

APPENDIX 4D

SOVEREIGN CLOUD HOLDINGS LIMITED ABN 80 622 728 189

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The information contained in this report is for the half -year ended 31 December 2021 and the previous corresponding period ended 31 December 2020 for Sovereign Cloud Holdings Limited, the 'Company' and its controlled entity.

This report is presented in Australian dollars.

Sovereign Cloud Holdings Limited and its controlled entity, financial report for the half-year ended 31 December 2021 remains subject to the finalisation of auditor review and sign off. The Company will immediately make a further ASX announcement to the market if there are any material, differences between its unreviewed accounts and its final audit reviewed accounts. It is likely the Independent Audit Report will be lodged by 21 February 2022.

Results for announcement to the market

	H1 FY22	H1 FY21	Movement
	\$	\$	%
Revenues from ordinary activities	2,509,473	1,451,026	+72.9%
Loss from ordinary activities after tax	(6,290,876)	(5,364,459)	-17.3%
Loss for the period	(6,290,876)	(5,364,459)	-17.3%

Dividend information

	Amount per Share (cents)	Franked Amount per Share (cents)	Conduit Foreign Income Amount per Share
Interim dividend	-	-	-

Brief explanation to figures reported above

Refer to review of operations on page 2.

	31 Dec 2021	31 Dec 2020
	\$	\$
Net tangible assets per security (cents)	27.7	25.3

Details of entities which control has been gained or lost during the period.

None



AUSTRALIA'S
SOVEREIGN CLOUD
IAAS PROVIDER

Sovereign Cloud Holdings Limited

ACN: 80 622 728 189

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

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SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

DIRECTOR'S REPORT

The Directors present their report together with the interim financial report of Sovereign Cloud Holdings Limited, the 'Company' and its controlled entity, for the half-year ended 31 December 2021.

1. Directors' names

The names of the directors in office at any time during or since the end of the financial period year are:

- Cathie Reid (Chair)
- Philip Dawson (Managing Director)
- Ross Walker (Non-Executive Director)
- Allan Brackin (Non-Executive Director)
- Craig Scroggie (Non-Executive Director), appointed on 24 December 2021

The directors have been in office since the start of the half year to the date of this report unless otherwise stated.

2. Principal activities

The group's principal activity is to deliver sovereign cloud services to Australian Governments and critical national industries. Since formation the Group has built a cloud based platform, which is accredited to by Government standards to PROTECTED controls or higher. The platform is available to rent computation cycles and data storage to customers on a pay-as-you-go basis, referred to as Infrastructure as a Service (IaaS).

3. Operating Metrics

Summarised below are the operating metrics adopted by management for measuring the progress of business:

- Total Contract Value (TCV) is the total value of expected revenue from estimated consumption of Infrastructure-as-a-Service (IaaS), services secured through non-enforceable customer contracts (eg purchase orders, statement of works). Invoices are raised typically on a monthly basis against these contracts based on actual customer usage. Such contracts generally form part of a larger contractual scope that is less defined but provides overarching commercial terms (eg Master Services Agreements, Channel Partner Agreements, Teaming Agreements). As such, TCV provides an estimated of the total IaaS consumption expected by a customer over a defined time period, typically 12 months.
- TCV Closed in any period is the aggregated revenue associated with all signed commercial contracts in that period.
- TCV Outstanding is the remaining aggregated balance of all signed contracts at a point in time, net of any consumption utilised to date recognised against the respective contracts.
- IaaS Consumption is the revenue recognised based on the aggregated consumption of IaaS services, including contractual implementation, consulting and setup charges. In the Company's experience it is reasonable to expect IaaS Consumption to be repeated in subsequent periods.

4. Review and Results of Operations

Group Financial Results

The Group recorded a net loss for the half-year ended 31 December 2021 ('H1 FY22') a net loss of \$6.3 million (HY1 FY21: loss of \$5.4 million).

Revenue

For the half-year ended 31 December 2021 ('H1 FY22') revenue was \$2.1 million compared to \$1.1 million over the previous corresponding six-month period to 31 December 2020 ('H1 FY21').

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

Overall the Group secured \$3.4 million in TCV during HY1 FY22. As at 31 December, TCV outstanding was approximately \$6.61 million as shown below.

Summary of TCV Metrics	HY1 FY21	HY2 FY21	HY1 FY22
	\$'m	\$'m	\$'m
Opening TCV Outstanding	0.80	2.07	5.96
Add: Closed TCV	2.35	5.35	3.39
Less: Cancelled Contracts	-	-	(0.61)
Less: Revenue recognised	(1.08)	(1.46)	(2.13)
Closing TCV Outstanding	2.07	5.96	6.61

Expenses

Total expenses in H1 FY22 were \$8.8 million (H1 FY20: \$6.8 million) an increase of \$2.0 million. The increase in expenses was mainly due to additional employee headcount, increase in depreciation and costs associated with being ASX listed (which occurred in December 2020).

Financial Position

The Company's net asset position increased in HY1 FY22 by \$28 million to \$47 million at 31 December 2021, due to the capital raising in November/December 2021 of \$35 million which included a placement to NEXTDC and a non-renounceable share entitlement offer.

5. After balance date events

No matters or circumstances have arisen since the end of the half year ended 31 December 2021 which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial periods.

Signed in accordance with a resolution of the Board of Directors of Sovereign Cloud Holdings Limited.



Cathie Reid
Chair

Dated: 16 February 2022

Auditor's Independence Declaration

Placeholder - Page 1 of 1

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Revenue and other income			
Revenue from contracts with customers		2,127,707	1,093,715
Interest Income		5,728	6,442
Other Income	2	376,038	350,869
		<u>2,509,473</u>	<u>1,451,026</u>
Less: expenses			
Depreciation and amortisation		(2,011,764)	(1,630,404)
Employee benefits expense		(3,858,812)	(2,816,507)
Finance costs		(165,045)	(175,179)
Insurance		(93,630)	(43,223)
Licensing fees		(1,175,263)	(652,058)
Professional fees		(152,892)	(252,271)
IPO costs		-	(497,119)
Travel and conferences		(110,368)	(109,346)
Marketing		(104,694)	(4,633)
Power and connectivity		(146,399)	(99,986)
Other expenses		(981,482)	(534,759)
		<u>(8,800,349)</u>	<u>(6,815,485)</u>
Loss before income tax expense		<u>(6,290,876)</u>	<u>(5,364,459)</u>
Income tax expense		-	-
Loss for the year		<u>(6,290,876)</u>	<u>(5,364,459)</u>
Other comprehensive income for the period		-	-
Total comprehensive income/(loss)		<u>(6,290,876)</u>	<u>(5,364,459)</u>
Earnings per share for loss attributable to the shareholders:			
Basic earnings per share (cents)		(5.8)	(7.3)
Diluted earnings per share (cents)		(5.8)	(7.3)

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	31 Dec 2021 \$	30 June 2021 \$
Current assets			
Cash and cash equivalents		40,622,782	13,504,819
Receivables		613,770	464,709
Other assets		679,951	476,398
Total current assets		41,916,503	14,445,926
Non-current assets			
Property, plant and equipment	3	6,067,508	3,372,293
Intangible assets		54,064	73,068
Right of use lease assets	4	7,963,092	9,346,919
Other assets		247,321	249,077
Total non-current assets		14,331,985	13,041,357
Total assets		56,248,488	27,487,283
Current liabilities			
Payables	5	3,833,233	890,446
Lease liabilities		2,188,356	3,207,133
Provisions		403,407	310,920
Total current liabilities		6,424,996	4,408,499
Non-current liabilities			
Lease liabilities		2,708,916	3,828,838
Provisions		61,168	61,168
Total non-current liabilities		2,770,084	3,890,006
Total liabilities		9,195,080	8,298,505
Net assets		47,053,408	19,188,778
Equity			
Share capital	6	87,621,611	53,527,207
Reserves		623,456	562,354
Accumulated losses		(41,191,659)	(34,900,783)
Total equity		47,053,408	19,188,778

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2021

	Note	Contributed equity \$	Reserves \$	Accumulated Losses \$	Total equity \$
Consolidated					
Balance as at 1 July 2020		29,214,908	320,293	(23,313,802)	6,221,398
Loss for the half year		-	-	(5,364,459)	(5,364,459)
Transactions with owners in their capacity as owners:					
Contributions, net of transaction costs		24,312,299	-	-	24,312,299
Share based payments expensed		-	108,816	-	108,816
Balance as at 31 December 2020		53,527,207	429,109	(28,678,262)	25,278,054
Balance as at 1 July 2021		53,527,207	562,354	(34,900,783)	19,188,778
Loss for the half year		-	-	(6,290,876)	(6,290,876)
Transactions with owners in their capacity as owners:					
Contributions, net of transaction costs		34,094,404	-	-	34,094,404
Share based payments expense			61,102	-	61,102
Total transactions with owners in their capacity as owners		34,094,404	61,102	-	34,155,506
Balance as at 31 December 2021		87,621,611	623,456	(41,191,659)	47,053,408

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2021

	31 Dec 2021	31 Dec 2020
	\$	\$
Cash flow from operating activities		
Receipts from customers	2,179,063	1,073,577
Operating grant receipts	377,701	350,869
Payments to suppliers and employees	(6,309,259)	(4,517,183)
Interest received	5,728	6,442
Right of use lease interest	(165,040)	(175,179)
IPO expenses	-	(497,119)
Net cash provided by / (used in) operating activities	(3,911,807)	(3,758,593)
 Cash flow from investing activities		
Payment for property, plant and equipment	(925,936)	(2,650,972)
Payment for other non-current assets	-	(116,769)
Net cash provided by / (used in) investing activities	(925,936)	(2,767,741)
 Cash flow from financing activities		
Proceeds from share issue	35,071,637	25,425,900
Proceeds from borrowings	-	3,218,064
Repayment of borrowings	(2,138,698)	(1,615,924)
Payments of share issue costs	(977,233)	(1,113,601)
Net cash provided by / (used in) financing activities	31,955,706	25,914,439
 Reconciliation of cash		
Cash at beginning of half year	13,504,819	1,129,906
Net increase in cash held	27,177,963	19,388,105
Cash at end of financial period	40,622,782	20,518,011

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose interim financial report for the half year ended 31 December 2021 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report does not include all information required for a full annual financial report and should be read in conjunction with the annual report of the Group for the year ended 30 June 2021 and any public announcements made by Sovereign Cloud Holdings Limited during the interim reporting period.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The financial report covers Sovereign Cloud Holdings Limited and its consolidated entity. Sovereign Cloud Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia. Sovereign Cloud Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

Fair values

The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying value due to being short-term in nature. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Going concern

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

New and revised standards

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption of these standards did not have any impact on the group's accounting policies.

Segment reporting

The Group has identified its operating segment as providing sovereign cloud Infrastructure-as-a-Service ('IaaS') in Australia. Management currently identifies the IaaS sector as being the Group's sole operating segment.

There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon 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.

Comparatives

Where necessary comparative information has been reclassified and repositioned for consistency with current year disclosure and presentation

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

NOTES TO FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 December 2021	31 December 2020
	\$	\$
2: OTHER REVENUE AND OTHER INCOME		
Other income		
R & D Refundable tax offset	376,038	300,869
Subsidies and grants	-	50,000
	<u>376,038</u>	<u>350,869</u>
	31 December 2021	30 June 2021
	\$	\$
3: PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements		
Improvements under lease	279,572	279,572
Accumulated depreciation	(6,338)	(2,815)
	<u>273,234</u>	<u>276,757</u>
Office equipment at cost	148,878	97,137
Accumulated depreciation	(37,949)	(25,378)
	<u>110,929</u>	<u>71,759</u>
Computer equipment at cost	6,333,892	5,459,697
Computer equipment acquired, not installed	2,378,321	-
Accumulated depreciation	(3,028,868)	(2,435,920)
	<u>5,683,345</u>	<u>3,023,777</u>
Total property, plant and equipment	<u>6,067,508</u>	<u>3,372,293</u>
4: RIGHT OF USE LEASE ASSETS		
Data centres under lease	4,892,533	4,892,533
Accumulated depreciation	(2,214,298)	(1,627,385)
	<u>2,678,235</u>	<u>3,265,148</u>
Software and other intangibles under lease	868,255	868,255
Accumulated depreciation and amortisation	(482,437)	(363,730)
	<u>385,818</u>	<u>504,525</u>
Computer equipment under lease	6,726,792	6,726,792
Accumulated depreciation	(1,827,753)	(1,149,546)
	<u>4,899,039</u>	<u>5,577,246</u>
Total carrying amount of lease assets	<u>7,963,092</u>	<u>9,346,919</u>

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

	31 December 2021	30 June 2021
	\$	\$
5: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	993,261	426,062
Computer equipment acquired, not installed	2,378,321	-
Sundry creditors and accruals	461,651	464,384
	<u>3,833,233</u>	<u>890,446</u>
6: SHARE CAPITAL		
Issued and paid-up capital		
Ordinary shares - (2021: 169,700,336) (2020: 99,507,063)	87,621,611	53,527,207
	<u>87,621,611</u>	<u>53,527,207</u>

	31 December 2021		30 June 2021	
	Number	\$	Number	\$
Ordinary shares				
Opening balance	99,557,063	53,527,207	63,847,231	29,214,882
Shares issued:				
14 August 2020 Share placement	-	-	4,166,667	2,500,000
18 August 2020 Share placement	-	-	4,876,499	2,925,900
22 October 2020 Redemption of Class A & C performance shares	-	-	-	26
8 December 2020 IPO prospectus	-	-	26,666,666	20,000,000
November 2021 Share Placement	24,889,265	12,444,633		
December 2021 Non-Renounceable Rights issue	45,254,008	22,627,004		
Transaction costs relating to shares issued		(977,233)	-	(1,113,601)
Closing balance	<u>169,700,336</u>	<u>87,621,611</u>	<u>99,557,063</u>	<u>53,527,207</u>

9: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material matters or circumstances which have arisen between 31 December 2021 and the date of this report that have significantly affected or may affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

SOVEREIGN CLOUD HOLDINGS LIMITED AND CONTROLLED ENTITY

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Sovereign Cloud Holdings Limited, the directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 9 to 15, are in accordance with the *Corporations Act 2011*, including:
 - (i) complying with the Corporations Regulations 2001 and Australian Accounting Standards and Interpretations, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - (ii) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2021 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of the Directors.



Cathie Reid

Chair

Dated: 16 February 2022

AUDITOR'S REPORT

Placeholder - Page 1 of 2

AUDITOR'S REPORT

Placeholder - Page 2 of 2

CORPORATE DIRECTORY**Directors**

Mrs Cathie Reid
Non-executive Chair

Mr Phil Dawson
Managing Director

Mr Allan Brackin
Non-executive Director

Mr Ross Walker
Non-executive Director

Mr Craig Scroggie
Non-executive Director

Company Secretary

Michelle Crouch

Head Office

Suite 3, Level 4 Plaza Offices – West
21 Terminal Avenue
CANBERRA AIRPORT ACT 2609

Fyshwick Office:
Unit 7, 15-21 Beaconsfield Street
FYSHWICK ACT 2609

Registered Office

Level 38 Central Plaza One
345 Queen Street
BRISBANE QLD 4000

Auditor

Bentleys Brisbane (Audit) Pty Ltd
Level 9, 123 Albert Street
BRISBANE QLD 4000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited (ASX: SOV)

ABN: 80 622 728 189



AUSTRALIA'S
SOVEREIGN CLOUD
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Data Security
is our **DNA**

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