and customer experiences of the future.

The exponential growth that we help to unlock for customers starts with helping them recognise the true value created by having access to their first-party data assets. A value that they can continue to build when they reinvest their data into enriched ML and AI models.

The objective of our IPO was to provide funding to build scale and expand the business globally and we are demonstrating that XPON is a sound custodian of this capital. We are strategically deploying our capital to increase sales and delivery capacity, win new customers, expand existing customers, innovate our products and extend the reach of our technologies. During the year we grew ARR by 78% to $16.4m and expanded 26 existing customers which increased Customer Revenue Retention Rate by 50 ppts to 160%.

An important measure of the value we create for customers is our Net Promoter Score (NPS) which we have consistently achieved a score over 80 throughout the year, closing the year with an NPS of 88.

During the year we continued to extend our Wondaris® Customer Data Platform into the marketing technology ecosystem, announcing a partnership with Google Ads Customer Match Upload, enabling the connection to over 180 new data sources via integration with Fivetran and achieving ISO27001 information security certification.

A key strategic focus for XPON is building a scaled and engaged team and we have focussed heavily on building a high-performance and purpose-driven culture. The team has grown significantly during the year to 135 across the globe as we have scaled our sales, marketing, engineering, and delivery capacity.

> **This is a testament to having the right team at the right place at the right time with the right solutions to solve the first-party data and privacy problems**

Most pleasing is during a period of rapid growth we have not only maintained but also enhanced our unique culture achieving a 97% employee engagement survey score with Great Places To Work certification in Australia, the United Kingdom, and Vietnam.

I am truly grateful for our team – their hard work, brilliant ideas and belief in our mission is what makes XPON special and is the key ingredient to our continued success.

The valued and trusted relationships with our customers and partners along with the support of our shareholders have been a catalyst for an exceptional year for XPON and I look forward to continuing this momentum as we reach our next growth and financial milestones in the year ahead.

Sincerely,

Matt

Matt Forman, Founder, Group Managing Director and CEO

Financial section

Financial Statements

For the Year Ended 30 June 2022

Directors' Report

30 June 2022

The directors present their report, together with the financial statements of the Group, being XPON Technologies Group Limited (the "Company") and its controlled entities (the "Group" or "XPON"), for the financial year ended 30 June 2022.

Directors

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

Phil Aris – Independent Non-Executive Chairman

Tim Ebbeck – Independent Non-Executive Director (appointed 20 July 2021)

Matt Forman – Group Managing Director and CEO

Leanne Wolski – resigned 21 July 2021

Company Secretary

Mark Licciardo – Company Secretary (appointed 26 August 2021)

Leanne Wolski – resigned 26 August 2021

Principal Activities

During the year the principal continuing activities of the Group were helping businesses modernise their marketing and Customer Experience (CX) in Australia, New Zealand, the United Kingdom, and Europe. XPON achieved this through:

- XPON Technologies initially lands a customer by deploying and optimising marketing technologies (MarTech) and advertising technologies (AdTech); leveraging Big Data Analytics (BDA) to improve marketing effectiveness; developing consumer-facing applications and digital experiences; supporting cloud infrastructure and technologies; and
- XPON Platforms develops innovative proprietary technologies – powered by machine learning (ML) and artificial intelligence (AI) – that enable businesses to create highly personalised, deeply immersive digital experiences with consumers. Its flagship Customer Data Platform (CDP), Wondaris®, centralises customer and marketing data and generates actionable insights for automated campaign activation. XPON's Extended Reality technology Holoscribe® offers easy publication of 360-degree content that enables brands to create highly immersive digital experiences.

Key verticals served include retail, financial services, media & entertainment, and travel.

Dividends

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

Review and Results of operations

During FY22, the Group successfully completed an IPO and listing on to the Australian Securities Exchange (ASX:XPN) raising $12,500,000 to enable its growth strategy.

Following the successful capital raise, XPON increased its investment in its growth strategy to secure new customers and retain and expand existing customer. These investments included expanding sales, marketing, software and product development, and project delivery capacities.

XPON also successfully integrated Internetrix into the group in FY22 following its acquisition in FY21.

The financial information presented in the report includes the full year contribution from Internetrix, and the growth strategy investments.

Adjusted EBITDA is a key earning measure used by management in operating the business. This non-IFRS financial information, not subject to audit, has been extracted from the audited financial statements.

	Note	30-Jun-22 ($)	30-Jun-21 ($)	Movement % 30-Jun-22 vs 30-Jun-21
Revenue		**13,310,449**	**5,439,128**	**145%**
Cost of sales		(4,717,302)	(2,239,686)	111%
Gross Profit $		**8,593,147**	**3,199,442**	**169%**
Gross Margin %		**65%**	**59%**	**10%**
Other income		112,852	249,940	(55%)
Less Operating Expenses				
Employee & Contractor expenses		(9,691,325)	(4,080,851)	137%
Sales & Marketing expenses		(1,025,860)	(370,338)	177%
IT & facilities expenses		(692,565)	(223,250)	210%
General & Admin expenses		(3,350,580)	(389,253)	761%
Finance expenses		(42,703)	(5,925)	621%
Total Operating Expenses		**(14,803,033)**	**(5,069,617)**	**192%**
EBITDA $	3	**(6,097,034)**	**(1,620,235)**	**276%**
Depreciation & amortisation expenses		**(481,179)**	**(363,189)**	**32%**
EBIT $	3	**(6,578,213)**	**(1,983,424)**	**232%**
NPAT		**(6,301,292)**	**(1,933,046)**	**226%**
EBITDA to Adjusted EBITDA		**(6,097,034)**	**(1,620,235)**	**276%**
Add Back:				
Finance expenses		42,703	5,925	621%
M&A related expenses	1	–	49,832	(100%)
IPO Transaction related expenses	2	1,862,332	–	–
Adjusted EBITDA $	4	**(4,191,999)**	**(1,564,478)**	**168%**

Note

1. M&A related expenses – acquisition of 100% of the shares in Internetrix Holdings Pty Ltd and its wholly owned subsidiary Internet Solutions Australia Pty Ltd (Internetrix).
2. IPO expenses – Pre IPO and IPO expenses related to XPON's IPO on 16 December 2021.
3. EBITDA $ and EBIT $ are unaudited metrics.
4. Adjusted EBITDA (unaudited) – operating Earnings before Interest, Tax, Depreciation, Amortisation, Financing expenses, M&A related expenses, and IPO costs is a non-IFRS disclosure. In the opinion of the Directors, the Group's Adjusted EBITDA (unaudited) reflects the results generated from ongoing operating activities which is used by Directors and management as measures in assessing the financial performance of the Group. The non-operating adjustments outlined above are considered to be non-cash and/or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the adjusted result.

Revenue

For the year ended 30 June 2022, the Group's Revenue was $13,310,449, representing a 145% increase year on year (YOY) (FY21: $5,439,128). The increase in revenue was derived both organically and from the contribution of the acquisition of Internetrix Holdings Pty Ltd and its wholly owned subsidiary Internet Solutions Australia Pty Ltd (Internetrix).

Gross margin

The Group improved gross margin by 6 percentage points to 65% (FY21: 59%). The drivers of the improvement are higher services profitability and growth in higher margin Usage fee revenue.

Operating expenses

Total operating expense was $14,803,033, representing an increase of 192% year on year (FY21: $5,069,617). Included in the operating expenses for the year ended 30 June 2022 were non-recurring IPO expenses of $1,862,332 and the full year impact from the acquisition of Internetrix.

The increase in the operating expenses is consistent with the Group's objective to build scale and expand globally driven by the Group's growth strategies:

- Retaining existing customers and expanding the number of solutions used by them;
- Selling existing solutions to new customers;
- Enhancing XPON solutions;
- Expanding sales and marketing capacity;
- Expanding partner relationships;
- Expanding overall operating capacity;
- Expanding into other new geographical regions; and
- Extending the Wondaris'® platform ecosystem.

The Group continued to invest in growing the business and incurred a net loss after tax of $6,301,292 for the year ended 30 June 2022 (FY21: net loss after tax of $1,933,046).

Financial Position

XPON's IPO on 16 December 2021 raised an additional $12,500,000 capital which provided the funding for its investment in growth.

On 30 June 2022, the Group had net assets of $11,847,353 (FY21: $4,089,252), including cash of $8,236,634 (FY21: $1,722,035).

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- On 20 July 2021, Tim Ebbeck was appointed as a Non Executive Director of the group.
- Initial public offering ("IPO") and pre-IPO offering.
- The Group engaged Sequoia Financial Group to act as Lead Manager for its initial public offering ("IPO") and pre-IPO offering ("Pre-IPO") in June 2021.
- Sequoia led the Pre-IPO round via a $1,110,000 convertible note capital raise completed on 24 August 2021.
- On 5 November 2021, the Group undertook a 5-1 share split. Fully paid share issued after the share split was 186,316,352.
- The convertible notes were converted into equity on 3 December 2021 as part of the IPO with a fair value of $1,642,545. The number of fully paid shares issued was 8,212,730 at $0.20 per share. Since the convertible notes contained one or more embedded derivatives the company chose to measure this financial liability at fair value to the P&L. There was no significant change in the company's credit risk from issue to conversion of these notes so the total movement in the fair value was recognised in the profit or loss as part of IPO transaction related costs.
- The Group successfully completed an IPO and listed on the Australian Securities Exchange (ASX:XPN) on 16 December 2021 raising an additional $12,500,000 capital to support its growth strategy. The 62,500,000 fully paid ordinary shares were issued at $0.20 per share. Net cash received after IPO transaction costs was $10,199,346.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation on the jurisdiction where it has operations.

Information on Directors

Phil Aris

Independent Non-Executive Chairman

Qualifications

Bachelor of Economics, Masters of Management

Experience

Phillip Aris has over 30 years of strategy, business development, C-suite executive and governance experience across a range of industries including banking, financial services, health and technology.

Phillip's executive experience includes roles as Managing Director and CEO at Countplus Limited, Regional Head of Strategy and Business Development for Thorn EMI Asia Pacific working across Australia, UK and Hong Kong, Chief Executive Officer of the Australian Health Export Council and Head of Credit Cards for Commonwealth Bank (ASX: CBA).

He is a board member and Non-Executive Director of Credit Corp (ASX: CCP) and a member of the Remuneration and HR committee, Audit & Risk Committee, and a member of the Advisory Board for Lumenary Investment Management.

Interest in ordinary shares

666,666 ordinary shares.

Escrowed shares

2,354,850 escrowed shares – 24 months from quotation 16 December 2021.

Interest in ordinary options

972,220 options.

Special responsibilities

Chairman of XPON's Nomination & Remuneration Committee and a member of the Audit & Risk Management Committee.

Other current directorships in listed entities

Non-Executive Director of Credit Corp (ASX:CCP).

Other directorships in listed entities in the previous three years

None.

Matt Forman

Group Managing Director and CEO

Qualifications

Advanced Diploma in Business Management

Experience

Matt Forman is a seasoned entrepreneur with over 25 years of experience working with internet businesses and technologies. He has senior experience in strategy, commercialisation, business development, marketing, and technology across a range of industries including retail, media, telecommunications, agriculture, advertising and technology.

Matt is the Founder and Group Managing Director of XPON with prior experience including Founder and CEO of Maverick Data Group, Founder & CEO of leading digital marketing agency Traffika, Co-Founder & CEO of 3Syle Media and National Manager of FuelWatch.

Interest in ordinary shares

6,944,287 ordinary shares in the name of Legal Toolbox Pty Ltd ATF The Smidge Digital Unit Trust (2.31% interest).

Escrowed shares

104,288,320 escrowed shares – 24 months from quotation 16 December 2021.

Interest in ordinary options

3,472,220 options.

Interest in performance options

500,000 performance options.

Special responsibilities

A member of XPON's Nomination & Remuneration Committee and Audit & Risk Management Committee.

Other current directorships in listed entities

None.

Other directorships in listed entities in the previous three years

None.

Tim Ebbeck

Independent Non-Executive Director (appointed 20 July 2021)

Qualifications

Bachelor of Economics and Accounting, Graduate of Australian Institute of Company Directors

Experience

Tim Ebbeck has over 35 years of board, executive, and advisory experience across a range of industries including technology, public sector, media, sport, professional services, energy and finance.

Tim's executive experience includes roles as Chief Executive Officer of SAP (A/NZ), Chief Executive Officer of Oracle (A/NZ), Chief Commercial Officer of SAP (APJ), Chief Commercial Officer of NBN Co, as well as Chief Financial Officer of Unisys South Pacific and TMP Worldwide.

His board roles have included Non-Executive Director for ReadyTech Limited (ASX: RDY), Envirosuite Ltd (ASX: EVS), Australia Tower Network Limited and the Yield Technology Solutions Limited. He is also a Board Member of the NSW Health Central Coast Local Health District.

He is also a former Trustee of the Museum of Applied Arts & Sciences NSW. Tim is a professional company director and advisor to a range of companies in the technology and emerging industries and a former member of the Business Council of Australia.

Interest in ordinary shares

200,000 ordinary shares.

Interest in ordinary options

375,000 options.

Special responsibilities

Chairman of XPON's Audit & Risk Management Committee and a member of the Nomination & Remuneration Committee.

Other current directorships in listed entities

Non-Executive Director for ReadyTech Limited (ASX:RDY) and Envirosuite Limited (ASX:EVS).

Other directorships in listed entities in the previous three years

IXUP Limited (ASX:IXU) and Tymlez (ASX:TYM).

Leanne Pui Ling Wolski

Director (appointed 30 June 2021 and resigned 21 July 2021)

Qualifications

Bachelor degrees with majors in Accounting and Finance with the Australian Catholic University, Member of the Institute of Chartered Accountants and a Graduate member of the Australian Institute of Company Directors.

Experience

Leanne was formerly the CFO for Amaysim (ASX:AYS).

Interest in ordinary options

3,170,970 options.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Mark Licciardo *Company Secretary*	Mark is the founder of Mertons Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia's Listed Services Division. He is also an ASX-experienced director and Chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign controlled entities and private companies. During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited. Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Board Meeting		Audit & Risk Management Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Phil Aris	16	16	3	3	2	2
Matt Forman	16	16	3	3	2	2
Tim Ebbeck*	16	16	3	3	2	2
Leanne Wolski**	–	–	–	–	–	–

* Appointed 20 July 2021.
** Resigned 21 July 2021.

Shares under option

Unissued ordinary shares of XPON Technologies Group Limited under option (excluding performance incentive options accounted for as performance rights) at the date of this report are as follows:

Date options granted	Expiry date	Pre-share split of 5:1 Share Option Value	Post-share split Share Option Value	Number under option
01-Jul-2020	01-Jul-2030	$0.33	$0.07	15,379,305
01-Jul-2021	01-Jun-2031	$0.31	$0.06	461,540
01-Jul-2021	13-Jun-2031	$0.32	$0.06	461,540
01-Jul-2021	02-Jul-2031	$0.28	$0.06	3,472,220
27-Sep-2021	28-Sep-2031	$0.27	$0.05	1,500,000
30-Sep-2021	01-Oct-2031	$0.27	$0.05	4,674,070
08-Nov-2021	09-Nov-2031	N/A	$0.12	375,000
Total				**26,323,675**

Note:

On 5 November 2021, the Group undertook a 5-1 share split.

Included in these options were 7,990,410 options granted as remuneration to the directors and other Key Management Personnel (KMP). Details of options granted to key management personnel are disclosed on pages 42 and 43. In addition, 17,139,965 options were granted to officers in essential roles of the group but are not key management persons and hence not disclosed in the remuneration report.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares issued on the exercise of options

There were no ordinary shares of XPON Technologies Group Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Shares under performance rights

Unissued ordinary shares of XPON Technologies Group Limited under performance rights (i.e. performance incentive options) at the date of this report are as follows:

Date options granted	Expiry date	Pre-share split of 5:1 Issue price of Shares	Post-share split Issue price of Shares	Number under performance rights
01-Jul-2020	01-Jul-2030	$0.33	$0.07	750,000
01-Jul-2021	01-Jul-2031	$0.28	$0.06	500,000
30-Sep-2021	30-Sep-2031	$0.27	$0.05	250,000
Total				**1,500,000**

Note:

On 5 November 2021, the Group undertook a 5-1 share split.

No performance incentive option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of performance rights

There were no ordinary shares of the Company issued on the exercise of performance rights (i.e. performance incentive options) during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

During or since the end of the financial year, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring directors, officers and employees of the Company and its subsidiaries against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

Under the terms of the executive service agreement with Matt Forman, the Company has agreed to indemnify and keep indemnified Mr Forman in respect of loss suffered by him under certain personal guarantees Mr Forman has provided to third parties for the obligations of the Company's subsidiary, Datisan Pty Ltd. The personal guarantees relate to Datisan Pty Ltd's obligations under its credit card facilities and head office lease.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

Other non-audit services	2022 $
Tax compliance services	43,500
Independent limited assurance report services	67,500

Details of the amounts paid or payable to the Company's auditor and related practices of the auditor for non-audit services provided during the year are set out above. The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2022 has been received and can be found on page 47 of the financial report.

On behalf of the directors

Phil Aris
Chairman and Non-Executive Director

Matt Forman
Founder, Group Managing Director and CEO

Date: 23 August 2022

Remuneration report (audited)

This remuneration report details the remuneration arrangements for the Key Management Personnel ('KMP') of XPON, in accordance with the requirements of the *Corporations Act 2001*, and its regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of XPON, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

1. Persons covered in this remuneration report;
2. Principles used to determine the nature and amount of remuneration;
3. Non-Executive Director remuneration;
4. Executive remuneration;
5. Service agreements;
6. Details of remuneration;
7. Additional information; and
8. Additional disclosures relating to key management personnel.

1. Persons covered in this remuneration report

Non-Executive Directors	Role
Phil Aris	Independent Non-Executive Director, Chairman of the Board and Chair of the Nominations and Remuneration Committee, and a member of the Audit & Risk Management Committee, appointed on 26 September 2019.
Tim Ebbeck	Independent Non-Executive Director, the Chairman of the Audit & Risk Management Committee and a member of the Nomination & Remuneration Committee, appointed on 20 July 2021.
Executive Director	
Matt Forman	Group CEO and Managing Director ('CEO'), a member of the Nomination & Remuneration Committee and Audit & Risk Management Committee, appointed on 27 August 2019.
Other KMP	
Leanne Wolski	Chief Financial Officer ('CFO') and Company Secretary, appointed on 5 February 2020 as CFO, appointed on 18 February 2020 as Company Secretary. Served as a Director until 21 July 2021, which was not primary role. Resigned as Company Secretary on 26 August 2021.

There are no changes since the end of the reporting period.

2. Principles used to determine the nature and amount of remuneration

2.1 Nominations and Remuneration Committee ('NRC')

The Board of XPON has constituted a NRC that determines the principles and objectives of XPON's remuneration plans. The NRC Charter outlines the composition of the committee, its responsibilities, meeting requirements, reporting procedures and duties of the committee.

The purpose of this committee is to assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and Non-Executive Directors) and make recommendations to it about the appointment of new Directors (both executive and non-executive) and senior management. Its current members are:

(a) Phillip Aris (committee Chair);

(b) Tim Ebbeck; and

(c) Matt Forman.

The committee's functions include:

(a) review and evaluation of market practices and trends on remuneration matters;

(b) recommendations to the Board about the Company's remuneration policies and procedures;

(c) oversight of the performance of senior management and Non-Executive Directors;

(d) recommendations to the Board about remuneration of senior management and Non-Executive Directors;

(e) reviewing the Company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives;

(f) development of criteria (including skills, qualifications and experience) for Board candidates;

(g) identification and consideration of possible Board candidates, and recommendations to the Board;

(h) ensuring appropriate induction and continuing professional development programs are implemented for Directors;

(i) review of processes for succession planning for the Board, Chief Executive Officer and other senior executives;

(j) establishment of procedures and recommendations for the proper oversight of the Board and management; and

(k) ensuring the performance of each Director, and of senior management, is reviewed and assessed each year using procedures adopted by the Board.

Meetings are held at least once a year and more often as required.

2.2 Remuneration principles

XPON's executive remuneration policy is founded on the following fundamental principles which form the basis of determining all remuneration decisions:

- fairness;
- market competitiveness and reasonableness;
- linkage to performance; and
- alignment to shareholders interests.

The Nomination and Remuneration Committee is responsible for making all key recommendations in respect of executive remuneration to the Board. The CEO is not present at any discussions relating to the determination of his own remuneration. The remuneration framework of key executives has been designed to align executive reward to shareholders' interests. The remuneration policy seeks to enhance shareholders' interests by:

- driving sustained growth in shareholder wealth by focusing the executives on key financial and non-financial value creators;
- providing appropriate and competitive reward for contributions made to shareholder wealth;
- attracting and retaining high-calibre executives who can enable XPON to successfully grow its business locally and internationally; and
- providing a cogent remuneration structure to reward high performance.

2.3 Remuneration advisers

The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to benchmark Non-Executive Director and executive remuneration arrangements with similar organisations in the Australian technology industry and in other overseas markets where it competes for talent.

The Nomination and Remuneration Committee did not engage any remuneration consultants during the years ended 30 June 2022 and 30 June 2021.

3. Non-Executive Director remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-Executive Directors are eligible to receive share options and participate in the Company's long-term incentive plan.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 5 November 2021, where the shareholders approved a maximum annual aggregate remuneration of $300,000. For the financial year ended 30 June 2022, the fees payable to the current Non-Executive Directors (whether in cash or securities) did not exceed $300,000 in aggregate.

The Company has agreed to pay Phil Aris $90,000 per annum for his services as non-executive Chairman and $55,000 per annum to Tim Ebbeck for his services as a Non-Executive Director; amounts are inclusive of superannuation. Non-Executive Directors are also eligible to participate in the Company's long-term incentive plan.

Any Non-Executive Director who devotes special attention to the business of the Group or who performs services which, in the opinion of the Nomination and Remuneration Committee, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

4. Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:

(i) fixed remuneration consisting of base salary, non-monetary benefits, and other remuneration such as superannuation and long service leave;

(ii) short-term performance incentives; and

(iii) long-term incentives.

The combination of these comprises the executive's total remuneration.

(i) Fixed remuneration

Fixed remuneration, consisting of base salary, non-monetary benefits, and other remuneration such as superannuation and long service leave, is reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

(ii) Short-term performance incentives

The Group currently provides certain members of its senior management team with a cash based short-term incentives (STI) which becomes payable upon satisfaction of specified performance criteria that is set by the Board on an annual basis. Each eligible team member is subject to the performance assessment criteria as outlined in the annual STI Targets.

These incentives are set out in each KMP service agreement. Payment of STI's in any given year will be determined by the Board and will be conditional upon achievement of:

- performance criteria tailored to each respective role (if any); and
- the Group's financial performance against criteria set by the Nomination and Remuneration Committee.

No STI will be payable if the performance criteria are not met by the relevant KMP with respect to his or her STI award.

From time to time the Nomination and Remuneration Committee may, at their discretion, award bonuses to certain executives in recognition of work performed which are not linked to any specified performance criteria.

For KMP, the STI is maximum 25% of base salary.

The Financials KPIs are based on achieving Group Annualised Recurring Revenue and Group Profit targets. These performance targets are used as they are the primary drivers for the growth and performance of the business. The maximum bonus available for KMP was $120,000 with 100% actual achieved for FY22.

(iii) Long-term incentives

The long-term incentives ('LTI') include long service leave and share-based payments.

The Group implemented a share option plan in June 2020 (updated in November 2021) (Share Option Plan), under which Directors and key employees identified by the Board were offered participation under the Share Option Plan in the form of options.

The vesting of the options is subject to the satisfaction of service-based conditions and/or performance hurdles which, when satisfied, will allow participants to receive Shares or vested options or rights which are exercisable over Shares.

An option confers a right to acquire a share during the exercise period, subject to the satisfaction of any vesting conditions, the payment of the exercise price for the option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.

Persons issued options under the Share Option Plan may not dispose of an option or Share issued on exercise of an option until the earlier of three (3) years after the issue of the option or the employee resigns or is made redundant.

During the 2022 financial year, XPON issued 3,847,220 ordinary options and 500,000 performance incentive options under the Share Option Plan to KMP. There were 4,143,190 ordinary options granted to KMP in the prior 2021 financial year.

XPON adopted a long-term incentive plan upon its listing on the ASX, the Omnibus Incentive Plan (Omnibus Plan).

Key employees identified by the Board will be offered participation under the Omnibus Plan in the form of Shares, options or rights. Each Director is eligible to participate in the Omnibus Plan.

No securities have yet been issued under the Omnibus Plan.

For KMP, the LTI Share Option Plan is maximum 50% of base salary.

5. Service agreements

A summary of contract terms in relation to executive KMP is presented below.

KMP	Roles	Employing entity	Period of notice from XPON	Period of notice from employee	Termination payments
Matthew Forman	Chief Executive Officer	XPON Technologies Group Ltd	12 months	6 months	12 months
Leanne Wolski	Chief Financial Officer	XPON Technologies Group Ltd	6 months	6 months	6 months

Duration of contracts: Executive KMP contracts are open ended.

6. Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

2022 KMP Remuneration Details

	Short-term benefits				Post-employment benefits	Long-term benefits				
Name	Cash base salary and fees $	Cash bonus/ STI $	Annual leave $ ^	Other benefits $ *	Super-annuation $	Long service leave $ ^	LTI Options $	LTI Perfor-mance options $	Total $	Perfor-mance related %
NED remuneration										
Phillip Aris **	102,031	–	–	–	–	–	21,529	–	**123,560**	–
Tim Ebbeck ^^	50,417	–	–	–	–	–	10,243	–	**60,660**	–
Total NED remuneration	**152,448**	**–**	**–**	**–**	**–**	**–**	**31,772**	**–**	**184,220**	**–**
Executive Directors										
Matthew Forman	250,000	62,500	13,109	24,643	24,481	4,514	96,822	13,942	**490,011**	16%
Other KMP										
Leanne Wolski	228,310	57,078	2,616	–	22,831	–	70,220	–	**381,055**	15%
Total Executive Director and other KMPs	**478,310**	**119,578**	**15,725**	**24,643**	**47,312**	**4,514**	**167,042**	**13,942**	**871,066**	**15%**
Total KMP remuneration expensed	**630,758**	**119,578**	**15,725**	**24,643**	**47,312**	**4,514**	**198,814**	**13,942**	**1,055,286**	**13%**

Note:

* Other benefits included motor vehicle expenses for Matt Forman.

** Included in Phillip Aris cash base salary and fees is a one-off amount of $12,031 additional fees for additional services related to the IPO and is also inclusive of superannuation.

^ Movements for the year ending 2022.

^^ Tim Ebbeck commenced 20 July 2021. Cash base salary and fees are inclusive of superannuation.

2021 KMP Remuneration Details

	Short-term benefits				Post-employment benefits	Long-term benefits				
Name	Cash base salary and fees $	Cash bonus/ STI $	Annual leave $ ^	Other benefits $ *	Superannuation $	Long service leave $ ^	LTI Options $	LTI Performance options $	Total $	Performance related %
NED remuneration										
Phillip Aris **	51,333	–	–	–	–	–	21,529	–	**72,862**	–
Total NED remuneration	**51,333**	**–**	**–**	**–**	**–**	**–**	**21,529**	**–**	**72,862**	**0%**
Executive Directors										
Matthew Forman	250,000	62,500	1,923	23,993	23,750	3,819	–	–	**365,985**	17%
Other KMP										
Leanne Wolski	228,310	57,500	878	–	21,690	–	70,220	–	**378,598**	15%
Total Executive Director and other KMPs	**478,310**	**120,000**	**2,801**	**23,993**	**45,440**	**3,819**	**70,220**	**–**	**744,583**	**16%**
Total KMP remuneration expensed	**529,643**	**120,000**	**2,801**	**23,993**	**45,440**	**3,819**	**91,749**	**–**	**817,445**	**15%**

Note:

* Other benefits included motor vehicle expenses for Matt Forman.

** Philip Aris's cash base salary and fees are inclusive of superannuation.

^ Movements for the year ending 2021.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration *		At risk – STI		At risk – LTI	
Name	2022	2021	2022	2021	2022	2021
Non-Executive Directors						
Phil Aris	83%	70%	–	–	17%	30%
Tim Ebbeck	83%	–	–	–	17%	–
Executive Director						
Matt Forman	63%	83%	13%	17%	24%	–
Other KMP						
Leanne Wolski	66%	66%	15%	15%	19%	19%

Note:

* Base salary, super and other benefits.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable 2022	Cash bonus paid/payable 2021	Cash bonus forfeited 2022	Cash bonus forfeited 2021
Executive Director				
Matt Forman	100%	100%	–	–
Other KMP				
Leanne Wolski	100%	100%	–	–

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Issue of Ordinary Options

The vesting condition of each ordinary options granted to KMP is that the KMP continues to be employed by the Company at vesting date.

There were 3,847,220 employee options granted to KMP in FY22. The number and value of outstanding options granted to KMP is set out below:

Ordinary Options issued 2022

Name	Date of Grant	Date of Expiry	Date of Vesting	Number Granted	Share price at grant date	Fair value at grant date	Exercise price	Fair value at grant date
Non-Executive Director								
Tim Ebbeck	8/11/2021	9/11/2031	8/11/2024	375,000	0.20	0.12	0.20	46,390
Executive Director								
Matthew Forman	1/07/2021	2/07/2031	1/07/2023	3,472,220	0.11	0.06	0.11	193,644

Ordinary Option Issued to KMP

Name	Date of Grant	Date of Expiry	Date of Vesting	Number Granted	Share price at grant date	Fair value at grant date	Exercise price	Fair value at grant date
Non-Executive Director								
Phil Aris	1/07/2020	1/07/2030	1/07/2023	972,220	0.11	0.07	0.11	64,647
Tim Ebbeck	8/11/2021	9/11/2031	8/11/2024	375,000	0.20	0.12	0.20	46,390
Executive Director								
Matthew Forman	1/07/2021	2/07/2031	1/07/2023	3,472,220	0.11	0.06	0.11	193,644
Other KMP								
Leanne Wolski	1/07/2020	1/07/2030	1/07/2023	3,170,970	0.11	0.07	0.11	210,851

2022 Ordinary Option holdings of KMP

Name	Balance 1 July 2021	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Balance 30 June 2022	Vested during the reporting period	Vested and exercis-able 30 June 2022	Vested but not exercis-able 30 June 2022
Non-Executive Directors								
Phil Aris	972,220	–	–	–	972,220	–	–	–
Tim Ebbeck	–	375,000	–	–	375,000	–	–	–
Executive Directors								
Matthew Forman	–	3,472,220	–	–	3,472,220	–	–	–
Other KMP					–			
Leanne Wolski	3,170,970	–	–	–	3,170,970	–	–	–
Total	**4,143,190**	**3,847,220**	**–**	**–**	**7,990,410**	**–**	**–**	**–**

Issue of Performance Incentive Options

There were 500,000 employee performance incentive options granted to KMP in FY22. The number and value of outstanding options granted to KMP is set out below:

Performance Incentive Options issued 2022

Name	Date of Grant	Date of Expiry	Date of Vesting	Number Granted	Share price at grant date	Fair value at grant date	Exercise price	Fair value at grant date
Executive Directors								
Matthew Forman	1/07/2021	2/07/2031	1/07/2023	500,000	0.11	0.06	0.11	27,885

Performance Incentive Option Issued to KMP

Name	Date of Grant	Date of Expiry	Date of Vesting	Number Granted	Share price at grant date	Fair value at grant date	Exercise price	Fair value at grant date
Executive Directors								
Matthew Forman	1/07/2021	2/07/2031	1/07/2023	500,000	0.11	0.06	0.11	27,885

2022 Performance Incentive Options holdings of KMP

Name	Balance 1 July 2021	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Balance 30 June 2022	Vested during the reporting period	Vested and exercis-able 30 June 2022	Vested but not exercis-able 30 June 2022
Executive Directors								
Matthew Forman	–	500,000	–	–	500,000	–	–	–

The vesting conditions for the performance incentive options are:

Participant	Options	Vesting Conditions*
Matt Forman	250,000	Vests upon the XPON Technologies Group achieving a minimum ARR of AU$10 million as at the end of each calendar month for a consecutive period of 12 months.
	250,000	Vests upon the XPON Technologies Group achieving a minimum ARR of AU$15 million as at the end of each calendar month for a consecutive period of 12 months.

Note:

* Non-AAS or IFRS financial measures – Annualised Recurring Revenue (ARR): represents monthly contracted recurring revenue multiplied by 12. An annualised measure of the revenue that XPON expects to earn from its customers on a repeatable basis. This metric shows the impact of new customer contracts less any churn from customers leaving or downgrading their contracts.

7. Additional information

The earnings of the Group for the four years to 30 June 2022 are summarised below:

	2022 $	2021 $	2020 $	2019 $
Sales revenue	13,310,449	5,439,128	1,715,669	1,226,509
Adjusted EBITDA *	(4,191,999)	(1,564,478)	(1,731,007)	(640,114)
NPAT	(6,301,292)	(1,933,046)	(1,933,842)	(1,010,150)

Note:

* Adjusted EBITDA is calculated by excluding Finance, Write-off of investment, M&A and IPO related costs as follows:
- FY19 – Write-off of investment – non-core investment not aligned to XPON's growth strategy of $303,259.
- FY20 – Finance Costs including Unrealised and realized FX Gain/Losses and lease interest payment portion of $68,176, and UK acquisition related costs of $109,069.
- FY21 – Finance Costs including Unrealised and realized FX Gain/Losses and lease interest payment portion of $5,925, and Internetrix acquisition related costs of $49,832.
- FY22 – Finance Costs including Unrealised and realized FX Gain/Losses and lease interest payment portion of $42,703, and IPO transaction related costs of $1,862,332.

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022	2021	2020	2019
Share price at financial year end ($) *	0.12	–	–	–
Basic earnings per share (cents per share) **	(2.32)	(0.89)	(1.20)	(1.01)

Note:

* No share price for year ending 30 June 2019, 30 June 2020, 30 June 2021 as the Company was not listed on the Australian Securities Exchange until 16 December 2021.

** On 5 November 2021, the Group undertook a 5-1 share split.

8. Additional disclosures relating to key management personnel

The number of shares in the Company held (directly or indirectly) during the financial year by each Non-Executive Directors and KMP or their related parties (their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below:

2022 Movement in Shares

Name	Balance at 1 July 2021	Shares issued in FY21 upon exercise of vested options	Addition of shares *	Disposal of shares	Balance at 30 June 2022	Mandatory restriction 24 months from quotation **
Non-Executive Directors						
Phil Aris	**2,354,850**	–	666,666	–	**3,021,516**	2,354,850
Tim Ebbeck	**-**	–	200,000	–	**200,000**	–
Executive Directors						
Matthew Forman	111,312,565	–	–	(79,958)	111,232,607	104,288,320
Total	**113,667,415**	**–**	**866,666**	**(79,958)**	**114,454,123**	**106,643,170**

Note:

* Shares purchased on market.

** Shares subject to a 24 month mandatory escrow from the date of quotation of the Company's Shares on ASX include Shares held by entities controlled by the Directors, being Matt Forman and Phil Aris, and associates of Matt Forman who is classified as a promoter for the purposes of the Listing Rules.

*** KMP agreed to enter into voluntary restriction agreements which restrict them from selling, creating a security interest in or otherwise dealing in their Shares held immediately prior to completion of the Offer for a period of 24 months from the date of quotation of the Company's Shares on ASX.

Other transactions with KMP

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

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

The following transactions occurred with KMP and their related parties:

	Purchases $	Total remuneration $
KMP related parties		
Inaware Pty Ltd	76,597	–
Belinda Forman	–	43,633

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Director.

Phil Aris
Chairman and Non-Executive Director

Dated this 23 day of August 2022

Matt Forman
Founder, Group Managing Director and CEO

Auditor's Independence Declaration

Auditor's independence declaration

BDO

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek Street
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY L G MYLONAS TO THE DIRECTORS OF XPON TECHNOLOGIES GROUP LIMITED

As lead auditor of XPON Technologies Group Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

L G Mylonas
Director

BDO Audit Pty Ltd

Brisbane, 23 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	5	13,310,449	5,439,128
Cost of sales		(4,717,302)	(2,239,686)
Gross profit		8,593,147	3,199,442
Other income	5	112,852	249,940
Superannuation expense		(542,528)	(240,851)
Employee expenses		(7,764,195)	(3,385,289)
Depreciation and Amortisation		(481,179)	(363,189)
Contractor expenses		(1,384,602)	(454,711)
Other expenses	6	(1,488,248)	(389,253)
Finance expenses		(42,703)	(5,925)
Sales and Marketing expense		(1,025,860)	(370,338)
IT and Facilities expense		(692,565)	(223,250)
IPO transaction related costs		(1,862,332)	–
Loss before income tax benefit		**(6,578,213)**	**(1,983,424)**
Income tax benefit	7	276,921	50,378
Loss after income tax benefit for the year		**(6,301,292)**	**(1,933,046)**
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met			
Exchange differences on translating foreign controlled entities		(6,173)	13,772
Other comprehensive income for the year, net of tax		(6,173)	13,772
Total comprehensive income for the year		**(6,307,465)**	**(1,919,274)**

		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	26	(2.32)	(0.89)
Diluted earnings per share	26	(2.32)	(0.89)

The above 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 2022

	Note	2022 $	2021 $
ASSETS			
Current assets			
Cash and Cash Equivalents	8	8,236,634	1,722,035
Trade and Other Receivables	9	4,822,966	3,068,175
Other assets		258,629	85,211
Current Tax Receivables	22	–	138,805
Total current assets		**13,318,229**	**5,014,226**
Non-current assets			
Property, plant and equipment	10	208,046	151,913
Right-of-use assets	13	530,101	649,314
Intangible Assets	11	4,416,911	4,633,479
Deferred tax assets	22	730,584	65,124
Other assets	12	54,779	54,779
Total non-current assets		**5,940,421**	**5,554,609**
Total assets		**19,258,650**	**10,568,835**
LIABILITIES			
Current liabilities			
Trade and Other Payables	14	5,432,116	4,008,231
Borrowings	15	22,957	21,196
Lease liabilities	13	112,193	105,733
Employee benefit	17	480,807	434,790
Contract liabilities	16	702,965	1,203,186
Total current liabilities		**6,751,038**	**5,773,136**
Non-current liabilities			
Borrowings	15	48,429	70,849
Lease liabilities	13	457,818	570,012
Employee benefits	17	154,012	65,586
Total non-current liabilities		**660,259**	**706,447**
Total liabilities		**7,411,297**	**6,479,583**
Net assets		**11,847,353**	**4,089,252**
EQUITY			
Issued Capital	18	21,796,430	8,060,230
Reserves		1,208,554	885,361
Accumulated losses		(11,157,631)	(4,856,339)
Total equity		**11,847,353**	**4,089,252**

The above 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 2022

	Ordinary Shares $	Foreign Currency Translation Reserve $	General Reserve $	Employee Option Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020	6,053,889	22,207	–	–	(2,923,293)	3,152,803
Loss after income tax benefit for the year	–	–	–	–	(1,933,046)	(1,933,046)
Other comprehensive income for the year, net of tax	–	13,772	–	–	–	13,772
Total comprehensive income for the year	**–**	**13,772**	**–**	**–**	**(1,933,046)**	**(1,919,274)**
Transactions with owners in their capacity as owners:						
Shares issued during the year (Note 18)	2,006,341	–	–	–	–	2,006,341
Share-based payment transactions (Note 23)	–	–	–	358,451	–	358,451
Deferred consideration on acquisition of subsidiary	–	–	490,931	–	–	490,931
Balance at 30 June 2021	**8,060,230**	**35,979**	**490,931**	**358,451**	**(4,856,339)**	**4,089,252**

	Ordinary Shares $	Foreign Currency Translation Reserve $	General Reserve $	Employee Option Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021	8,060,230	35,979	490,931	358,451	(4,856,339)	4,089,252
Loss after income tax benefit for the year	–	–	–	–	(6,301,292)	(6,301,292)
Other comprehensive income for the year, net of tax	–	(6,173)	–	–	–	(6,173)
Total comprehensive income for the year	**–**	**(6,173)**	**–**	**–**	**(6,301,292)**	**(6,307,465)**
Transactions with owners in their capacity as owners:						
Shares issued during the year (Note 18)	14,142,545	–	–	–	–	14,142,545
Share-based payment transactions (Note 23)	–	–	–	662,701	–	662,701
Transfers from general reserve to equity on milestone event (refer to Note 19)	333,335	–	(333,335)	–	–	–
Transaction costs (refer to Note 18)	(986,240)	–	–	–	–	(986,240)
Deferred tax on transaction costs (refer to Note 22)	246,560	–	–	–	–	246,560
Balance at 30 June 2022	**21,796,430**	**29,806**	**157,596**	**1,021,152**	**(11,157,631)**	**11,847,353**

The above 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 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		12,280,515	3,885,689
Payments to suppliers and employees (inclusive of GST)		(17,716,055)	(4,716,201)
Income taxes (paid) /received		68,835	(94,071)
Finance costs		(26,234)	(30,507)
Net cash used in operating activities	31	**(5,392,939)**	**(955,090)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		(41,993)	(32,513)
Purchase of property, plant and equipment		(163,434)	(5,309)
Acquisition of subsidiary, net of cash acquired		–	(7,658)
Payment of deferred consideration on Internetrix acquisition	14	(378,228)	–
Net cash used in investing activities		**(583,655)**	**(45,480)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares	18	12,500,000	1,866,893
Proceeds from borrowings		1,110,000	70,849
Repayment of borrowings		(20,659)	(68,313)
Payment of lease liabilities		(105,734)	(178,485)
Transaction costs related to issuance of share	18	(986,240)	–
Net cash from financing activities		**12,497,367**	**1,690,944**
Net increase in cash and cash equivalents		**6,520,772**	**690,374**
Cash and cash equivalents at the beginning of the financial year		1,722,035	1,016,514
Effects of exchange rate changes on cash and cash equivalents		(6,173)	15,147
Cash and cash equivalents at the end of the financial year	8	**8,236,634**	**1,722,035**

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

Notes to the Financial Statements

30 June 2022

Note 1. General information

The financial report covers XPON Technologies Group Limited ('the Company') and Controlled Entities ('the Group'). XPON Technologies Group Limited ('the Parent' or 'the Parent Entity') is a for-profit Company limited by shares, incorporated and domiciled in Australia.

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

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 23 August 2022.

Comparatives are consistent with prior years, unless otherwise stated.

Note 2. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Note 3. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these new or amended accounting standards and interpretations did not have a material impact to the financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 33.

Basis for consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of XPON Technologies Group Limited as at 30 June 2022 and the results of all subsidiaries for the period then ended.

Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non- controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 27 to the financial statements.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Group have identified one operating segment exists, and therefore, no operating segment note is presented.

Foreign currency translation

The financial statements are presented in Australian dollars, which is XPON Technologies Group Limited functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations are transferred

The Group often enters into customer contracts to supply a bundle of products and services. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 45 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Group has determined its contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing the Group's products and services, not to receive financing from the customers.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as additional licenses, discounts, rebates and refunds. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Licenses, managed services and project services

Licences typically provide the customer with a right of access to IP and the performance obligation is satisfied over time.

Managed or project services provide clients with design, implementation and support services.

Often the Group also provides a significant service of integrating licenses with managed or project services to deliver a working solution such that, in the context of the actual contract, there is a single performance obligation to provide that solution. The Group has assessed that control of these solutions transfers to the customer over time. This is because each solution is unique to the customer (has no alternative use to the Group) and the terms of the contract state that the Group is entitled to a right to payment for the work completed to date.

Revenue for these performance obligations is recognised using an input method, as the customisation or integration work is performed, using the cost-to-complete method to estimate progress towards completion, based on labour hours incurred. Costs incurred are considered to be proportionate to the Group's performance, so the cost-to-complete method provides a faithful depiction of the transfer of goods and services to the customer.

The Group also provides managed or project services independent of licenses. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised over time where the Group is entitled to payment for its performance to date throughout the contract period (including a profit margin that, in percentage terms, is equal to or more than the final expected profit margin).

Revenue for over-time contracts is determined based on the actual labour hours spent relative to the total expected labour hours and costs are expensed as incurred. Amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable if only the passage of time is required before payment of these amounts will be due or as contract assets if payment is conditional on future performance.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

Usage fees and commissions

Revenue is recognised in the amount to which the Group has a right to invoice based on either actual usage or sales. The Group acts as an agent in these transactions and only recognises revenue on a net basis.

Statement of financial position balances relating to revenue recognition

Contract assets and contract liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or the before payment is due, the Group presents the contract as a contract asset, unless the Group's rights to that amount of consideration are unconditional, in which case the Group recognises a receivable.

When an amount of consideration is received from a customer prior to the Group transferring a good or service to the customer, the Group recognises this as a contract liability.

Other income

Other income is recognised when it is received or when the right to receive payment is established. The revenue is measured at the transaction price agreed under the contract.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Dividend income is recognised when the dividend is declared.

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(i) Deferred tax assets and liabilities

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Property, plant and equipment

Each class of property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation method

Property, plant and equipment, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Computer Equipment	20 – 50%
Furniture, Fixtures and Fittings	20 – 50%
Office Equipment	5 – 20%
Leasehold improvements	2.5%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss – FVTPL
- fair value through other comprehensive income – equity instrument (FVOCI – equity)
- fair value through other comprehensive income – debt investments (FVOCI – debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial assets

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less any provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI.

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Financial assets

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach permitted by AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise Trade and other payables, bank and other loans and lease liabilities.

Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Intangible assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 1 to 5 years.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between three and five years. The Software recognised in the consolidated statement of financial position relates to acquired Software. Costs related to internally generated Software have been expensed through the consolidated statement of profit or loss and comprehensive income.

Customer contracts

The customer contracts were acquired as part of a business combination (see Note 6 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives. Customer contracts have an estimated useful life of between three and five years.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Leases

At inception of a contract, the Group assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset – this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, any lease payments made at or before the commencement date, less any lease incentives received, and estimated cost of removal and restoration.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of non-financial assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months without an option to extend) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Other long-term employee benefit obligations

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

Share-based payments

Share-based compensation benefits are provided to employees via the XPON Technologies Group Employee Share Option Plan.

Employee options

The fair value of options granted under the Group's Employee Share Option Plan is recognised as a share-based payment expense (within employee benefits) with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the group's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sale growth targets and remaining an employee of the group over a specified time period); and
- including the impact of any non-vesting conditions (e.g. requirements for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of XPON Technologies Group Limited and Controlled Entities, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 4. Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates – Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The use of forward-looking data and setting a lifetime expected loss allowance incorporates the use of judgment. Further details are provided in Note 2 and 9 to the consolidated financial statements.

Key estimates – Goodwill

In accordance with AASB 136 *Impairment of Assets*, the Group is required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in Revenue;
- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and approves formal six year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 11 to the consolidated financial statements.

Key estimates – Revenue recognition

In accordance with AASB 15, the Group recognises revenue on a basis that reflects the transfer of promised services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those services. A significant revenue stream of the Group is providing licenses, managed services and project services to the customers, in which revenue for these performance obligations is recognised overtime using the cost-to-cost method to estimate progress towards completion.

Key judgments – taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax assets of $730,584 have been recognised on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable profits being generated against which deferred tax assets will be utilised based on budgets, including forecasting future profits in the foreseeable future, and current and future expected economic conditions.

Taxes on different jurisdictions

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. There are presently no ongoing tax audits.

Key judgments – going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

For the financial year ended 30 June 2022, the Group generated total revenue and other income of $13,423,301 (2021: $5,689,068), reported a consolidated loss after tax of $6,301,292 (2021: loss of $1,933,046) and reported operating cash outflows of $5,392,939 (2021: operating cash outflows of $955,090). As at 30 June 2022, the Group had cash and cash equivalents of $8,236,634 (2021: $1,722,035) and net current assets of $6,567,191 (2021: net current liabilities of $758,910).

Notwithstanding these conditions, the directors believe that it is reasonably foreseeable that the entity will continue as a going concern, after considering the following factors:

- The net current assets and cash and cash equivalent reserves at 30 June 2022 indicate that the Group's current obligations can be satisfied as required;
- The Group completed its IPO in December 2021, raising $12,500,000 (before costs). This is expected to fund its operations for a period of no less than 12 months from the date these financial statements are authorised; and
- The forecasts prepared by the directors, covering no less than 12 months from the date of approval of these financial statements, indicate that the Group is expecting further sales growth and increased profitability, driven by its intellectual property.

Key to these forecasts are relevant assumptions regarding revenue growth (i.e. new and expanded customers), increasing gross profit margin and improved EBITDA through economies of scale of overhead expenses opposed to revenue growth.

Based on these forecasts and assumptions, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Key judgments – share based payment transactions

The Group values its share based payment transactions under AASB 2, incorporating assumptions and judgements regarding the number of options and performance incentive options likely to vest, and the share price volatility used. Management value these transactions using a Black-Scholes model, and further disclosures are included in Note 23.

Note 5. Revenue from contracts with customers and Other Income

Disaggregation of revenue

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

	2022 $	2021 $
Major services line		
Licences	3,765,158	2,113,851
Managed Services	7,182,980	2,533,360
Project Services	974,199	489,394
Usage Fees	1,388,112	302,523
	13,310,449	**5,439,128**
Geographical regions		
Australia	8,227,782	3,644,654
United Kingdom	5,082,667	1,794,474
	13,310,449	**5,439,128**
Timing of revenue recognition		
Services transferred over time	**13,310,449**	**5,439,128**

	2022 $	2021 $
Other Income		
– R&D refund	67,866	113,507
– Other income	44,986	136,433
	112,852	**249,940**

Note 6. Other expenses

	2022 $	2021 $
People & Culture and Recruitment expenses	347,427	127,292
Insurance, Travel and Motor Vehicle expenses	227,063	49,928
Other expenses	913,758	212,033
	1,488,248	**389,253**

Note 7. Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2022 $	2021 $
Current tax expense		
– Current Tax	141,979	101,993
– Deferred Tax	(418,900)	(152,371)
	(276,921)	**(50,378)**

(b) Reconciliation of income tax to accounting profit:

	2022 $	2021 $
Loss before income tax benefit	(6,578,213)	(1,983,424)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,644,553)	(515,690)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
– non-deductible depreciation and amortisation	–	27,214
– share options expensed during year	165,675	93,197
– non-deductible expenses	12,635	49,072
– cash booster	–	(13,000)
– Impact of change in tax rate	4,754	(3,356)
– unrecognised losses	878,314	473,144
– previously unrecognised tax losses recouped to reduce current tax	(19,510)	(184,302)
– differences in overseas tax rates	–	23,343
– under-provision in previous years	325,764	–
Income tax benefit	**(276,921)**	**(50,378)**

Note 8. Cash and Cash Equivalents

	2022 $	2021 $
Cash at bank and on hand	8,236,634	1,722,035

Note 9. Trade and Other Receivables

	2022 $	2021 $
Trade receivables	4,946,649	3,062,136
Other receivables	26,317	6,039
Less: Allowance for expected credit losses	(150,000)	–
Total current trade and other receivables	**4,822,966**	**3,068,175**

The carrying value of trade and other receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

(a) Impairment of trade receivables

The loss allowance provision as at 30 June 2022 is determined as follows:

	2022 $	2021 $
Additional impairment loss recognised	150,000	4,796
Amounts written off as uncollectible directly to Profit or Loss	–	(4,796)
	150,000	**–**

The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles (using a provision matrix) of sales over a period of 3 years before 30 June 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information including macroeconomic factors that affect the ability of the customers to settle the receivables. Additional details on the provision matrix and expected credit loss provision are provided in Note 21.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over 1 year past due, whichever occurs first.

(b) Collateral held as security

The Group does not hold any collateral over any receivables balances.

Note 10. Property, plant and equipment

	2022 $	2021 $
Furniture, Fixtures and Fittings – At cost	159,655	159,655
Furniture, Fixtures and Fittings – Accumulated depreciation	(113,423)	(111,073)
Total furniture, fixtures and fittings	**46,232**	**48,582**
Office equipment – At cost	60,037	43,465
Office equipment – Accumulated depreciation	(41,743)	(13,686)
Total office equipment	**18,294**	**29,779**
Computer equipment – At cost	174,634	48,540
Computer equipment – Accumulated depreciation	(64,330)	(25,207)
Total computer equipment	**110,304**	**23,333**
Leasehold Improvements – At cost	76,371	76,371
Leasehold Improvements – Accumulated depreciation	(43,155)	(26,152)
Total leasehold improvements	**33,216**	**50,219**
Total property, plant and equipment	**208,046**	**151,913**

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements $	Furniture, Fixtures and Fittings $	Office Equipment $	Computer Equipment $	Total $
Year ended 30 June 2022					
Balance at the beginning of year	50,219	48,582	29,779	23,333	151,913
Additions	–	–	16,572	126,094	142,666
Depreciation expense	(17,003)	(2,350)	(28,057)	(51,913)	(99,323)
Exchange rate difference	–	–	–	12,790	12,790
Balance at the end of the year	**33,216**	**46,232**	**18,294**	**110,304**	**208,046**

	Leasehold Improvement $	Furniture, Fixtures and Fittings $	Office Equipment $	Computer Equipment $	Total $
Year ended 30 June 2021					
Balance at the beginning of year	23,889	–	–	18,404	42,293
Additions	–	–	–	5,309	5,309
Additions through business acquisition	26,330	48,582	29,779	14,432	119,123
Disposals – written down	–	–	–	(7,547)	(7,547)
Depreciation expense	–	–	–	(7,265)	(7,265)
Balance at the end of the year	**50,219**	**48,582**	**29,779**	**23,333**	**151,913**

Note 11. Intangible Assets

	2022 $	2021 $
Goodwill – at cost	3,478,447	3,478,447
Patents, Trademarks and other intangibles – at cost	37,556	31,971
Patents, Trademarks and other intangibles – Accumulated amortisation	(11,548)	(7,464)
Net carrying value	**26,008**	**24,507**
Software – at cost	321,042	280,552
Software – Accumulated amortisation	(271,879)	(212,170)
Net carrying value	**49,163**	**68,382**
Customer contracts – at cost	1,171,000	1,171,000
Customer contracts – Accumulated amortisation	(307,707)	(108,857)
Net carrying value	**863,293**	**1,062,143**
Total Intangible assets	**4,416,911**	**4,633,479**

	Patents, Trademarks and other intangibles $	Customer Contracts $	Goodwill $	Software $	Total $
Year ended 30 June 2022					
Balance at the beginning of the year	24,707	1,062,143	3,478,447	68,182	4,633,479
Additions	5,585	–	–	40,490	46,075
Amortisation	(4,084)	(198,850)	–	(59,709)	(262,643)
Balance at the end of the year	**26,008**	**863,293**	**3,478,447**	**49,163**	**4,416,911**

	Patents & Trademarks and other intangibles $	Customer Contracts $	Goodwill $	Software $	Total $
Year ended 30 June 2021					
Balance at the beginning of the year	5,078	787,000	2,317,477	133,744	3,243,299
Additions	18,623	–	–	13,890	32,513
Additions through business acquisition	1,006	384,000	1,160,970	–	1,545,976
Amortisation	–	(108,857)	–	(79,452)	(188,309)
Balance at the end of the year	**24,707**	**1,062,143**	**3,478,447**	**68,182**	**4,633,479**

Recoverable amount testing for goodwill and indefinite life intangibles

For the purpose of impairment testing, goodwill and indefinite life intangibles are allocated to cash-generating units as below:

One CGU exists for the group. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The cross selling of products/services effectively means that a client of one individual entity within the group is also a client of all entities within the group. The selling of products/services drives the cash inflows and therefore the smallest identifiable group of assets that generates cash is the group itself. The group only has one operating segment as illustrated by the structure of the board papers which drives how management monitors the Group's operations and makes decisions about continuing or disposing of the Group's assets and operations.

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a six-year period. The Group have used a period greater than five years for its forecasts, as it is in the commercialisation and growth phase, and a six year forecast more appropriately reflects the forecasting and future growth of the Group.

The following table sets out key assumptions for determining value in use:

	Group goodwill
Revenue (% annual growth rate)	28.6%
Budgeted gross margin (%)	74.6%
Annual capital expenditure (%)	2%
Pre tax discount rate (%)	24.7%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue	Average annual growth rate over the six-year forecast period; based on past performance.
EBITDA	Average annual growth rate over the six-year forecast period; based on past performance.
Budgeted gross margin	Based on past performance and management's expectation for the future.
Annual capital expenditure	Expected cash costs in the CGU. This is based on the historical experience of management. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Pre-tax discount rates	Reflects specific risks relating to the Group and the countries in which the group operate.

Impairment of possible changes in key assumptions:

No reasonable expected changes in the assumptions noted above results in an impairment to goodwill.

Note 12. Other assets

	2022 $	2021 $
Deposits	54,779	54,779

Note 13. Leases

The Group has leases over two office spaces.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The Group leases two corporate offices, both with lease terms of 5 years. The corporate office leases contain annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Right-of-use assets

	Office Leases $	Total $
Year ended 30 June 2022		
Balance at beginning of year	649,314	649,314
Lease amortisation	(119,213)	(119,213)
Balance at end of year	**530,101**	**530,101**

	Office Leases $	Total $
Year ended 30 June 2021		
Balance at beginning of year	372,859	372,859
Additions to right-of-use assets	444,070	444,070
Lease amortisation	(167,615)	(167,615)
Balance at end of year	**649,314**	**649,314**

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 – 5 years	> 5 years	Total undiscounted lease liabilities	Lease liabilities included in this Statement of Financial Position
2022					
Lease liabilities	133,901	495,732	–	629,633	570,011
2021					
Lease liabilities	131,967	629,634	–	761,601	675,745

Extension options

A number of the building leases contain extension options which allow the Group to extend the lease term by up to twice the original non-cancellable period of the lease.

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises and the extension options are at the Group's discretion.

At commencement date and each subsequent reporting date, the Group assesses where it is reasonably certain that the extension options will be exercised.

There are $nil potential future lease payments which are not included in lease liabilities as the Group has assessed that the exercise of the option is reasonably certain, and factored these into lease liability balances.

The Group has applied the practical expedient to all COVID-19 related rent concessions that meet the following conditions:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and

(c) there is no substantive change to other terms and conditions of the lease.

The practical expedient allows changes in lease payments resulting from the rent concession to be treated as a variable lease payment through the statement of profit or loss and other comprehensive income, rather than as a lease modification.

Note 14. Trade and Other Payables

	2022 $	2021 $
Trade payables	3,810,572	2,600,523
Accruals and other payables	1,322,698	776,895
Deferred consideration payable	–	378,228
GST payable	298,846	252,585
Total Trade and Other Payables	**5,432,116**	**4,008,231**

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Note 15. Borrowings

	2022 $	2021 $
Current		
Loans payable	22,957	21,196
Non-current		
Loans payable	48,429	70,849
Total borrowings	**71,386**	**92,045**

Summary of borrowings:

The Group has a loan with National Westminster Bank plc at an interest rate of 2.5% for a term of 6 years.

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

The bank debt is unsecured as part of the Bounce Back Loan Scheme ("BBLS") created by the UK Government in response to COVID-19.

Note 16. Contract liabilities

	2022 $	2021 $
Contract liabilities	702,965	1,203,186

The balance of contract liabilities at the beginning of the period was fully recognised as revenue during the year due to the short-term nature and performance obligation satisfied.

The movement of the contract liability balance relates to the timing of contract renewals as well as the transition of some client renewals from annual invoicing in advance, to a monthly invoicing frequency. Some new clients acquired during the year have requested monthly invoicing instead of up front at the start of the contract. These changes have reduced the contract liability balance as at 30 June 2022.

Note 17. Employees benefit

	2022 $	2021 $
Current liabilities		
Provision for employee benefits	480,807	434,790
Non-current liabilities		
Provision for employee benefits	154,012	65,586

Note 18. Issued Capital

	2022 $	2021 $
303,608,169 (30 June 2021: 45,975,029) Ordinary shares	22,536,110	8,060,230
Share issue costs, net of deferred tax	(739,680)	–
Total	**21,796,430**	**8,060,230**

(a) Ordinary shares

	2022 $	2021 $	2022 No.	2021 No.
At the beginning of the reporting period	8,060,230	6,053,889	45,975,029	42,844,646
Shares issued during the year – Ordinary Shares				
April 2021 ($0.65 per share)	–	1,866,892	–	2,872,143
June 2021 – non-cash ($0.54 per share)	–	139,449	–	258,240
4 November 2021 ($0.55 per share) (see Note 19 (b) below)	333,335	–	604,058	–
5 November 2021 5-for-1 share split	–	–	186,316,352	–
3 December 2021 ($0.20 per share)*	1,642,545	–	8,212,730	–
13 December 2021 ($0.20 per share)	12,500,000	–	62,500,000	–
Capital raising costs	(986,240)	–	–	–
Deferred tax on Capital raising costs	246,560			
	21,796,430	**8,060,230**	**303,608,169**	**45,975,029**

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

* The Company issued convertible notes during the period worth $1,110,000. These converted into equity as part of the IPO with a fair value of $1,642,546. Since the convertible notes contained one or more embedded derivatives, the Company chose to measure this financial liability at fair value through the profit or loss. There was no significant change in the Company's credit risk from issue to conversion of these notes so the total movement in the fair value was recognised in the profit or loss as part of IPO transaction related costs.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios.

Note 19. Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

	2022 $	2021 $
Foreign currency translation reserve	29,806	35,979

(b) General reserve

The general reserve records funds set aside for future business acquisition payments, which are to be settled via share issue.

During the period, the issue of $333,335 of shares occurred in relation to the acquisition of Internetrix. This was originally included as part of the consideration for the acquisition of Internetrix and classified as a deferred equity component. Once the shares were issued this value was transferred out of General reserve and into Ordinary Shares.

	2022 $	2021 $
General reserve		
Opening balance	490,931	–
Transfers in	–	490,931
Transfer from general reserve to equity on milestone event	(333,335)	–
Total General reserve	**157,596**	**490,931**

(c) Share-based payment reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

	2022 $	2021 $
Employee option reserve		
Opening balance	358,451	–
Share-based payment expense	662,701	358,451
Total Employee option reserve	**1,021,152**	**358,451**

Note 20. Contracted Commitments

No contracted commitments, apart from lease commitments as per Note 13, exist as at 30 June 2022 (30 June 2021: Nil, apart from lease commitments as per Note 13).

Note 21. Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk – currency risk

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Lease liabilities
- Borrowings

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The table below reflects the undiscounted contractual maturity analysis for financial liabilities (excluding lease liabilities for the current year – refer to Note 13).

Financial liability maturity analysis – Non-derivative

	Less than 6 months		6 to 12 months		1 to 5 years	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Financial liabilities due for payment						
Trade payables	3,810,572	2,600,523	–	–	–	–
GST payable	298,846	252,585	–	–	–	–
Borrowings	9,341	9,860	9,341	9,860	52,931	75,591
Lease liabilities	66,951	52,867	66,951	52,867	495,731	484,317
Deferred consideration	–	–	–	378,228	–	–
	4,185,710	**2,915,835**	**76,292**	**440,955**	**548,662**	**559,908**

	Greater than 5 years		Total	
	2022 $	2021 $	2022 $	2021 $
Financial liabilities due for payment				
Trade payables	–	–	3,810,572	2,600,523
GST payable	–	–	298,846	252,585
Borrowings	–	–	71,386	92,045
Lease liabilities	–	85,695	629,633	761,601
Deferred consideration	–	–	–	378,228
Total contractual outflows	**–**	**85,695**	**4,810,437**	**4,084,982**

Liquidity risk

The timing of expected outflows is not expected to be materially different from contracted cashflows. Disclosure of contracted cash flows for lease liabilities is included in Note 13. Deferred consideration is not discounted given it is expected to be settled within 12 months. The borrowings are expected to be settled according to payment schedule.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to outstanding receivables.

The credit risk for liquid funds and other short-term financial assets is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Audit and Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector as well as a list of customers currently transacting on a prepayment basis or who have balances in excess of their credit limits.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in Australia and the United Kingdom given the location of its operations in those regions.

(a) Credit Risk – Trade and Other Receivables

As at 30 June 2022, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2022 $	2021 $
United Kingdom (UK)	1,756,676	535,942
Australia	3,066,290	2,617,444
Total	**4,822,966**	**3,153,386**

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on the payment profiles of sales over a period of 3 years before 30 June 2022 and the corresponding historical credit losses experienced within this period.

On that basis, the ageing analysis and loss allowance of receivables is as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022 %	2021 %	2022 $	2021 $	2022 $	2021 $
Not overdue	0%	0%	2,886,286	2,368,122	–	–
1-30 days overdue	0%	0%	489,906	755,888	–	–
Greater than 31 days overdue	10.37%	0%	1,446,774	29,376	150,000	–
			4,822,966	**3,153,386**	**150,000**	**–**

	2022 $	2021 $
Opening provision	–	–
Additional provisions recognised	150,000	4,796
Receivables written off during the year as uncollectable	–	(4,796)
Closing balance	**150,000**	**–**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD presentation currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Pounds.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

In order to monitor the effectiveness of this policy, the Board receives a monthly report showing the settlement date of transactions denominated in non-Australian Dollar currencies and expected cash reserves in that currency.

Foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

	AUD $	GBP $	USD $	Total AUD $
2022				
Nominal amounts				
Cash and cash equivalents	7,652,584	383,884	200,166	8,236,634
Trade and other receivables	2,865,263	1,756,676	201,027	4,822,966
Trade and other payables	(2,747,357)	(2,306,558)	(378,211)	(5,432,126)
Short-term exposure	**7,770,490**	**(165,998)**	**22,982**	**7,627,474**
2021				
Nominal amounts				
Cash and cash equivalents	1,425,886	262,432	33,717	1,722,035
Trade and other receivables	2,561,661	284,755	306,970	3,153,386
Trade and other payables	(3,538,976)	(232,883)	(236,372)	(4,008,231)
Short-term exposure	**448,571**	**314,304**	**104,315**	**867,190**

Market risk – Foreign currency sensitivity table

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the GBP – Australian Dollar exchange rate and USD – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a +/- 2% change of the Australian Dollar/GBP exchange rate for the year ended 30 June 2022 (30 June 2021: 2%). A +/- 2% change is considered for the Australian Dollar/USD exchange rate (30 June 2021: 2%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The year end rate is 0.57 GBP and 0.69 USD.

The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the Australian Dollar had strengthened and weakened against the GBP and USD by 2% (30 June 2021: 2%) and 2% (30 June 2021: 2%) respectively then this would have had the following impact:

	2022		2021	
	+2%	–2%	+2%	–2%
GBP				
Net results	(1,530)	1,593	(3,939)	4,100
Equity	1,530	(1,593)	3,939	(4,100)
USD				
Net results	(13,754)	14,315	(9,597)	9,989
Equity	13,754	(14,315)	9,597	(9,989)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Note 22. Tax assets and liabilities

	2022 $	2021 $
Current tax receivables	–	138,805

(a) Deferred Tax Assets

	Opening Balance $	Charged to Equity $	Charged to Profit or Loss $	Closing Balance $
Deferred tax assets				
Provisions – employee benefits	127,428	–	38,051	165,479
Accruals	114,279	–	117,024	231,303
Leases	3,593	–	6,385	9,978
IPO Transaction costs	–	246,560	326,243	572,803
Others	72,866	–	(68,733)	4,133
Deferred Tax Liability Offset	(253,042)	–	(70)	(253,112)
Balance at 30 June	**65,124**	**246,560**	**418,900**	**730,584**

(b) Deferred Tax Liabilities

	Opening Balance $	Charged to Profit or Loss $	Closing Balance $
Deferred tax liabilities			
Depreciation	20,134	13,850	33,984
Prepayments	13,954	(13,954)	–
Customer Lists	218,954	(690)	218,264
Others	–	864	864
Deferred Tax Asset Offset	(253,042)	(70)	(253,112)
Balance at 30 June	**–**	**–**	**–**

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	2022 $	2021 $
Tax losses	1,464,382	925,008

The Group has recognised deferred tax assets of $730,584 (2021: $65,124). The recognition of deferred tax assets is held to the portion of which future taxable profits will be available against which the Group can utilise the benefits therein.

Note 23. Share-based payments – Employee Options

The Group implemented a share option plan in June 2020 (updated in November 2021) (Share Option Plan), under which Directors and key employees identified by the Board were offered participation under the Share Option Plan in the form of options.

The vesting of the options is subject to the satisfaction of service-based conditions and/or performance hurdles which, when satisfied, will allow participants to receive Shares or vested options or rights which are exercisable over Shares.

An option confers a right to acquire a share during the exercise period, subject to the satisfaction of any vesting conditions, the payment of the exercise price for the option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.

Persons issued options under the Share Option Plan may not dispose of an option or Share issued on exercise of an option until the earlier of three (3) years after the issue of the option or the employee resigns or is made redundant.

Share-based payment expense recognised during the year:

	2022 $	2021 $
Share options issued to staff during the year	662,701	358,451

Notes for the above table:

– 14,194,370 options were granted to staff at dates outlined below, and 2,500,000 options were forfeited during the year. The valuation methods used to value the options are set out below.

The Group has an Employee Share Option Scheme for directors, senior executives, employees and key consultants of the Group whereby those parties may be granted options and performance rights to purchase ordinary shares in the Company. There were 14,194,370 (June 2021: 16,129,305) options and performance rights issued under the ESOP during the year, and 2,500,000 forfeited. No options have exercised or lapsed during the current and comparative financial year. The unlisted options outstanding as at 30 June 2022 and their movement during the year were as follows:

	Note:	Grant Date	Vesting Date	Exercise price	Granted during the year	Forfeited / Expired during the year	Balance
At the beginning of the reporting period	1	01-Jul-2020	01-Jul-2023	$0.11	–	–	16,129,305
		01-Jul-2021	01-Jul-2023	$0.11	3,972,220		20,101,525
		01-Jul-2021	01-Jul-2024	$0.13	923,080	–	21,024,605
		27-Sep-2021	12-Oct-2024	$0.20	1,500,000	–	22,524,605
		30-Sep-2021	01-Jul-2023	$0.11	4,924,070	–	27,448,675
		13-Oct-2021	01-Jul-2024	$0.11	2,500,000	2,500,000	27,448,675
		8-Nov-2021	08-Nov-2024	$0.20	375,000	–	27,823,675
Closing balance at 30 June 2022							**27,823,675**

Note:

1. On 5 November 2021, the Group undertook a 5-1 share split. The number of employee options as at 30 June 2021 was 3,225,861. All options and performance rights in the tables above and below are on a post share split basis.

   Weighted average exercise price $0.13.

   The weighted average remaining contractual life of options outstanding at year end was 1 year and 3 months (2021: 2 years).

Valuation Model – unlisted options

14,194,370 options and performance rights were issued to staff and Directors during the year ended 30 June 2022 (30 June 2021: 16,129,305). The staff options vest only upon the respective staff meeting their service commitment with the company over the vesting period and where applicable by meeting their individual respective performance incentive program driven by non market vesting conditions. A summary of the non market vesting conditions is included here:

Grant date	Total Options Granted	With performance conditions	Without performance conditions	Performance Conditions
01-Jul-2020	6,087,635	–	6,087,635	No performance conditions
01-Jul-2020	8,420,970	250,000	2,083,335	(i) 125,000 options vest based on achieving a minimum of $5 million Annual Recurring Revenue (ARR) consecutively for 12 weeks. (ii) 125,000 options vest based on achieving a minimum of $7 million ARR consecutively for 12 weeks.
01-Jul-2020	11,170,970	250,000	2,500,000	(i) 125,000 options vest based on achieving a minimum of $2 million ARR consecutively for 12 weeks. (ii) 125,000 options vest based on achieving a minimum of $3 million ARR consecutively for 12 weeks.
01-Jul-2020	13,379,305	125,000	2,083,335	(i) 62,500 options vest based on achieving a minimum of $2 million of Wondaris ARR consecutively for 12 weeks. (ii) 62,500 options vest based on achieving a minimum of $3 million of Wondaris ARR consecutively for 12 weeks.
01-Jul-2020	16,129,305	125,000	2,625,000	(i) 62,500 options vest based on achieving a minimum of $5 million of Total ARR consecutively for 12 weeks. (ii) 62,500 options vest based on achieving a minimum of $2 million of Holoscribe® Software License ARR consecutively for 12 weeks.
01-Jul-2021	17,052,385	–	923,080	No performance conditions
01-Jul-2021	21,024,605	500,000	3,472,220	(i) 250,000 options vest based on achieving a minimum of $10 million of ARR consecutively for 12 weeks. (ii) 250,000 options vest based on achieving a minimum of $15 million of ARR consecutively for 12 weeks.
27-Sep-2021	22,524,605	–	1,500,000	No performance conditions
30-Sep-2021	27,448,675	250,000	4,674,070	(i) 125,000 options vest based on achieving a minimum of $5 million of XPON Digital Limited ARR consecutively for 12 weeks. (ii) 125,000 options vest based on achieving a minimum of $7 million of XPON Digital Limited ARR consecutively for 12 weeks.
08-Nov-2021	27,823,675	–	375,000	No performance conditions
Total	**27,823,675**	**1,500,000**	**26,323,675**	

Grant date	Vesting Date	Number Issue	Share price at grant date	Exercise price	Expected volatility	Risk-free rate	Fair value at grant date
01-Jul-2020	01-Jul-2023	16,129,305	$0.11	$0.11	100%	0.27%	$0.07
01-Jul-2021	01-Jul-2023	3,972,220	$0.11	$0.11	100%	0.06%	$0.06
01-Jul-2021	01-Jul-2024	923,080	$0.11	$0.13	100%	0.06%	$0.06
27-Sep-2021	12-Oct-2024	1,500,000	$0.11	$0.20	100%	0.24%	$0.05
30-Sep-2021	01-Jul-2023	4,924,070	$0.11	$0.11	100%	0.26%	$0.05
08-Nov-2021	08-Nov-2024	375,000	$0.20	$0.20	100%	0.87%	$0.12
		27,823,675					

Note 24. Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

	2022 $	2021 $
Short-term employee benefits	790,704	676,438
Post-employment benefits	47,312	45,440
Long-term employment benefits	4,514	3,819
Share-based payments	212,757	91,749
Total KMP Remuneration	**1,055,286**	**817,446**

Note 25. Auditors' Remuneration

	2022 $	2021 $
Remuneration of the auditor, BDO Audit Pty Ltd, for: – audit and review of financial statements	110,000	50,000
Remuneration for other services, BDO Audit Pty Ltd, for: – independent limited assurance report as part of the Group's IPO	67,500	–
Remuneration for other services, BDO Services Pty Ltd, for: – taxation compliance services	43,500	26,940
Total	**221,000**	**76,940**

Note 26. Earnings per share

	2022 $	2021 $
Loss after income tax	(6,301,292)	(1,933,046)

	Number 2022	Number 2021*
Weighted average number of ordinary shares used in calculating basic earnings per share	271,061,486	217,902,625
Weighted average number of ordinary shares used in calculating diluted earnings per share	271,061,486	217,902,625

Note:

* On 5 November 2021, the Group undertook a 5-1 share split. The weighted average number of ordinary shares as at 30 June 2021 was 43,580,525 before the share split. All shares in the tables above and below are on a post share split basis.

	Cents 2022	Cents 2021*
Basic earnings per share	(2.32)	(0.89)
Diluted earnings per share	(2.32)	(0.89)

Note:

* On 5 November 2021, the Group undertook a 5-1 share split. The Basic earnings per share was (4.44) cents, Diluted earnings per share was (4.44 cents) as at 30 June 2021 before the share split.

Share options are considered to be potential ordinary shares but were anti-dilutive in nature for the 30 June 2022 financial year and were not included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Note 27. Interests in subsidiaries

Composition of the Group

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 3:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	2022 %	2021 %
Maverick Data Group Pty Ltd	Australia	100.00%	100.00%
Datisan Pty Ltd	Australia	100.00%	100.00%
Holoscribe Australia Pty Ltd	Australia	100.00%	100.00%
Wondaris Pty Ltd	Australia	100.00%	100.00%
XPON Digital Limited	United Kingdom	100.00%	100.00%
Holoscribe Limited	United Kingdom	100.00%	100.00%
Internetrix Pty Ltd	Australia	100.00%	100.00%
Internet Solutions Australia Pty Ltd	Australia	100.00%	100.00%

Note:

* The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Note 28. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (30 June 2021: None).

Note 29. Convertible notes

The company issued convertible notes during the period worth $1,110,000. These converted into equity as part of the IPO with a fair value of $1,642,546. Since the convertible notes contained one or more embedded derivatives the company choose to measure this financial liability at fair value through the P&L. There was no significant change in the company's credit risk from issue to conversion of these notes so the total movement in the fair value was recognised in the profit or loss as part of IPO transaction-related costs.

Note 30. Related party

(a) The Group's main related parties are as follows:

The ultimate parent entity, which exercises control over the Group, is XPON Technologies Group Limited which is incorporated in Australia.

Remuneration of Key management personnel – refer to Note 24.

Subsidiaries – refer to Note 27.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

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

The following transactions occurred with related parties:

	Purchases $	Remuneration
KMP related parties		
Inaware Pty Ltd	76,597	–
Belinda Forman	–	43,633

Note 31. Cash Flow Information

(a) Reconciliation of loss after income tax benefit to net cash from operating activities

	2022 $	2021 $
Loss after income tax benefit for the year	(6,301,292)	(1,933,046)
Adjustments for:		
Depreciation and amortisation	481,179	363,189
Net loss on disposal of property, plant and equipment	–	7,545
Share-based payments	662,701	358,451
Expenses on convertible note conversion	514,117	–
Finance costs	44,653	30,508
Acquisition DTL reversal	–	(21,826)
Net exchange differences	–	8,720
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,789,404)	(2,468,456)
Increase in deferred tax assets	(418,970)	(129,508)
Increase in trade and other payables	1,779,785	2,318,382
Increase/(decrease) in deferred tax liabilities	70	(1,480)
Increase in other provisions	134,443	175,054
Increase in other liabilities	(500,221)	442,519
Increase/(decrease) in income taxes payable	–	(105,142)
Net cash used in operating activities	**(5,392,939)**	**(955,090)**

(b) Non-cash financing and investing activities

	2022 $	2021 $
Non-cash issue of shares	(333,335)	(139,449)
Conversion of convertible note to equity	1,110,000	–
	776,665	**(139,449)**

Non-cash financial activities disclosed in other notes are:

- non-cash issue of 604,058 shares at $0.55 per share occurred in relation to the acquisition of Internetrix in November 2021 – Note 18 and 19.
- convertible notes are converted to equity as part of IPO – Note 29.

(c) Net debt reconciliation

	Borrowings	Leases	Convertible Notes	Total
Net debt as at 1 July 2020	(89,509)	(379,652)	–	(469,161)
Addition due to business acquisition	–	(474,578)	–	(474,578)
New Borrowings	(70,849)		–	(70,849)
Financing cash flows	68,313	178,485	–	246,798
Other changes				
Interest expense	(2,238)	(14,620)	–	(16,858)
Interest payments (presented as operating cash flows)	2,238	14,620	–	16,858
Net debt as at 30 June 2021	**(92,045)**	**(675,745)**	**–**	**(767,790)**
New Convertible notes	–	–	1,110,000	1,110,000
Financing cash flows	20,659	105,734	–	126,393
Other changes				
Conversion of convertible note to equity	–	–	(1,110,000)	(1,110,000)
Interest expense	(2,301)	(26,234)	–	(28,535)
Interest payments (presented as operating cash flows)	2,301	26,234	–	28,535
Net debt as at 30 June 2022	**(71,386)**	**(570,011)**	**–**	**(641,397)**

Note 32. Events Occurring After the Reporting Date

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 33. Parent entity information

The following information has been extracted from the books and records of the parent, XPON Technologies Group Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, XPON Technologies Group Limited has been prepared on the same basis as the financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	2022 $	2021 $
Statement of Financial Position		
Assets		
Current assets	5,448,631	597,922
Non-current assets	12,760,904	6,514,947
Total Assets	**18,209,535**	**7,112,869**
Liabilities		
Current liabilities	3,388,194	311,016
Non-current liabilities	219,599	61,967
	3,607,793	**372,983**
Equity		
Issued capital	21,796,430	8,060,230
Accumulated losses	(8,215,840)	(2,169,726)
Reserves	1,021,152	849,382
Total Equity	**14,601,742**	**6,739,886**
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	**(6,046,114)**	**(1,282,874)**

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Note 34. Segment Reporting

Identification of reportable operating segments

The Group has determined that it only has one operating segment. The operating segment identified is based on the internal reports that are received and used by the chief operating decision makers in assessing performance and determining the allocation of resources. All significant operating decisions are based upon the analysis of the Group as one segment.

The financial results from the segment are equivalent to the financial statements of the Group as a whole.

Note 35. Statutory Information

The registered office and principal place of business of the company is:

XPON Technologies Group Limited
Level 2
22 Longland Street
Newstead QLD 4006

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes for the year ended 30 June 2022 are in accordance with the *Corporations Act 2001* and:
   - comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   - give a true and fair view of the financial position and performance of the consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

Phil Aris
Chairman and Non-Executive Director

Matt Forman
Founder, Group Managing Director and CEO

23 August 2022

Independent Auditor's Report

to the members of XPON Technologies Group Limited

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek Street
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of XPON Technologies Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of XPON Technologies Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key audit matter	*How the matter was addressed in our audit*
The Group generates revenue from multiple streams, including: licences, managed services, project services and usage fees. Managed services and project services may be sold bundled with licences as one performance obligation, or separate to licences as distinct performance obligations. This is important under the requirements of AASB 15 *Revenue from Contracts with Customers* and the way that these performance obligations are recognised. The Group's disclosures about revenue recognition are included in Note 3, which detail the accounting policies applied under the requirements of AASB 15 *Revenue from Contracts with Customers*. The assessment of the Group's revenue recognition was significant to our audit due to the significance of revenue to the financial report, and the complex nature of accounting for the appropriate timing of revenue related to the various revenue streams under the requirements of AASB 15 *Revenue from Contracts with Customers*.	Our audit procedures included, amongst others: • Assessing the revenue recognition policy for compliance with AASB 15 *Revenue from Contracts with Customers*. • Selecting significant customer contracts, and reconciling the contract from inception to reporting, alongside the revenue recognition under AASB 15. • Selecting a sample of revenue transactions by stream, agreeing to supporting invoices, signed customer contracts and proof of delivery where available. • Obtaining and evaluating credit notes issued post year-end and auditing the first and last invoices post and pre year-end, to ensure an appropriate revenue cut-off was achieved at balance sheet date. • Analytical review procedures on all significant revenue streams on a disaggregated balance against expected trends and prior year levels. • Selecting a sample of receipts and invoices from the clients' income in advance schedule and recalculating appropriate deferred portion of revenue. • Assessing the adequacy of the Group's revenue recognition disclosures within the financial statements.

Carrying value of Goodwill - impairment assessment

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures on Goodwill impairment are included in Note 11, detailing the allocation of Goodwill to the Group's cash-generating unit ('*CGU*'), setting out the key assumptions for value-in-use calculations and the impact possible changes in these assumptions would have. This annual impairment test is significant to our audit given the material balance of Goodwill as at 30 June 2022, and its importance to the financial statements. In addition, management's assessment process is complex and highly judgemental, based on assumptions, specifically forecast future cash flows, growth rates and discount rates, which are affected by expected future market and economic conditions.	Our audit procedures included, amongst others: • Obtaining an understanding of the value-in-use model, and critically evaluating management's methodologies and their key assumptions. • Assessing management's allocation of Goodwill, and assets and liabilities, including corporate assets to the CGU. • Evaluating the inputs used in the value-in-use calculations, including growth rates, discount rates and underlying cash flows applied by management. • Involving our internal specialists to assess the discount rates and terminal growth rates against comparable market information. • Assessing the disclosures related to the Goodwill and impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 45 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of XPON Technologies Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

L G Mylonas
Director

Brisbane, 23 August 2022

Shareholder Information

The shareholder information set out below was applicable as at 17 August 2022.

Ordinary Shareholders

Twenty largest quoted ordinary shareholders

		Units	% Units
1	BLACK OAK VENTURES PTY LTD <MABL FAMILY A/C >	104,288,320	34.35%
2	BENJAMIN PATRICK FOGARTY	35,267,180	11.62%
3	MICROEQUITIES ASSET MANAGEMENT PTY LTD <PRIVATE TO BEYOND IPO A/C>	9,676,578	3.19%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,138,253	2.68%
5	LEGAL TOOLBOX PTY LTD <THE SMIDGE DIGITAL UNIT A/C>	6,744,287	2.22%
6	ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	6,247,691	2.06%
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,551,345	1.83%
8	MARCUS WINTON CALLON <CALLON FAMILY A/C>	4,409,270	1.45%
9	ROSE ROBERT PTY LTD <ROWAN FAMILY A/C>	4,311,495	1.42%
10	BT PORTFOLIO SERVICES LTD <LUCTON SUPER FUND A/C>	3,948,835	1.30%
11	SANDHURST TRUSTEES LTD <CYAN C3G FUND A/C>	3,500,000	1.15%
12	CHRISTOPHER MICHAEL ROZIC <ROZIC FAMILY A/C>	3,156,725	1.04%
13	PEGG ONE PTY LTD <PH UNIT A/C>	3,051,350	1.01%
14	DCC INVESTMENTS PTY LTD	2,759,890	0.91%
15	MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	2,358,931	0.78%
16	PHILLIP ARIS & ASSOCIATES PTY LTD <PHILLIP ARIS FAMILY A/C>	2,354,850	0.78%
17	CARCAJOU HOLDINGS PTY LTD	2,284,380	0.75%
18	MATTHEW JAMES ALLAN DANIELS <A&M FAMILY A/C>	2,113,445	0.70%
19	BT PORTFOLIO SERVICES LTD <ARTBOA PTY LTD M CARNEY A/C>	2,025,755	0.67%
20	RENDRAL PTY LTD <RENDRAL A/C>	2,016,112	0.66%
	Total: Top 20 holders of ordinary fully paid shares	**214,204,692**	**70.55%**
	Total Issued Capital	**303,608,169**	**100.00%**

Distribution of Equitable Securities

Analysis of number of security holders by size of holding

Distribution of Fully Paid Ordinary Shares	Total Holders	Units	% Units
1 to 1,000	9	2,695	0.00%
1,001 to 5,000	60	208,954	0.07%
5,001 to 10,000	78	733,348	0.24%
10,001 to 100,000	334	16,273,995	5.36%
100,001 and over	177	286,389,177	94.33%
	658	**303,608,169**	**100.00%**

	Minimum Parcel Size	Total Holders	Units
Holding less than a marketable parcel	2,941	34	58,998

Distribution of Unlisted Options over Ordinary Shares

Unlisted Options with various vesting dates and exercise prices

	Total Option holders	Units	% Units
1 to 1,000	–	–	–
1,001 to 5,000	–	–	–
5,001 to 10,000	–	–	–
10,001 to 100,000	–	–	–
100,001 and over	20	35,414,344	100.00
	20	**35,414,344**	**100.00**

Substantial Holders

The Company's register of substantial shareholders showed the following particulars as at 17 August 2022.

Name of Substantial Shareholders	Units	Date of interest notice
XPON Technologies Group Limited*	15,375,120	16/12/2021
Matthew Arnold Forman	104,288,320	16/12/2021
Benjamin Patrick Fogarty	35,267,180	16/12/2021
Microequities Asset Management	15,227,923	07/02/2022

Note:

* Interest held under section 608(1)(c) of the Corporations Act through voluntary escrow on behalf of various registered holders of securities.

Unquoted Equity Securities

Unquoted Options	Units
Unlisted options with various exercise prices and various expiry dates	35,414,344

Restricted Securities

Securities subject to voluntary escrow

Class	Expiry Date	Units
Ordinary Shares	24 Months from Quotation	15,374,120

There are no other securities on issue subject to voluntary escrow.

Restricted Securities

The following restricted securities listed above are subject to ASX mandatory escrow.

Class	Expiry Date	Units
Ordinary Shares	12 Months from Quotation	7,688,989
Ordinary Shares	24 Months from Quotation	142,060,350
Unquoted Options	24 Months from Admission to the Official List	17,834,179

There are no other restricted securities on issue.

Voting Rights

Ordinary Shares

Each member present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled:

- on a show of hands – to one vote.
- to a poll – to one vote for each share held.

Unlisted Options

Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, if declared, until such time as the options are exercised and subsequently registered as ordinary shares.

There are no other classes of equity securities.

On-Market Buy-Back

There is currently no on-market buy-back.

Stock Exchange Listing

XPON Technologies Limited is listed on the Australian Stock Exchange Ltd (ASX) under the issuer code: XPN.

Other ASX Required Information

The Company has used the cash and assets in a form readily convertible to cash, that it had at the time of admission to the ASX, in a way consistent with its business objectives. This statement is made pursuant to ASX Listing Rule 4.10.19.

Appendix: Glossary

Annualised Recurring Revenue (ARR):	represents monthly contracted recurring revenue multiplied by 12. An annualised measure of the revenue that XPON expects to earn from its customers on a repeatable basis. This metric shows the impact of new customer contracts less any churn from customers leaving or downgrading their contracts.
Average Revenue Per Customer (ARPC):	calculated as annual revenue for the last 12 months divided by the number of customers at that time (and divided by 12 to get a monthly view).
Customer Acquisition Costs (CAC):	calculated by total customer acquisition costs spent on acquiring customers over the last 12 month period divided by the number of customers acquired during the period. It includes 80% of the salary costs of all sales & marketing team members and 100% of sales commissions, advertising costs, costs for customer marketing activities and resources.
CAC Payback:	the average number of months that it takes for XPON to receive back its customer acquisition costs.
Customer Revenue Retention Rate (CRRR):	the percentage of recurring revenue retained from existing customers over the last 12 months. This accounts for increased revenue from existing customers utilising more of XPON's solutions and lost revenue due to churned customers.
GTM:	Go-to-market, meaning the strategy by which XPON wins business.
Lifetime Value (LTV):	LTV per customer is the gross profit expected on average from a recurring customer over their lifetime. This is calculated by taking the average customer lifetime (1 minus the monthly retention rate to get monthly churn, then 1 divided by churn) multiplied by ARPC, multiplied by the gross margin percentage for the last quarter. Total LTV represents the total gross profit XPON expects to receive from its current recurring customer base by taking the average LTV per customer and multiplying it by the number of recurring customers.
LTV/CAC Ratio:	LTV divided by CAC, expressed as a ratio to indicate the net return on the cost of acquiring a customer on average, after cost of sales and before operating expenses.
Monthly Retention Rate:	the percentage of customers that are retained on a monthly basis and are not lost due to customer churn over the last 12 months (and divided by 12 to get a monthly view).
Non Recurring Revenue:	revenue realised from the sale of one-off project services, onboarding and implementation fees.
Recurring Revenue:	revenue realised from the sale of software licences, managed service subscriptions and usage fees.
Year-on-Year (YoY) ARR Growth Rate (%):	shows the change in XPON's ARR over a rolling 12-month time frame. This metric demonstrates the impact of the acquisition of new customers, the retention of customers and the expansion of existing customer contracts less any churn from customer's leaving or downgrading their contracts over a 12-month time frame.

Corporate Directory

Directors

Phil Aris – Independent Non-Executive Chairman

Tim Ebbeck – Independent Non-Executive Director

Matt Forman – Group Managing Director and CEO

Secretary

Mark Licciardo
Acclime Corporate Services Australia Pty Ltd
www.acclime.com.au

Principal Registered Office

Level 2, 33 Longland Street
Newstead QLD 4006
Australia

www.xpon.ai

Share Register

Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000
Australia

www.automicgroup.com.au

Auditor

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000
Australia

www.bdo.com.au

Solicitors

McCullough Robertson
Level 11, 66 Eagle Street
Brisbane QLD 4000
Australia

www.mccullough.com.au

Stock Exchange Listings

XPON Technologies Group Limited shares are listed on the Australian Securities Exchange (ASX code: XPN).

Country of Incorporation

XPON Technologies Group Limited is domiciled and incorporated in Australia.

Corporate Governance Statement

The directors and management are committed to conducting the business of XPON Technologies Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. XPON Technologies Group Limited has adopted and has complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed was approved by the Board of Directors at the same time as the Annual Report and can be found at

https://xpon.ai/investors-1/corporate-governance/

XPON®

xpon.ai