

A person is seen from the side, wearing a flight helmet and oxygen mask, looking out of a cockpit window. The view outside shows a bright sunset or sunrise over a hilly landscape with a body of water. The sun is low on the horizon, creating a strong orange glow. The cockpit's interior, including the window frame and part of the instrument panel, is visible in the foreground.

# Annual Report 2024

**SOCO CORPORATION LTD (ASX: SOC)**

ABN 61 660 362 201

**soco.**<sup>®</sup>



**Sebastian Rizzo, CEO**



**Tom Stianos, Chair**

## Dear Fellow Shareholders

We are pleased to present the 2024 SOCO Corporation Ltd (SOCO) annual report.

SOCO increased revenue by 12% to \$20.6m including an eight month contribution from AxSym. Unfortunately, Operating EBITDA<sup>2</sup> was down 88% to \$0.4m largely due to significant Federal Government project delays as well as industry-wide slowing in demand. This impacted both the SOCO and the AxSym businesses.

Management retained excess capacity on the basis of encouraging advice from clients and as a consequence the first half delivered a loss. Management took steps to reduce excess capacity in the third quarter and this led to the fourth quarter trading at an Operating EBITDA<sup>2</sup> profit of \$0.8m on revenue of \$6.2m.

Since then, we have seen steady sales and capacity utilisation. We begin FY25 with \$15.5m in signed contracts and a further \$3.5m of contracts expected to close in the first quarter. This gives the Board confidence that financial performance will improve in the coming year.

*"Trading conditions were challenging for SOCO in FY24, but we are incredibly proud of how the team responded, delivering in Q4. With \$15.5m of work already signed for FY25 we have laid strong foundations for profitable growth."*

**Sebastian Rizzo, Founder and CEO**

During the year, SOCO revised its accounting policy on the treatment of licensing revenue to only recognise the margin as revenue. This resulted in both the FY23 and FY24 revenues being adjusted but with no change in the reported profit.

Simon Forth resigned as CEO in the third quarter after having led the company through its transformation and successful IPO. Simon was instrumental in the transformation of SOCO from a private to public company and we thank him for his hard work and contribution to SOCO.

Sebastian Rizzo was appointed as interim CEO in March 2024 and was confirmed in the role in August 2024. As one of SOCO's founders Sebastian brings a wealth of experience and deep insights into our business operations. His leadership has been invaluable, realigning key personnel, focusing on clients, sales, and delivery and critically, returning the company to Operating EBITDA<sup>2</sup> profitability in Q4.

The integration of AxSym was completed during the year and now operates seamlessly with other SOCO personnel. This collaboration is yielding results with a number of important contracts signed where Axsym relationships have leveraged SOCO capabilities and vice versa.

A new long term incentive scheme was introduced based on sustained performance over a three-year period linked to earnings per share over that period. The new scheme aligned both AxSym and SOCO managers to ensure shareholder value is optimised.

The company is investing in additional sales and marketing capability with the aim of diversifying its revenue stream. This in turn will reduce dependence on any one sector or client.

The company has high quality clients with next to no bad debts. SOCO delivered positive cash conversion of \$0.7m prior to acquisition costs. Net cash at the end of the year was \$1.9m plus an available undrawn debt facility of \$2.5m.

SOCO is well placed to build on the momentum in Q4 FY24 and Q1 FY25. Our competitive advantages and strengths include:

- Alignment to the Microsoft ecosystem, one of the strongest platforms in the world
- Enduring client relationships providing significant follow-on projects; 85% of revenue in FY24 came from previously existing clients
- The capability of AxSym to sponsor employees in attaining security clearances via membership of the Defence Industry Security Program (DISP)
- Specialisation at the higher value application layers which are less commoditised than the technology and network layers. This includes applications such as:
  - Microsoft 365
  - Dynamics 365
  - Power Platform
  - Azure
- The addition of new growth service offerings to expand contract opportunities for the business. This includes:
  - Microsoft Co-Pilot,
  - AI
  - Security
  - Service Now
- Geographic diversification with new clients outside Queensland and Canberra including in WA, VIC, and NSW
- A value proposition that aligns closely with clients from 500 to 2,000 seats

While the profit outcome from last year was disappointing, the Board is confident in the company's long-term prospects and ability to leverage its fundamental strengths as the market conditions improve.

Thank you for your continued support and trust.

Yours sincerely,



Thomas Stianos  
Non-Executive Chair  
SOCO Corporation Ltd



Sebastian Rizzo  
Chief Executive Officer  
SOCO Corporation Ltd

1. Operating EBIT is a non-IFRS metric and is calculated as net profit before interest, fair value of contingent consideration, acquisition costs, IPO expense, public company cost, share-based remuneration, and taxes. These measures, which are unaudited, are important to management as an additional way to evaluate the Group's performance.

2. Operating EBITDA is Operating EBIT before depreciation and amortisation.

# Document contents

<b>Corporate directory.....</b>	<b>8</b>
<b>Director's Report .....</b>	<b>10</b>
<b>Auditor's independence declaration.....</b>	<b>28</b>
<b>Consolidated statement of profit or loss and other comprehensive income .....</b>	<b>30</b>
<b>Consolidated statement of financial position.....</b>	<b>31</b>
<b>Consolidated statement of changes in equity .....</b>	<b>32</b>
<b>Consolidated statement of cash flows .....</b>	<b>33</b>
<b>Notes to the consolidated financial statements .....</b>	<b>34</b>
Note 1. General information .....	34
Note 2. Material accounting policy information .....	34
Note 3. Critical accounting judgements, estimates and assumptions .....	43
Note 4. Operating segments .....	44
Note 5. Revenue from contracts with customers .....	44
Note 6. Other income .....	45
Note 7. Expenses .....	46
Note 8. Income tax .....	47
Note 9. Cash and cash equivalents .....	49
Note 10. Trade and other receivables .....	50
Note 11. Contract assets .....	51
Note 12. Other assets .....	51
Note 13. Property, plant and equipment .....	52
Note 14. Right-of-use assets .....	53
Note 15. Intangible assets .....	54
Note 16. Trade and other payables .....	55
Note 17. Contract liabilities .....	56
Note 18. Borrowings .....	57
Note 19. Lease liabilities .....	57
Note 20. Employee benefits .....	58
Note 21. Contingent consideration .....	58
Note 22. Issued capital .....	59
Note 23. Reserves .....	60
Note 24. Dividends .....	60
Note 25. Financial instruments .....	61
Note 26. Fair value measurement .....	63
Note 27. Key management personnel disclosures .....	64
Note 28. Remuneration of auditors .....	65
Note 29. Contingent assets .....	65

Note 30. Contingent liabilities.....	65
Note 31. Commitments.....	65
Note 32. Related party transactions.....	66
Note 33. Business combinations.....	67
Note 34. Parent entity information .....	69
Note 35. Interests in subsidiaries .....	70
Note 36. Cash flow information .....	70
Note 37. Earnings per share.....	71
Note 38. Share-based payments.....	72
Note 39. Events after the reporting period .....	76
 <b>Consolidated entity disclosure statement .....</b>	<b>77</b>
 <b>Directors' declaration.....</b>	<b>78</b>
 <b>Independent auditor's report to the members of SOCO Corporation Ltd .....</b>	<b>80</b>
 <b>Shareholder information .....</b>	<b>87</b>





Kaja. Modern Workplace  
Consulting Team.



What can  
happen when  
a company  
gives you  
**purpose?**

**soco.**<sup>®</sup>

# Corporate directory

## The Company

### SOCO Corporation

SOCO Corporation Ltd  
ACN 660 362 201  
[www.soco.com.au](http://www.soco.com.au)

### Registered office

Level 1, 172 Evans Road  
Salisbury QLD 4107

### Head office

Level 4, 120 Edward Street  
Brisbane QLD 4000

### Independent Non-Executive Directors

Thomas Stianos (Chair)  
Khatiza Brown

### Executive Directors

Sebastian Rizzo  
Tom Rock

### Chief Executive Officer

Sebastian Rizzo

### Company Secretary

Stephen Parks

## Lawyers

### Legal Advisor

McCullough Robertson  
Level 11, 66 Eagle Street  
Brisbane QLD 4000  
[www.mccullough.com.au](http://www.mccullough.com.au)

## Shareholders

### Share Registry

Automic Pty Ltd  
Level 5, 126 Phillip Street  
Sydney NSW 2000  
[www.automicgroup.com.au](http://www.automicgroup.com.au)

### Stock Exchange Listing

SOCO Corporation Ltd shares are listed on the Australian Securities Exchange (ASX:SOC)

## Auditors

### Auditor

BDO Audit Pty Ltd  
Level 10, 12 Creek Street  
Brisbane QLD 4000  
[www.bdo.com.au](http://www.bdo.com.au)

## Business objectives

SOCO Corporation Ltd will focus on the provision of information technology services.

In accordance with the Listing requirements ASX 4.10.19, the directors confirm that the Group has used cash and cash equivalents that are held at the time of listing in a way consistent with its stated business objectives.

## Corporate Governance Statement

The directors and management are committed to conducting the business of SOCO Corporation Ltd in an ethical manner and in accordance with the highest levels of corporate governance. SOCO Corporation Ltd has adopted and complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ("Recommendations"), to the extent appropriate for the size and nature of SOCO Corporation Ltd's 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, which is approved at the same time as the Annual Report, can be found at: [www.soco.com.au/corporate-governance/](http://www.soco.com.au/corporate-governance/)





Nehal. Business  
Applications Team.



Incredible people  
delivering  
**meaningful  
change.**

# Director's Report

30th June 2024

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SOCO Corporation Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

## Directors

The following persons were Directors of SOCO Corporation Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Thomas Stianos - Chair  
Khatiza Brown  
Sebastian Rizzo  
Thomas Rock

## Principal activities

During the financial year the principal activities of the Group was as an IT consultancy business, specialising in the delivery of cloud solutions, business applications and integration projects with a focus on Microsoft solutions.

## Dividends

Dividends paid during the financial year were as follows:

	2024 \$	2023 \$
Final dividend for the year ended 30 June 2023 of 0.5 cents per ordinary share, fully franked	636,312	-
Franked ordinary dividend of 3.12 cents per share to Founding Shareholders	-	3,125,273
	<u>636,312</u>	<u>3,125,273</u>

## Review of operations

Revenue for the full year ended 30 June 2024 was \$20,559,570, up 12% from \$18,405,227 in the previous corresponding period, but down 25% when AxSym Technology Pty Ltd ('AxSym') revenues are excluded.

Operating EBITDA of \$424,143 (prior to significant items) was down 88% on the previous financial year of \$3,675,930.

After depreciation and amortisation, interest, and significant items are deducted, the statutory net loss after tax for the financial year was \$486,170 (30 June 2023: profit of \$1,482,223).

The disappointing final profit was impacted by Federal Government project delays and some clients scaling back spending on projects. This led to a significant loss in the first half as a result of lower staff utilisation levels before the business was rightsized in Q3 in response to these factors.

Following these adjustments and a number of project wins, the Company returned to profitability in Q4 generating an Operating EBITDA profit of \$778,359 for the quarter on revenue of \$6,209,713.

The Company has a strong net cash balance of \$1,893,734 at 30 June 2024, as well as a sound cash conversion cycle. In addition, a debt facility was established in December 2023 which has unused available funds of \$2,500,000 at reporting date.

The Company is investing in additional sales and marketing capability to drive diversification of its client base. While this investment will come at an initial cost in FY25, it is expected to deliver returns in subsequent years that will help to underpin a more consistent performance.

In addition, the Company is pleased to confirm that Sebastian Rizzo has now assumed the role of CEO on a permanent basis after resuming that role on an interim basis on 1 March 2024.

## DIRECTOR'S REPORT

The directors consider Operating Earnings Before Interest, Tax, Depreciation and Amortisation ('Operating EBITDA') to reflect the core earnings of the Group. Operating EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items. The Group's reconciliation of its statutory net profit after tax ('NPAT') for the current and previous year to Operating EBITDA is as follows:

	2024 \$	2023 \$
Revenue	20,559,570	18,405,227
Operating EBITDA <sup>2</sup>	424,143	3,675,930
Depreciation	(268,904)	(300,666)
Amortisation of acquired intangibles	(443,472)	-
Operating EBIT <sup>1</sup>	(288,233)	3,375,264
Net interest income	39,237	32,665
Net (loss)/profit before income tax and significant items	(248,996)	3,407,929
<i>Significant items:</i>		
Fair value of contingent consideration	716,662	-
Acquisition costs	(440,700)	-
IPO expense	-	(899,523)
Public company cost <sup>4</sup>	(457,382)	(270,646)
Share-based remuneration	(281,784)	(162,858)
Net (loss)/profit before income tax expense	(712,200)	2,074,902
Income tax benefit/(expense)	226,030	(592,679)
Net (loss)/profit after income tax expense	(486,170)	1,482,223
NPATA <sup>3</sup>	(153,566)	1,482,223

- (1) Operating EBIT is a non-IFRS metric and is calculated as net profit before interest, fair value of contingent consideration, acquisition costs, IPO expense, public company cost, share-based remuneration, and taxes. These measures, which are unaudited, are important to management as an additional way to evaluate the Group's performance.
- (2) Operating EBITDA is Operating EBIT before depreciation and amortisation.
- (3) NPATA is net profit after tax and before the tax-effected amortisation of acquired intangibles.
- (4) Public company cost is included in general and administrative expenses in the statement of profit or loss and other comprehensive income.

### Acquisition of AxSym

The integration of AxSym was completed in Q4 and cross selling collaboration between SOCO and AxSym is generating good opportunities in Q1 FY25, however, the FY24 earnout hurdle was not met. The parties have subsequently agreed to extend the AxSym earnout hurdle to include an EBITDA maintainable earnings target for FY26. The total purchase consideration remains unchanged.

As the agreement was not executed until after 30 June 2024, the statement of profit or loss and other comprehensive income records a fair value adjustment to contingent consideration based on the original agreement which results in a fair value write back to profit of contingent consideration in FY24 of \$716,662 as the FY24 earnout hurdle was not met.

Under the amended agreement this write back may become payable at the end of the new measurement periods if the EBITDA targets for FY25 and FY26 are met which would then result in an expense being recognised in the statement of profit or loss and other comprehensive income during that future period. See section on 'matters subsequent to the end of the financial year'.

## DIRECTOR'S REPORT

### *Change in accounting policy*

Following a detailed review of software licensing agreements, the Group has revised its accounting policy for the recognition of sales of software licenses to account for this revenue as agent. There was no effect on profit and the comparative consolidated statement of profit or loss and other comprehensive income for the change in accounting policy is shown below:

	Previously reported \$	Adjustment \$	Restated \$
<b>Year ended 30 June 2023</b>			
Revenue from contracts with customers	19,693,164	(1,287,937)	18,405,227
Cost of providing services	(12,309,016)	1,287,937	(11,021,079)
Gross margin	<u>7,384,148</u>	<u>-</u>	<u>7,384,148</u>

### **Business risks**

The Company is subject to risks that are specific to the Group and risks that are of a general nature. All these risks may threaten both the current and future operating and financial performance of the Group. A number of these risks are beyond the control and influence of the Directors and management of the Company, but the Group has mitigation strategies in place to manage the impact of these risks should they occur. The material risks and how they are managed are presented below.

#### *Competition*

The Group believes it has a competitive business model however there is a risk that existing competitors or new entrants may emerge in the market. These competitors may disrupt the market with increased marketing activities, and more competitive pricing. The ability to attract new clients will in part depend on SOCO's reputation along with its ability to communicate the value and security that it offers. As a people business, SOCO seeks to maintain competitive advantage by creating an exceptional employment experience for the SOCO team. In addition, the Group has widened its footprint to include offices in Sydney, Melbourne and Perth.

#### *Ability to attract and retain key personnel*

The Group's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments and achieve forecast revenues. Additionally, increases in recruitment and salary costs may adversely impact upon the financial performance of the Group. The Group seeks to attract and retain key talent through maintaining a rewarding and flexible workplace.

#### *Law and regulatory compliance*

The Group is required to maintain compliance with all applicable laws and regulations. These include requirements related to various Australian employment laws and policies, such as the Fair Work Act 2009 (Cth). Failure to comply with such laws and regulations could result in regulatory action or other claims which could have an adverse impact on SOCO's reputation, financial performance and profitability. SOCO has management processes and quality assurance processes in place to manage compliance with applicable laws and regulations.

#### *Reliance on Microsoft platform*

SOCO is focussed on the Microsoft platform. If this ecosystem is compromised, Microsoft's reputation is negatively impacted, or if the Federal Government were to change or distance its investment with Microsoft's technology platform, this could negatively affect SOCO's financial results. SOCO would seek to mitigate this through assessing other platforms that may evolve as a result and leverage its reputation with existing clients.

#### *General economic conditions*

SOCO's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions could have an adverse impact on the Group's operating and financial performance. The Group has a strong balance sheet and maintains a conservative cash position to support the Group if required.

#### *Climate related*

SOCO considers the strategic and financial impacts of climate change. Whilst not considered an immediate material risk for SOCO with its current operations, it may impact corporate strategies, investor decisions, governance and future prospects as the regulatory and reporting environment as well as investor expectations evolve.



## Significant changes in the state of affairs

On 24 October 2023, the Group announced that it had entered into a binding agreement for the acquisition of 100% of the issued shares in Axsym Technology Pty Ltd ('Axsym'). Axsym is a Canberra-based information technology consultancy with a federal government focus, with clients including Defence, Foreign Affairs and National Security agencies. Axsym also brings success in the New South Wales state government sector, delivering services to the NSW Rural Fire Service. The purchase price includes \$4,251,010 in cash, funded from the Group's available cash on hand, and \$2,678,688 in the Company's ordinary shares with 10,714,753 shares issued at 25.0 cents per share. In addition, contingent consideration of up to \$3,193,000 (\$1,596,500 relating to FY24 performance and \$1,596,500 relating to FY25 performance) is payable in cash, subject to Axsym achieving agreed EBITDA targets based on audited EBITDA results for FY24 and FY25.

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

On 1 November 2023 the Company acquired 100% of the issued shares in Axsym Technology Pty Ltd ('Axsym'). The purchase price included contingent consideration of up to \$3,193,000 (\$1,596,500 relating to FY24 performance and \$1,596,500 relating to FY25 performance) which was payable in cash, subject to Axsym achieving agreed EBITDA targets for FY24 and FY25.

The agreement referenced FY24 and FY25 as being the earnout measurement periods despite FY24 already being well along. The parties to the agreement have agreed to reset the measurement periods from FY24 and FY25, to FY25 and FY26 respectively. The quantum of the earnout did not change.

An amendment to the original share sale deed reflecting this change was fully executed on 29 August 2024.

	Measurement Period			Maximum Earnout
	FY24 \$	FY25 \$	FY26 \$	
<b>Axsym Technology Pty Ltd</b>				
<i>Contingent consideration:</i>				
Share sale deed – original	1,596,500	1,596,500	-	3,193,000
Share sale deed - amendment	-	1,596,500	1,596,500	3,193,000

As the agreement was not executed until after 30 June 2024, the statement of profit or loss records a fair value adjustment to contingent consideration based on the original agreement which results in a fair value write back to profit of contingent consideration in FY24 of \$716,662 as the FY24 earnout hurdle was not met.

Under the amended agreement, the amounts may become payable at the end of the new measurement periods if the EBITDA targets for FY25 and FY26 are met, which would then result in an expense being recognised in the statement of profit or loss during that future period for any amount that may become payable.

No other matter or circumstance has arisen since 30 June 2024 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.

## Likely developments and expected results of operations

The Group will continue to pursue its principal activities as an IT consultancy, specialising in the delivery of cloud solutions, business applications and integration projects; with a focus on Microsoft solutions. The activities are not expected to materially change in the foreseeable future.

## Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## DIRECTOR'S REPORT

### Information on Directors

Name:	<b>Thomas Stianos</b>
Title:	Independent Non-Executive Director
Qualifications:	Thomas ('Tom') holds a Bachelor of Applied Science from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.
Experience and expertise:	Tom has over 30 years' experience in the IT and consulting industry with extensive experience in the governance of ASX listed company boards. Until November 2021 Tom was Non-executive Chair of Empired Limited (ASX:EPD), a Microsoft systems integrator and managed service provider with over 1,000 staff across Australia and New Zealand. He was previously CEO and Managing Director of SMS Management & Technology Ltd (ASX:SMX) an IT consulting and systems integration company employing 1,682 staff and with revenue of \$335.8 million.
Other current directorships:	Non-Executive Director of Xref Ltd (appointed October 2021) Non-Executive Director of Gale Pacific Ltd (appointed October 2017)
Former directorships (last 3 years):	Non-Executive Director of Empired Ltd (appointed November 2016, resigned November 2021)
Special responsibilities:	Chair of the Board Chair of the Nomination and Remuneration Committee Member of the Audit and Risk Committee
Interests in shares:	161,319 ordinary shares (indirectly held)
Interests in options:	1,000,000 options over ordinary shares (indirectly held)

Name:	<b>Khatiza Brown</b>
Title:	Independent Non-Executive Director
Qualifications:	Khatiza holds a Post Graduate Diploma in Applied Statistics and Computing from Bangor University and is a Member of Australian Institute of Company Directors. She is a Fellow of, and holds a Graduate Diploma, Applied Corporate Governance from The Governance Institute of Australia, and is a Certified Practising Accountant (CPA).
Experience and expertise:	Khatiza has over 20 years' experience working as a corporate governance, corporate services and finance executive in Australia, South Africa and the United Kingdom. She has significant company secretarial, financial management, HR and IT experience gained within public and private manufacturing, mining and service sectors. Key experience includes management of company compliance with statutory and regulatory requirements in multiple international jurisdictions and the management of board and shareholder administration, communications and relationships.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee Member of the Nomination and Remuneration Committee
Interests in shares:	None
Interests in options:	200,000 options over ordinary shares (directly held)

Name:	<b>Sebastian Rizzo</b>
Title:	Executive Director and in addition was Interim Chief Executive Officer from 1 March 2024 to 28 August 2024 and Chief Executive Officer from 29 August 2024
Qualifications:	Sebastian holds a Master of Business Administration (Technology) from the University of New South Wales and is a member of the Australian Institute of Company Directors.
Experience and expertise:	Sebastian has over 16 years' experience in the IT industry technical experience and spent 6 years as the former chief executive officer of SOCO before resuming that role following the resignation of Simon Forth. Under his leadership SOCO achieved five years of sustained growth and development. Sebastian currently works in the business as an Executive Director with a focus on developing SOCO's growing portfolio of Australian federal government clients.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	42,553 ordinary shares (directly held) 20,195,179 ordinary shares (indirectly held)
Interests in options:	None

## DIRECTOR'S REPORT

Name:	<b>Thomas Rock</b>
Title:	Executive Director
Qualifications:	Thomas ('Tom') holds a Master of Engineering specialising in Electronic Engineering and Computer Science from University of Sheffield and is a member of the Australian Institute of Company Directors.
Experience and expertise:	Tom has over 15 years' experience working in the IT industry and been a driving force behind SOCO's branding, market offering and methodology, people, culture, and values. Tom currently works in the business as the Executive Director for Strategy, Brand, and Culture, and collaborates closely with the CEO and executive team to shape SOCO's long term vision.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	209,292 ordinary shares (directly held) 20,254,552 ordinary shares (indirectly held)
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Company secretary

Name:	<b>Stephen Thomas Parks</b>
Title:	Chief Financial Officer and Company Secretary
Qualifications:	Stephen ('Steve') holds a Bachelor of Commerce from the University of Canterbury and is a Fellow of the Institute of Public Accountants.
Experience and expertise:	Steve has over 20 years senior financial experience with private and public companies (ranging from \$20 million to \$400 million turnover). He has executed on strategic initiatives, mergers and acquisitions, information technology, and risk management. Before joining SOCO, Steve was the CFO and Company Secretary for Big River Industries Ltd (ASX:BRI) where he played a key role in the transition from family ownership, through to IPO in 2017, subsequent acquisition activity and significant growth.

### 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 2024, and the number of meetings attended by each Director were:

	<i>Full Board</i>		<i>Nomination and Remuneration Committee</i>		<i>Audit and Risk Committee</i>	
	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>
Thomas Stianos	14	14	3	3	4	4
Khatiza Brown	14	14	3	3	4	4
Sebastian Rizzo	14	14	3	3	4	4
Thomas Rock	14	14	3	3	3	4

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The policy reflects SOCO Corporation Ltd as a listed entity following the restructure. The policy described hereon is for the current year.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### *Principles used to determine the nature and amount of remuneration*

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

### *Non-executive Directors' 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 participate in the Company's Omnibus Plan (refer below for further information).



## DIRECTOR'S REPORT

ASX listing rules require the aggregate non-executive Directors' remuneration be determined periodically by a general meeting. The most recent determination by the shareholders approved a maximum annual aggregate remuneration of \$400,000.

### *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 four components:

- base pay and non-monetary benefits
- short-term performance incentives
- long-term performance incentives
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are 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.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments may be granted in the form of cash or share-based payments to senior executives based on achievement of financial hurdles principally relating to revenue and earnings before interest, tax, depreciation and amortisation ('EBITDA')

The long-term incentive ('LTI') program includes the Omnibus Incentive Plan, which offers participants share-based payments. Further details are provided below.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

### **Share-based payment plans**

The Group has the following options in existence:

#### Omnibus Plan

The Group has adopted a long-term incentive plan in connection with its admission to 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 ordinary shares, options or rights. Each Director is eligible to participate in the Omnibus Plan.

The vesting of the shares, options or rights may be subject to the satisfaction of service-based conditions and performance hurdles which, when satisfied, will allow participating employees to receive shares or vested options or rights which are exercisable over shares.

Awards of fully paid ordinary shares, options, performance rights and share appreciation rights can be made under the Omnibus Plan.

Shares can be granted to the participants under a free grant (receiving an allocation of shares for no consideration) or salary contribution agreement.

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.

A participant under the Omnibus Plan does not have a right to participate in dividends on shares or a further issue of shares until shares are issued, transferred or allocated under the terms of an offer, including on exercise or vesting of the security or right.

A performance right confers an entitlement to be issued, transferred or allocated one share after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions, and any other requirements contained in the offer.

A share appreciation right confers an entitlement to be issued, transferred or allocated the number of shares calculated under the terms of the Omnibus Plan after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting

## DIRECTOR'S REPORT

conditions and any other requirement contained in the offer. The Board may decide, in its absolute discretion to substitute the issue, transfer or allocation of these shares for the payment of a cash amount.

The Omnibus Plan contains provisions for the Board to deal with securities issued under the Omnibus Plan in the event of a change of control trigger event, which includes the ability to:

- (a) buy-back or accelerate the vesting of options or performance rights, arrange replacement securities on similar economic terms in a bidder, allow the options or performance rights to continue on their terms, or proceed with any combination of the alternatives;
- (b) accelerate vesting (including on a pro rata basis) of share appreciation rights; and
- (c) provide under an offer document for a particular treatment of shares issued under the Omnibus Plan upon the occurrence of a change of control trigger event.

Each participant under the Omnibus Plan grants to the Company a power of attorney to perform any act required in respect of actions available to the Company on a change of control trigger event.

The Omnibus Plan includes provisions consistent with the Listing Rules to permit an adjustment to the number of shares that may be issued on exercise or vesting of a security issued under the Omnibus Plan in the event of a reorganisation of the Company's capital.

The maximum number of securities projected to be issued under the Omnibus Plan within the three-year period from completion of the IPO is 7,300,000. This number is not intended to be a prediction of the actual number of securities to be issued by the Company, simply a ceiling for the purposes of ASX Listing Rule 7.2 (Exception 13(a)).

### FY24 Performance Options

1,000,000 performance options were granted to the Chief Executive Officer, Simon Forth on 3 October 2023 under the terms of the Omnibus Plan.

The key terms of the FY24 Performance Options are:

- (a) **Entitlements:** Each Performance Option entitles the holder to subscribe for one ordinary share upon exercise of the Performance Option.
- (b) **Exercise price:** \$0.00 per option.
- (c) **Vesting conditions:** The total number of FY24 Performance Options that may vest will be determined based on achievement of the following performance milestones. Failure to meet a lower target of a performance milestone will mean no FY24 Performance Options under that milestone will vest.

<i>Milestone<sup>(1)</sup></i>	<i>Lower target</i>	<i>Upper target</i>	<i>Lower multiplier %</i>	<i>Upper multiplier %</i>	<i>Weighting<sup>(3)</sup> %</i>
FY24 Revenue from organic business	\$22,000,000	\$24,585,923	80%	100%	25%
FY24 EBITDA <sup>(2)</sup>	\$3,075,000	\$3,476,501	80%	100%	25%
The employee remains an employee until at least 1 July 2024 <sup>(4)</sup>					50%

(1) Each of the milestones are independent. vesting of options under one milestone is not conditional on satisfaction of the other milestones. Any fraction of an option (on calculating the number of options that vest) will be rounded up to the nearest whole option.

(2) To be assessed based on the Group's consolidated audited FY24 financial statements.

(3) As a percentage of the total FY24 Performance Options

(4) A vesting condition was modified during the year such that the service condition was no longer required and an expense of \$122,800 was recognised during the period.

- (d) **Expiry date:** The expiry date is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as CEO of the Company; and (ii) the date that is five (5) years after the issue date.
- (e) **Exercise period:** Subject to satisfaction of the vesting conditions, the exercise period commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

## DIRECTOR'S REPORT

### FY24 Employee Performance Options

A total of 259,921 employee performance options were granted to S Parks on 15 January 2024 under the terms of the Omnibus Plan.

The key terms of the FY24 Employee Performance Options are:

- (a) **Entitlements:** Each option entitles the holder to subscribe for one ordinary share upon exercise of the option.
- (b) **Exercise price:** \$0.00 per option.
- (c) **Vesting conditions:** The employee must remain an employee until at least 1 July 2025. The total number of options that may vest will be determined based on achievement of the following performance milestones. Failure to meet the lower target of any performance milestone will mean no options under that milestone will vest.

Milestone <sup>(1)</sup>	Lower target	Upper target	Lower multiplier %	Upper multiplier %	Weighting <sup>(3)</sup> %
FY24 Revenue from organic business	\$10,600,000	\$12,400,000	80%	100%	60%
FY24 EBITDA <sup>(2)</sup>	\$1,750,000	\$2,050,000	80%	100%	40%

- (1) Each of the milestones are independent. vesting of options under one milestone is not conditional on satisfaction of the other milestones. Any fraction of an option (on calculating the number of options that vest) will be rounded up to the nearest whole option.
- (2) To be assessed based on the Group's consolidated audited FY24 financial statements.
- (3) As a percentage of the total FY24 Performance Options

- (d) **Expiry date:** The expiry date is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their employment and (ii) in respect of any portion of the options for which the vesting conditions have been satisfied, 1 July 2025.
- (e) **Exercise period:** Subject to satisfaction of the vesting conditions, the exercise period commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

### Non-Executive Director Options

The Company granted a total of 1,200,000 options to the independent non-executive Directors on 18 November 2022 under the terms of the Omnibus Plan ('NED Options').

The key terms of the NED Options are:

- (a) **Entitlements:** Each NED Option entitles the holder to subscribe for one ordinary share upon exercise of the NED Option.
- (b) **Exercise price:** \$0.20 per option.
- (c) **Vesting conditions:** The holder has not resigned as a director of the Company on the date that is two (2) years after the issue date of the NED Options, or a change of control transaction occurs.
- (d) **Expiry date:** The expiry date for the NED Options is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as a director of the Company; and (ii) the date that is five (5) years after the issue date.
- (e) **Exercise period:** Subject to satisfaction of the vesting conditions, the exercise period for the NED Options commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

### Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last two years.

### Use of remuneration consultants

During the financial year ended 30 June 2024, the Group did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

## DIRECTOR'S REPORT

### Details of remuneration

#### Amounts of remuneration

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

The key management personnel of the Group consisted of the following Directors of SOCO Corporation Ltd:

- Thomas Stianos - Chair
- Khatiza Brown
- Sebastian Rizzo - Also Interim Chief Executive Officer from 1 March 2024 and Chief Executive Officer from 29 August 2024
- Thomas Rock

And the following persons:

- Simon Forth - Chief Executive Officer (resigned 29 February 2024)
- Stephen Parks - Chief Financial Officer and Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	
	Cash salary and fees	Leave benefits <sup>(3)</sup>	Non-monetary <sup>(4)</sup>	Super-annuation	Leave benefits <sup>(1)</sup>	Salary <sup>(5)</sup>	Equity-settled <sup>(2)</sup>	Total
2024	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
T Stianos	120,000	-	-	-	-	-	33,756	153,756
K Brown	40,724	-	-	4,480	-	-	6,756	51,960
<i>Executive Directors:</i>								
S Rizzo	200,000	6,074	14,994	22,000	13,678	-	-	256,746
T Rock***	137,527	11,907	14,994	15,128	7,485	-	-	187,041
<i>Other Key Management Personnel:</i>								
S Forth*	182,155	(18,725)	-	24,406	(7,556)	83,333	123,640	387,253
S Parks**	250,360	9,615	13,757	27,500	4,167	-	840	306,239
	930,766	8,871	43,745	93,514	17,774	83,333	164,992	1,342,995

\* Remuneration is disclosed from 1 July 2023 to date of resignation. Share-based payment comprises \$840 from the discretionary issuance of shares and \$122,800 from the grant of options.

\*\* Share-based payment comprises \$840 from the discretionary issue of shares.

\*\*\* T Rock worked part-time during the period.

(1) Long-term "leave benefits" represent movements in accrued long service leave entitlements.

(2) The value of the "equity settled" remuneration was determined as the face value of the options or shares at the grant date. The value disclosed is the portion of the fair value recognised as an expense in the reporting period.

(3) Short-term "leave benefits" represent movements in accrued annual leave entitlements, or payment on termination of employment

(4) The "non-monetary" component primarily represents the cost (including fringe benefits tax) of providing a car parking space.

(5) Salary in lieu of notice



## DIRECTOR'S REPORT

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Leave benefits <sup>(3)</sup>	Non-monetary <sup>(4)</sup>	Super-annuation	Leave benefits <sup>(1)</sup>	Equity-settled <sup>(2)</sup>	Total
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
T Stianos*	84,782	-	-	2,602	-	20,801	108,185
K Brown*	29,655	-	-	3,114	-	4,163	36,932
<i>Executive Directors:</i>							
A Raju**	45,000	10,608	5,254	10,313	5,347	-	76,522
S Simovic**	-	-	-	-	-	-	-
S Rizzo	120,000	5,438	13,461	27,500	6,517	-	172,916
T Rock	120,000	(13,506)	13,461	27,500	8,018	-	155,473
<i>Other Key Management Personnel:</i>							
S Forth*	250,000	6,299	-	26,250	4,200	263,801	550,550
S Parks*	248,397	14,423	13,757	26,082	4,155	-	306,814
	-	-	-	-	-	-	-
	897,834	23,262	45,933	123,361	28,237	288,765	1,407,392

\* Remuneration is disclosed from period of appointment to 30 June 2023.

\*\* Remuneration is disclosed from 1 July 2022 to date of resignation.

(1) Long-term "leave benefits" represent movements in accrued long service leave entitlements.

(2) The value of the "equity settled" remuneration was determined as the fair value of the options or shares at the grant date. The value disclosed is the portion of the fair value recognised as an expense in the reporting period.

(3) Short-term "leave benefits" represent movements in accrued annual leave entitlements.

(4) The "non-monetary" component primarily represents the cost (including fringe benefits tax) of providing a car parking space.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
T Stianos	78%	81%	-	-	22%	19%
K Brown	87%	89%	-	-	13%	11%
<i>Other Key Management Personnel:</i>						
S Forth	68%	52%	-	-	32%	48%
S Parks	100%	100%	-	-	-	-

## DIRECTOR'S REPORT

The proportion of the equity-settled bonus paid/payable or forfeited under the LTI program is as follows:

	Maximum LTI \$	Actual LTI \$	Equity-settled bonus payable 2024 %	Equity-settled bonus payable 2023 %	Equity-settled bonus forfeited 2024 %	Equity-settled bonus forfeited 2023 %
<i>Other Key Management Personnel:</i>						
S Forth	245,600	122,800	50%	38%	50%	62%
S Parks	48,943	-	-	-	100%	-

### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: **Sebastian Rizzo**  
 Title: Executive Director  
 Agreement commenced: 1 July 2022  
 Term of agreement: No fixed term  
 Details: A total fixed remuneration ('TFR') cost of \$222,000 per annum including statutory superannuation contributions. The TFR increases to \$223,000 from 1 July 2024. Either Seb or the Company may terminate the employment contract by giving three months' written notice to the other party.

Name: **Thomas Rock**  
 Title: Executive Director  
 Agreement commenced: 1 July 2022  
 Term of agreement: No fixed term  
 Details: A TFR cost of \$222,000 per annum including statutory superannuation contributions. The TFR increases to \$223,000 from 1 July 2024. Either Tom or the Company may terminate the employment contract by giving three months' written notice to the other party.

Name: **Stephen Parks**  
 Title: Chief Financial Officer and Company Secretary  
 Agreement commenced: 4 July 2022  
 Term of agreement: No fixed term  
 Details: A TFR cost of \$277,500 per annum including statutory superannuation contributions. The TFR increases to \$292,687 from 1 July 2024. Either Steve or the Company may terminate the employment contract by giving three months' written notice to the other party. In FY2024, a Short Term Incentive ('STI') of up to 22% of TFR was payable through the grant of Options with a nil exercise price subject to the achievement of financial hurdles, primarily relating to EBITDA performance.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Total fixed remuneration consists of base salary plus statutory superannuation contributions.

## DIRECTOR'S REPORT

### Share-based compensation

#### Issue of shares

Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

Name	Date	Shares	Issue price	\$
S Forth	25/08/2023	383,635	\$0.164	62,801
S Forth	15/01/2024	4,202	\$0.200	840
S Parks	15/01/2024	4,202	\$0.200	840

#### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Expiry date	% vested	Exercise price	Fair value per option at grant date
S Forth	1,000,000	3/10/2023	3/10/2028	0%	\$0.000	\$0.2456
S Parks	259,921	15/01/2024	22/07/2025	0%	\$0.000	\$0.1883

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

Name	Number of options granted during the year 2024	Number of options granted during the year 2023	Number of options vested during the year 2024	Number of options vested during the year 2023
S Forth	1,000,000	1,000,000	383,635	-
S Parks	259,921	-	-	-

Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
S Forth	245,600	62,801	100,899	32%
S Parks	48,943	-	-	-

## DIRECTOR'S REPORT

### **Additional information**

The earnings of the Group for the three years to 30 June 2024 are summarised below:

	2024 \$	2023 \$	2022 \$
Sales revenue	20,559,570	18,405,227	13,432,984
EBITDA <sup>(1)</sup>	(4,485)	2,342,903	2,692,739
(Loss)/profit after income tax	(486,170)	1,482,223	1,800,061

(1) EBITDA is a non-IFRS metric and is calculated as net profit before interest, depreciation, amortisation and income tax.

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

	2024	2023	2022
Share price at financial year end (\$)	0.11	0.23	-
Total dividends declared (cents per share)	0.50	3.62	1.20
Basic earnings per share (cents per share)	(0.36)	1.31	1.88
Diluted earnings per share (cents per share)	(0.36)	1.29	1.88



## DIRECTOR'S REPORT

### Additional disclosures relating to key management personnel

#### Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	<i>Balance at the start of the year</i>	<i>Received as part of remuneration</i>	<i>Exercised options</i>	<i>Additions</i>	<i>Disposals/ other</i>	<i>Balance at the end of the year</i>
<i>Ordinary shares</i>						
T Stianos	161,319	-	-	-	-	161,319
K Brown	-	-	-	-	-	-
S Rizzo	20,000,000	-	-	237,732	-	20,237,732
T Rock	20,138,217	-	-	325,627	-	20,463,844
S Forth <sup>(1)</sup>	1,005,000	4,202	383,635	-	(1,392,837)	-
S Parks	750,000	4,202	-	328,813	-	1,083,015
	<u>42,054,536</u>	<u>8,404</u>	<u>383,635</u>	<u>892,172</u>	<u>(1,392,837)</u>	<u>41,945,910</u>

(1) Disposals/other represents no longer key management personnel or an employee

#### Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	<i>Balance at the start of the year</i>	<i>Granted</i>	<i>Vested</i>	<i>Expired/ forfeited/ other</i>	<i>Balance at the end of the year<sup>(2)</sup></i>
<i>Options over ordinary shares</i>					
T Stianos	1,000,000	-	-	-	1,000,000
K Brown	200,000	-	-	-	200,000
S Rizzo	-	-	-	-	-
T Rock	-	-	-	-	-
S Forth <sup>(1)</sup>	1,000,000	1,000,000	(383,635)	(1,616,365)	-
S Parks	-	259,921	-	-	259,921
	<u>2,200,000</u>	<u>1,259,921</u>	<u>(383,635)</u>	<u>(1,616,365)</u>	<u>1,459,921</u>

(1) Expired/forfeited/other represents no longer key management personnel or an employee. Of this number, 616,365 were forfeited due to failure to meet vesting conditions.

(2) All options at year end have not vested and are not exercisable

#### Other transactions with key management personnel and their related parties

There are no other transactions and balances related to key management personnel and/or their related parties that need to be disclosed.

**This concludes the remuneration report, which has been audited.**

## DIRECTOR'S REPORT

### Shares under option

Unissued ordinary shares of SOCO Corporation Ltd under option at the date of this report are as follows:

<i>Grant date</i>	<i>Expiry date</i>	<i>Exercise price</i>	<i>Number under option</i>
8 December 2021*	6 February 2025	\$0.080	500,636
18 November 2022	18 November 2027	\$0.200	1,200,000
23 December 2022	23 December 2026	\$0.300	3,125,000
3 October 2023	3 October 2028	\$0.000	1,000,000
5 October 2023	22 July 2024	\$0.000	208,332
15 January 2024	22 July 2025	\$0.000	1,559,521
			<u>7,593,489</u>

\* Refer 'Existing Employee Options' in note 38 for details relating to these options.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

### Shares issued on the exercise of options

The following ordinary shares of SOCO Corporation Ltd were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options granted:

<i>Date options granted</i>	<i>Exercise price</i>	<i>Number of shares issued</i>
1 July 2020	\$0.070	586,615
18 November 2022	\$0.000	383,635
		<u>970,250</u>

### Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### 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.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

## DIRECTOR'S REPORT

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity 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 (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### **Officers of the Company who are former partners of BDO Audit Pty Ltd**

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

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

On behalf of the Directors



---

Thomas Stianos  
Chair

30 August 2024  
Brisbane

# Auditor's independence declaration



Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
[www.bdo.com.au](http://www.bdo.com.au)

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

## DECLARATION OF INDEPENDENCE BY R J LIDDELL TO THE DIRECTORS OF SOCO CORPORATION LTD

As lead auditor of SOCO Corporation Ltd for the year ended 30 June 2024, 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 SOCO Corporation Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'R J Liddell', is written over a faint, light blue horizontal line.

R J Liddell

Director

BDO Audit Pty Ltd

Brisbane, 30 August 2024

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.





Our  
**authentic  
leadership**  
delivers sustainable  
results



Zehra. Business Applications Team.

Cashmere

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Note	2024 \$	2023 Restated \$
<b>Revenue</b>			
Revenue from contracts with customers	5	20,559,570	18,405,227
Cost of providing services		(15,721,231)	(11,021,079)
Gross margin		4,838,339	7,384,148
<b>Other income</b>			
Other income	6	716,662	4,200
Interest income		65,677	41,065
<b>Expenses</b>			
Depreciation and amortisation expense	7	(712,376)	(300,666)
Loss on disposal of assets		(36,257)	-
Selling and marketing expense		(394,050)	(279,606)
Occupancy expense		(199,074)	(129,658)
General and administrative expense	7	(4,523,981)	(3,736,658)
Acquisition costs		(440,700)	-
Initial Public Offer costs	22	-	(899,523)
Finance costs	7	(26,440)	(8,400)
<b>(Loss)/profit before income tax benefit/(expense)</b>		(712,200)	2,074,902
Income tax benefit/(expense)	8	226,030	(592,679)
<b>(Loss)/profit after income tax benefit/(expense) for the year</b>		(486,170)	1,482,223
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		(486,170)	1,482,223
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	37	(0.36)	1.31
Diluted earnings per share	37	(0.36)	1.29

Refer to note 2 for details of restatement of comparatives for change in accounting policy.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes



# Consolidated statement of financial position

As at 30 June 2024

	Note	2024 \$	2023 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	2,310,401	6,488,826
Trade and other receivables	10	2,838,171	1,726,624
Contract assets	11	145,471	2,076
Other assets	12	225,484	355,978
Total current assets		5,519,527	8,573,504
<b>Non-current assets</b>			
Property, plant and equipment	13	187,244	240,889
Right-of-use assets	14	966,243	102,432
Intangible assets	15	8,505,107	6,982
Deferred tax	8	-	413,164
Total non-current assets		9,658,594	763,467
<b>Total assets</b>		15,178,121	9,336,971
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	2,500,491	1,205,492
Contract liabilities	17	596,152	333,599
Borrowings	18	416,667	-
Lease liabilities	19	219,730	106,091
Income tax	8	74,873	316,291
Employee benefits	20	829,724	657,360
Total current liabilities		4,637,637	2,618,833
<b>Non-current liabilities</b>			
Lease liabilities	19	778,687	-
Deferred tax	8	283,692	-
Employee benefits	20	399,968	228,770
Contingent consideration	21	733,013	-
Total non-current liabilities		2,195,360	228,770
<b>Total liabilities</b>		6,832,997	2,847,603
<b>Net assets</b>		8,345,124	6,489,368
<b>Equity</b>			
Issued capital	22	8,068,678	5,245,411
Reserves	23	394,392	239,421
(Accumulated losses)/retained profits		(117,946)	1,004,536
<b>Total equity</b>		8,345,124	6,489,368

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

# Consolidated statement of changes in equity

For the year ended 30 June 2024

	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	96	-	2,647,586	2,647,682
Profit after income tax expense for the year	-	-	1,482,223	1,482,223
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,482,223	1,482,223
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 22)	5,245,315	-	-	5,245,315
Share-based payments (note 38)	-	239,421	-	239,421
Dividends paid (note 24)	-	-	(3,125,273)	(3,125,273)
Balance at 30 June 2023	5,245,411	239,421	1,004,536	6,489,368
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	5,245,411	239,421	1,004,536	6,489,368
Loss after income tax benefit for the year	-	-	(486,170)	(486,170)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(486,170)	(486,170)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of ordinary shares as consideration for a business combination, net of transaction costs (note 22)	2,718,581	-	-	2,718,581
Share-based payments (note 38)	-	227,158	-	227,158
Exercise of options (note 22)	41,885	(9,386)	-	32,499
Exercise of performance options (note 22)	62,801	(62,801)	-	-
Dividends paid (note 24)	-	-	(636,312)	(636,312)
Balance at 30 June 2024	8,068,678	394,392	(117,946)	8,345,124

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

# Consolidated statement of cash flows

For the year ended 30 June 2024

	Note	2024 \$	2023 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		22,655,472	21,700,970
Payments to suppliers and employees (inclusive of GST)		(21,892,617)	(18,836,897)
		762,855	2,864,073
Interest received		65,677	41,065
Other revenue		-	4,200
Interest and other finance costs paid		(26,440)	(8,400)
Transaction costs relating to acquisition of subsidiaries		(440,700)	-
Income taxes paid		(830,991)	(865,971)
Net cash (used in)/from operating activities	36	(469,599)	2,034,967
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiary, net of cash acquired	33	(3,315,876)	-
Payments for property, plant and equipment	13	(56,751)	(80,737)
Payments for security deposits		-	(25,262)
Proceeds from disposal of property, plant and equipment		3,453	-
Proceeds from release of security deposits		5,160	-
Net cash used in investing activities		(3,364,014)	(105,999)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	22	32,499	5,000,000
Share issue transaction costs		(14,733)	(395,143)
Proceeds from borrowings		500,000	-
Repayment of borrowings		(83,333)	-
Dividends paid		(636,312)	(2,706,725)
Repayment of lease liabilities		(142,933)	(145,664)
Net cash (used in)/from financing activities		(344,812)	1,752,468
Net (decrease)/increase in cash and cash equivalents		(4,178,425)	3,681,436
Cash and cash equivalents at the beginning of the financial year		6,488,826	2,807,390
Cash and cash equivalents at the end of the financial year	9	<u>2,310,401</u>	<u>6,488,826</u>

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

# Notes to the consolidated financial statements

## Note 1. General information

The consolidated financial statements cover SOCO Corporation Ltd as a Group consisting of SOCO Corporation Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is SOCO Corporation Ltd's functional and presentation currency.

SOCO Corporation Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### Registered office

Level 1  
172 Evans Road  
Salisbury QLD 4107

### Principal place of business

Level 4  
120 Edward Street  
Brisbane QLD 4000

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.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2024. The Directors have the power to amend and reissue the financial statements.

## Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, 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 Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

#### *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

Amendments of AASB 7, 101 and 108 provide definition and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. The amendments were applied from 1 July 2023. The amendments did not have a material impact on the Group.

#### *AASB 2021-5 Amendments to AASBs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

This amendment revises AASB 112 to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations.

The amendments were applied from 1 July 2023. The amendments did not have a material impact on the Group.

### Change in accounting policy

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision in May 2022 on 'Principal versus Agent: Software Reseller (IFRS 15)' about whether a reseller of software licenses is acting as principal or agent for the purposes of recognising revenue under IFRS 15 Revenue from Contracts with Customers.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Material accounting policy information (continued)

Management has subsequently undertaken a detailed review of software licensing agreements and obtained independent advice from a third party. Revenue recognition in respect of various software licensing contracts with our customers was analysed to reassess if SOCO was acting as principal or agent.

Management concluded that while SOCO does meet some criteria of control, on balance it does not demonstrate sufficient control of the licenses before they are transferred to the customer and therefore has determined that it acts as an agent in respect of these sales. The Group has revised its accounting policy for the recognition of sales of software licenses to account for this revenue as agent. On this basis, revenue recognised as agent is the net of revenue payable under the contract and the cost of the sale. The effect on the comparative consolidated statement of profit or loss and other comprehensive income for the change in accounting policy is shown below:

	Previously reported \$	Adjustment \$	Restated \$
<b>Year ended 30 June 2023</b>			
Revenue from contracts with customers	19,693,164	(1,287,937)	18,405,227
Cost of providing services	(12,309,016)	1,287,937	(11,021,079)
Gross margin	<u>7,384,148</u>	<u>-</u>	<u>7,384,148</u>

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### Historical cost convention

The financial statements have been prepared under the historical cost convention.

#### 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 3.

#### 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 34.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SOCO Corporation Ltd ('Company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. SOCO Corporation Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

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.

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.



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Material accounting policy information (continued)

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.

#### 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.

#### Foreign currency translation

The financial statements are presented in Australian dollars, which is SOCO Corporation Ltd's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into the Company's 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### Revenue recognition

The Group is in the business of providing IT consultancy, specialising in the delivery of cloud-based solutions, business applications and integration projects.

The Group typically generates revenue from the following broad categories:

- (a) Project based services;
- (b) Support services; and
- (c) Software licensing.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

#### **Services Revenue**

Revenue from the provision of services is recognised over time when services are rendered.

#### *Services Revenue – time and materials agreements*

Where the Group provides services charged based on time and materials, revenue is recognised based on actual time to complete the work and agreed hourly rates and cost of materials. The normal credit term is 14 to 30 days upon providing the service. If services have not been invoiced at reporting date but are billable by the Group, an amount is recorded as Accounts Receivable.

#### *Service Revenue – fixed price agreements*

Where the Group provides services under a fixed price agreement, revenue is recognised based on the proportion of work completed to date relative to the total contract. The customer pays the fixed consideration based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced. The Group has adopted the practical expedient available under AASB 15 paragraph B16, where the Group recognises revenue in the amount to which the Group has right to consideration from the customer for work completed to date.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Material accounting policy information (continued)

#### *Software Licensing Revenue*

The Group sells software licenses on behalf of our suppliers. As our performance obligation is the fulfillment of the end user's order with product or services provided by the supplier, we recognise revenue for these sales on an agent basis, whereby the revenue is equal to the amount of consideration receivable from the end user less the cost of sale due to the supplier. This represents a change in revenue recognition from principal to agent and means the software supplier is our customer rather than the end user. Previously the sales recognised as principal basis equalled the gross amount of consideration due from the end user.

#### *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 recognises 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 a contract liability.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

Other revenue is recognised on an accruals basis when the Group is entitled to it.

#### *Trade and other receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### *Contract assets*

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

#### *Property, plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Unexpired period of the lease
Furniture, fixtures and fittings	20% diminishing value
Office equipment	40% diminishing value

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

### Note 2. Material accounting policy information (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

#### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### *Customer relationships*

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.

#### *Brand name*

Brand name acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 year.

#### *Non-Compete*

Non-Compete acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

#### **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Note 2. Material accounting policy information (continued)

#### Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

#### Employee benefits

##### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

##### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

##### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

### Note 2. Material accounting policy information (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

#### Contingent consideration

Contingent consideration is initially recognised at the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate that the target will be achieved and is discounted using the Group incremental borrowing rate. Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Material accounting policy information (continued)

#### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

#### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

#### Earnings per share

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of SOCO Corporation Ltd, 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 additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

#### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Material accounting policy information (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

#### **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 2024. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

#### *AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*

The standard makes amendments to paragraphs 69 to 76 of AASB 101 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Group will apply the amendments from 1 January 2024 and they will be applied retrospectively. The amendments are not expected to have a material impact on the Group.

#### *AASB 18 Presentation and Disclosure in Financial Statements*

This standard is applicable to annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. The standard replaces AASB 101 'Presentation of Financial Statements', although many of the requirements have been carried forward unchanged and is accompanied by limited amendments to the requirements in AASB 107 'Statement of Cash Flows'. The standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The Group will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

### Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Revenue recognition - principal versus agent*

Management exercises judgment in determining the categorisation of revenues as there is an increasing tendency for manufacturers to bundle various elements in the products and services that we resell – for example, some infrastructure offerings include software and/or bundled services, and support offerings can include software licenses. Principal versus agent assessments depend on the specific facts and circumstances in the agreements with suppliers and customers and can be complex, requiring a high degree of judgement.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 38 for the fair value measurement of share-based payment transactions.

#### *Estimation of useful lives of intangible assets*

The Group determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Goodwill and other indefinite life intangible assets*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

#### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### *Fair value of contingent consideration*

Contingent consideration included in statement of financial position (note 21), is measured at fair value and has been estimated using present value techniques by discounting the probability-weighted estimated cashflows. The future cashflows are contingent on certain hurdles being met in the future.

The Group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the fair value of the liability will result in a corresponding gain or loss to profit or loss.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 4. Operating segments

#### Identification of reportable operating segments

The Group is organised into one operating segment as the Group operated mainly in Australia and in one industry being the supply of IT consulting services. This assessment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Accordingly, the information provided reflects the one operating segment.

The CODM reviews EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	2024 \$	2023 \$
(Loss)/profit after income tax expense for the year	(486,170)	1,482,223
Income tax benefit/(expense)	(226,030)	592,679
Net interest income	(39,237)	(32,665)
EBIT	(751,437)	2,042,237
Depreciation and amortisation expense	712,376	300,666
EBITDA	<u>(39,061)</u>	<u>2,342,903</u>

#### Major customers

Revenue of approximately \$3,348,789 (30 June 2023: \$7,812,346) was attributable to one customer (30 June 2023: two customers).

### Note 5. Revenue from contracts with customers

	2024 \$	2023 Restated \$
Provision of IT consulting services	20,323,043	18,077,877
Sale of software licences	236,527	327,350
	<u>20,559,570</u>	<u>18,405,227</u>

Refer to note 2 for details of restatement relating to change in accounting policy.

#### Disaggregation of revenue

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

	2024 \$	2023 Restated \$
<i>Geographical regions</i>		
Australia	<u>20,559,570</u>	<u>18,405,227</u>
<i>Timing of revenue recognition</i>		
Services transferred over time	20,323,043	18,077,877
Licenses transferred at a point in time	236,527	327,350
	<u>20,559,570</u>	<u>18,405,227</u>

CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Other income

	2024 \$	2023 \$
Fair value of contingent consideration (note 21)	716,662	-
Other income	-	4,200
Other income	716,662	4,200



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 7. Expenses

	2024 \$	2023 \$
(Loss)/profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	6,158	9,235
Furniture, fixtures and fittings	2,221	2,690
Office equipment	89,077	141,543
Buildings right-of-use assets	171,448	147,198
Total depreciation	268,904	300,666
<i>Amortisation</i>		
Customer relationships	347,808	-
Brand name	40,000	-
Non-Compete	55,664	-
Total amortisation	443,472	-
Total depreciation and amortisation	712,376	300,666
<i>Finance costs</i>		
Interest and finance charges paid/payable on other liabilities	6,760	978
Interest and finance charges paid/payable on lease liabilities	19,680	7,422
Finance costs expensed	26,440	8,400
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	-	65
<i>Leases</i>		
Short-term lease payments	176,480	110,070
<i>Superannuation expense</i>		
Defined contribution superannuation expense	243,678	253,160
<i>Share-based payments expense</i>		
Share-based payments expense (note 38)	281,784	162,858
<i>Employee benefits expense</i>		
Included in cost of providing services	14,075,986	10,548,149
Included in general and administrative expense	3,272,784	3,025,580
Total employee benefits expense	17,348,770	13,573,729

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 8. Income tax

	2024 \$	2023 \$
<i>Income tax expense/(benefit)</i>		
Current tax	203,955	816,478
Deferred tax - origination and reversal of temporary differences	(429,985)	(218,900)
Adjustment recognised for prior periods	-	(4,899)
	<u>(226,030)</u>	<u>592,679</u>
Aggregate income tax expense/(benefit)		
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	(504,671)	(162,510)
Increase/(decrease) in deferred tax liabilities	74,686	(56,390)
	<u>(429,985)</u>	<u>(218,900)</u>
Deferred tax - origination and reversal of temporary differences		
	<u>(429,985)</u>	<u>(218,900)</u>
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
(Loss)/profit before income tax benefit/(expense)	<u>(712,200)</u>	<u>2,074,902</u>
Tax at the statutory tax rate of 25%	(178,050)	518,726
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	56,790	25,714
Non-deductible initial public offer costs	-	50,000
Non-deductible acquisition costs	93,379	-
Fair value adjustment of contingent consideration	(199,563)	-
Sundry items	1,414	5,387
	<u>(226,030)</u>	<u>599,827</u>
Adjustment recognised for prior periods	-	(7,148)
	<u>(226,030)</u>	<u>592,679</u>
Income tax expense/(benefit)		
	<u>(226,030)</u>	<u>592,679</u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 8. Income tax (continued)

	2024 \$	2023 \$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	189,408	-
Allowance for expected credit losses	735	776
Employee benefits	391,364	251,270
Leases	249,605	26,523
Initial public offer costs	156,371	110,022
Sundry items	23,743	11,125
	<u>1,011,226</u>	<u>399,716</u>
Amounts recognised in equity:		
Transaction costs on share issue	-	98,473
Deferred tax asset	<u>1,011,226</u>	<u>498,189</u>
Movements:		
Opening balance	498,189	237,206
Credited to profit or loss	504,671	162,510
Credited to equity	-	98,473
Additions through business combinations (note 33)	8,366	-
Closing balance	<u>1,011,226</u>	<u>498,189</u>
	2024 \$	2023 \$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	46,811	58,683
Right-of-use assets	241,561	25,608
Prepayments	-	734
Acquired intangibles	987,631	-
Sundry items	18,915	-
Deferred tax liability	<u>1,294,918</u>	<u>85,025</u>
Movements:		
Opening balance	85,025	141,415
Charged/(credited) to profit or loss	74,686	(56,390)
Additions through business combinations (note 33)	1,135,207	-
Closing balance	<u>1,294,918</u>	<u>85,025</u>

CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Income tax (continued)

	2024	2023
	\$	\$
Provision for income tax		
Provision for income tax	74,873	316,291

Note 9. Cash and cash equivalents

	2024	2023
	\$	\$
Current assets		
Cash on hand	2,096	96
Cash at bank	2,308,305	2,488,730
Cash on deposit	-	4,000,000
	2,310,401	6,488,826

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 10. Trade and other receivables

	2024 \$	2023 \$
<i>Current assets</i>		
Trade receivables	2,841,110	1,729,068
Less: Allowance for expected credit losses	(2,939)	(3,105)
	<u>2,838,171</u>	<u>1,725,963</u>
Other receivables	-	661
	<u>2,838,171</u>	<u>1,726,624</u>

#### *Allowance for expected credit losses*

The Group has recognised a loss of \$2,939 (30 June 2023: \$35,572) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024	2023	2024	2023	2024	2023
	%	%	\$	\$	\$	\$
Current	-	-	2,199,805	1,444,208	-	-
0 to 3 months overdue	-	-	614,092	277,644	-	-
Over 3 months overdue	10.8%	43.0%	27,213	7,216	2,939	3,105
			<u>2,841,110</u>	<u>1,729,068</u>	<u>2,939</u>	<u>3,105</u>

Movements in the allowance for expected credit losses are as follows:

	2024 \$	2023 \$
Opening balance	3,105	-
Additional provisions recognised	2,939	35,572
Receivables written off during the year as uncollectable	(3,105)	(32,467)
Closing balance	<u>2,939</u>	<u>3,105</u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 11. Contract assets

	2024 \$	2023 \$
<i>Current assets</i>		
Contract assets	<u>145,471</u>	<u>2,076</u>

#### *Reconciliation*

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

Opening balance	2,076	-
Additions	<u>143,395</u>	<u>2,076</u>
Closing balance	<u>145,471</u>	<u>2,076</u>

Contract assets arise primarily from revenue contracts where the Group has transferred a promised good or service to the customer before the customer pays consideration or the before payment is due. The contract asset is normally recognised as a trade receivable within one to six months.

### Note 12. Other assets

	2024 \$	2023 \$
<i>Current assets</i>		
Prepayments	131,982	257,316
Security deposits	<u>93,502</u>	<u>98,662</u>
	<u>225,484</u>	<u>355,978</u>



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 13. Property, plant and equipment

	2024 \$	2023 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	54,938	54,938
Less: Accumulated depreciation	(54,938)	(48,780)
	<u>-</u>	<u>6,158</u>
 Furniture, fixtures and fittings - at cost	 23,695	 22,215
Less: Accumulated depreciation	(13,676)	(11,455)
	<u>10,019</u>	<u>10,760</u>
 Office equipment - at cost	 485,399	 576,789
Less: Accumulated depreciation	(308,174)	(352,818)
	<u>177,225</u>	<u>223,971</u>
	<u><u>187,244</u></u>	<u><u>240,889</u></u>

#### Reconciliations

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

	<i>Leasehold improvements</i> \$	<i>Furniture, fixtures and fittings</i> \$	<i>Office equipment</i> \$	<i>Total</i> \$
Balance at 1 July 2022	15,393	13,450	284,777	313,620
Additions	-	-	80,737	80,737
Depreciation expense	(9,235)	(2,690)	(141,543)	(153,468)
Balance at 30 June 2023	6,158	10,760	223,971	240,889
Additions	-	1,480	55,271	56,751
Additions through business combinations (note 33)	-	-	26,770	26,770
Disposals	-	-	(39,710)	(39,710)
Depreciation expense	(6,158)	(2,221)	(89,077)	(97,456)
Balance at 30 June 2024	<u><u>-</u></u>	<u><u>10,019</u></u>	<u><u>177,225</u></u>	<u><u>187,244</u></u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 14. Right-of-use assets

	2024 \$	2023 \$
<i>Non-current assets</i>		
Buildings - right-of-use	1,035,259	230,472
Less: Accumulated depreciation	<u>(69,016)</u>	<u>(128,040)</u>
	<u>966,243</u>	<u>102,432</u>

The Group leases land and buildings for its commercial office premises under agreements of up to 4 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

#### *Reconciliations*

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

	<i>Buildings - right-of-use \$</i>
Balance at 1 July 2022	249,630
Depreciation expense	<u>(147,198)</u>
Balance at 30 June 2023	102,432
Additions	1,035,259
Disposals*	-
Depreciation expense	<u>(171,448)</u>
Balance at 30 June 2024	<u>966,243</u>

\* Right-of-use asset with a cost of \$230,472 and fully depreciated, ended during the period.

For other lease related disclosures refer to the following:

- note 7 for details of interest on lease liabilities and other lease payments;
- note 19 for lease liabilities at the end of the reporting period;
- note 25 for undiscounted future lease commitments; and
- consolidated statement of cash flows for repayment of lease liabilities.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 15. Intangible assets

	2024 \$	2023 \$
<i>Non-current assets</i>		
Goodwill - at cost	4,547,597	-
Trademarks - at cost	6,982	6,982
Customer relationships - at cost	4,000,000	-
Less: Accumulated amortisation	(347,808)	-
	3,652,192	-
Brand name - at cost	60,000	-
Less: Accumulated amortisation	(40,000)	-
	20,000	-
Non-Compete - at cost	334,000	-
Less: Accumulated amortisation	(55,664)	-
	278,336	-
	<u>8,505,107</u>	<u>6,982</u>

#### Reconciliations

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

	Goodwill \$	Trademarks \$	Customer relationships \$	Brand name \$	Non-Compete \$	Total \$
Balance at 1 July 2022	-	6,982	-	-	-	6,982
Balance at 30 June 2023	-	6,982	-	-	-	6,982
Additions through business combinations (note 33)	4,547,597	-	4,000,000	60,000	334,000	8,941,597
Amortisation expense	-	-	(347,808)	(40,000)	(55,664)	(443,472)
Balance at 30 June 2024	<u>4,547,597</u>	<u>6,982</u>	<u>3,652,192</u>	<u>20,000</u>	<u>278,336</u>	<u>8,505,107</u>

#### Impairment testing

For the purpose of impairment testing, goodwill has been allocated to a single cash generating unit ('CGU') Axsym Technology Pty Ltd.

The recoverable amount of the CGU has been determined based on value-in-use calculations which use cash flow projections from the financial budgets for the FY2025 financial year as reviewed by the Board.

The cash flows beyond the budget period have been extrapolated over a further 4 years. The value-in-use calculations have been prepared using a compound revenue growth rate of 12.7% and terminal growth rate of 3%. The post-tax discount rate applied to cash flow projections was 18.00% (pre-tax discount rate 23.4%) which is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles, where appropriate.

The key assumptions used in the value-in-use calculation are based on past experience and the forecast operating and financial performance for the CGU taking into account the current market and economic conditions, risks, uncertainties and opportunities for improvements.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 15. Intangible assets (continued)

Management has considered possible changes in the key assumptions used in the value-in-use calculations, and the following changes, with all other variables held constant, would lead to the recoverable amount equaling the carrying amount:

- Increase in the post-tax discount rate to 18.30%;
- Decrease in forecast terminal EBITDA by 2.97%
- Decline in terminal growth rate to 2.54%; and
- Decline in compound 4 year revenue growth rate to 11.9%

#### *Impact of possible changes in key assumptions*

If the following changes in key assumptions were made, then the Group would have had to recognise an impairment against the carrying amount of goodwill as follows:

<i>Change in key assumption</i>	<i>Impairment sensitivity</i> \$
Increase in post-tax discount rate of from 18.0% to 19.0%	458,000
Reduction in forecast terminal EBITDA as a percentage of revenue by 1%	291,000
Terminal growth rate reduces from 3.0% to 2.0%	230,000
Compound 4-year revenue growth reduces from 12.7% to 11.7%	81,000

The Group believes that the assumptions adopted in the value-in-use calculation reflect the Group's experience to date and accordingly, has concluded that no impairment is required as at 30 June 2024.

### Note 16. Trade and other payables

	2024 \$	2023 \$
<i>Current liabilities</i>		
Trade payables	472,526	42,492
Goods and services tax payable	606,364	483,834
Employment related payables	1,156,296	614,140
Other payables	265,305	65,026
	<u>2,500,491</u>	<u>1,205,492</u>

Refer to note 25 for further information on financial instruments.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 17. Contract liabilities

	2024 \$	2023 \$
<i>Current liabilities</i>		
Contract liabilities	<u>596,152</u>	<u>333,599</u>
<i>Reconciliation</i>		
Reconciliation of the values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	333,599	19,656
Payments received in advance	596,152	333,599
Transfer to revenue - other balances	<u>(333,599)</u>	<u>(19,656)</u>
Closing balance	<u>596,152</u>	<u>333,599</u>

Contract liabilities arise primarily from revenue contracts when customers pay us amounts due under the contracts before the services identified in the contracts are delivered. There was an increase in the amount prepaid by customers at 30 June 2024 compared to 30 June 2023. The contract liabilities primarily relate to contracts where the revenue is recognised at a point in time, and revenue is normally recognised within one to six months.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 18. Borrowings

	2024 \$	2023 \$
<i>Current liabilities</i>		
Bank loans	416,667	-

Refer to note 25 for further information on financial instruments.

#### *Total secured liabilities*

The total secured liabilities are as follows:

	2024 \$	2023 \$
Business market loan	416,667	-

#### *Assets pledged as security*

The bank loans are secured by first mortgages over the Group's assets.

The available facility amortises at \$83,333 per month and expires on 31 December 2026.

#### *Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	2024 \$	2023 \$
Total facilities		
Bank loans	2,916,667	-
Used at the reporting date		
Bank loans	416,667	-
Unused at the reporting date		
Bank loans	2,500,000	-

### Note 19. Lease liabilities

	2024 \$	2023 \$
<i>Current liabilities</i>		
Lease liability	219,730	106,091
<i>Non-current liabilities</i>		
Lease liability	778,687	-

Refer to note 25 for further information on financial instruments.

Refer to note 31 for further information on short-term lease commitments.



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 20. Employee benefits

	2024 \$	2023 \$
<i>Current liabilities</i>		
Annual leave	<u>829,724</u>	<u>657,360</u>
<i>Non-current liabilities</i>		
Long service leave	<u>399,968</u>	<u>228,770</u>

### Note 21. Contingent consideration

	2024 \$	2023 \$
<i>Non-current liabilities</i>		
Contingent consideration	<u>733,013</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	-	-
Additions through business combinations (note 33)	1,449,675	-
Fair value of contingent consideration	(716,662)	-
Closing balance	<u>733,013</u>	<u>-</u>

Refer to note 26 for further information on contingent consideration.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 22. Issued capital

		2024 Shares	2023 Shares	2024 \$	2023 \$
Ordinary shares - fully paid		<u>138,250,265</u>	<u>126,292,132</u>	<u>8,068,678</u>	<u>5,245,411</u>
<i>Movements in ordinary share capital</i>					
Details	Date	Shares	Issue price	\$	
Balance	1 July 2022	96		96	
Issue of shares to Beostemis Pty Ltd*	21 September 2022	4	\$104,637.090	418,548	
Share split each ordinary share (100 in total) was subdivided into 1,000,000 ordinary shares**	21 September 2022	99,999,900	\$0.000	-	
Issue of shares to CEO***	19 December 2022	1,000,000	\$0.200	200,000	
Issue of shares to employees	19 December 2022	265,000	\$0.200	53,000	
Issue of shares on completion of Initial Public Offer	23 December 2022	25,000,000	\$0.200	5,000,000	
Share issue transaction costs, net of tax	23 December 2022	-	\$0.000	(431,983)	
Share issue transaction costs, net of tax	3 April 2023	-	\$0.000	(1,250)	
Issue of shares to employees	3 April 2023	27,132	\$0.260	7,000	
Balance	30 June 2023	126,292,132		5,245,411	
Issue of shares on exercise of options	25 August 2023	586,615	\$0.070	41,885	
Issue of shares on exercise of performance option	25 August 2023	383,635	\$0.164	62,801	
Issue of shares as part consideration of acquisition of AxSym Technology Pty Ltd	1 November 2023	10,714,753	\$0.250	2,678,688	
Issue of shares to employees	15 January 2024	273,130	\$0.200	54,626	
Share issue transaction costs, net of tax				(14,733)	
Balance	30 June 2024	<u>138,250,265</u>		<u>8,068,678</u>	

\* On 21 September 2022, an issue of 4 new shares was made to Beostemis Pty Ltd (as trustee) (a Founding Shareholder) for total consideration of \$418,548, such that on completion of the issue each of the Founding Shareholders held equal interests in the Company. The consideration paid by Beostemis Pty Ltd for the acquisition of the new shares was loaned by the Company and settled by Beostemis Pty Ltd on 17 November 2022 via offset against the dividend payable.

\*\* On 21 September 2022, the Founding Shareholders approved a subdivision of the ordinary share capital of the Company, such that each ordinary share (100 in total) was subdivided into 1,000,000 ordinary shares (100,000,000 in total).

\*\*\* On 19 December 2022, the CEO (S Forth) was issued 1,000,000 shares for nil consideration upon the Company being admitted to the Official List of ASX Limited.

#### Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### Share buy-back

There is no current on-market share buy-back.

#### Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 22. Issued capital (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2023 Annual Report.

### Note 23. Reserves

	2024 \$	2023 \$
Share-based payments reserve	394,392	239,421

#### *Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

### Note 24. Dividends

#### *Dividends*

Dividends paid during the financial year were as follows:

	2024 \$	2023 \$
Final dividend for the year ended 30 June 2023 of 0.5 cents per ordinary share, fully franked	636,312	-
Franked ordinary dividend of 3.12 cents per share to Founding Shareholders	-	3,125,273
	<u>636,312</u>	<u>3,125,273</u>

#### *Franking credits*

	2024 \$	2023 \$
Franking credits available at the reporting date based on a tax rate of 25%	1,233,158	501,109
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 25%	74,873	316,291
Franking credits available for subsequent financial years based on a tax rate of 25%	<u>1,308,031</u>	<u>817,400</u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 25. Financial instruments

#### **Financial risk management objectives**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit 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.

#### **Market risk**

##### *Foreign currency risk*

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group is not exposed to any significant foreign currency risk.

##### *Price risk*

The Group is not exposed to any significant price risk.

##### *Interest rate risk*

The Group is not exposed to any significant interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	<b>2024</b>		<b>2023</b>	
	<b>Weighted average interest rate %</b>	<b>Balance \$</b>	<b>Weighted average interest rate %</b>	<b>Balance \$</b>
Bank loans	7.56%	416,667	-	-
Net exposure to cash flow interest rate risk		<u>416,667</u>		<u>-</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

The Group bank loans outstanding, totalling \$416,667 (30 June 2023: \$nil), are principal and interest payment loans. Monthly cash outlays of approximately \$3,000 (30 June 2023: \$nil) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (30 June 2023: nil) basis points would have an adverse/favourable effect on profit before tax of \$4,166 (30 June 2023: \$nil) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, principal repayments of \$83,333 are due each month on the outstanding balance.

#### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 25. Financial instruments (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The Group is not exposed to any significant credit risk.

#### Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### Financing arrangements

Unused borrowing facilities at the reporting date:

	2024 \$	2023 \$
Bank loans	2,500,000	-

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average remaining maturity of 2.5 years.

#### Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2024	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,500,491	-	-	-	2,500,491
<i>Interest-bearing - variable</i>						
Bank loans	7.56%	424,145	-	-	-	424,145
Contingent consideration	-	-	733,013	-	-	733,013
<i>Interest-bearing - fixed rate</i>						
Lease liability	6.00%	273,658	286,790	564,701	-	1,125,149
Total non-derivatives		3,198,294	1,019,803	564,701	-	4,782,798

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 25. Financial instruments (continued)

2023	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,205,492	-	-	-	1,205,492
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.00%	108,101	-	-	-	108,101
Total non-derivatives		1,313,593	-	-	-	1,313,593

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### Note 26. Fair value measurement

#### *Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	733,013	733,013
Total liabilities	-	-	733,013	733,013

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

#### *Valuation techniques for fair value measurements categorised within level 2 and level 3*

Due to the nature of contingent consideration, it has been categorised as Level 3.

Contingent consideration represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured at the present value of the estimated liability. The fair value of contingent consideration is calculated on the expected future cash outflows. Generally, the contingent consideration is a performance based payment. These are reviewed at the reporting date to provide the expected future cash outflows for each contract. Upon completion of the review the future cash outflows are then discounted to present value using the Group's incremental borrowing rate.



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 26. Fair value measurement (continued)

#### Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	<i>Contingent consideration</i> \$
Balance at 1 July 2022	-
Balance at 30 June 2023	-
Additions	1,449,675
Fair value of contingent consideration	(716,662)
Balance at 30 June 2024	<u>733,013</u>

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

<i>Description</i>	<i>Unobservable inputs</i>	<i>Range (weighted average)</i>	<i>Sensitivity</i>
Contingent consideration	Risk adjusted discount rate	7.56%	A change in the discount rate by 100bps would increase/decrease the fair value by \$7,893.
	Probability - weighted estimated cashflows	Contingent consideration has been estimated using techniques by discounting the probability - weighted estimated cashflows	A change in the EBITDA as a percentage of revenue by 100bps would increase/decrease the fair value by \$501,705

### Note 27. Key management personnel disclosures

#### Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	<b>2024</b> \$	<b>2023</b> \$
Short-term employee benefits	983,382	967,029
Post-employment benefits	93,514	123,361
Long-term benefits	17,774	28,237
Termination benefits	83,333	-
Share-based payments	164,992	288,765
	<u>1,342,995</u>	<u>1,407,392</u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

	2024 \$	2023 \$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>130,080</u>	<u>85,000</u>
<i>Other services - network firms</i>		
Due diligence	-	227,396
Taxation services	<u>6,064</u>	<u>2,150</u>
	<u>6,064</u>	<u>229,546</u>
<i>Other services - unrelated firms</i>		
Due diligence	<u>-</u>	<u>1,500</u>

### Note 29. Contingent assets

The Group has no contingent assets as at 30 June 2024 and 30 June 2023.

### Note 30. Contingent liabilities

The Group has no contingent liabilities as at 30 June 2024 and 30 June 2023.

### Note 31. Commitments

The Group has no capital commitments as at 30 June 2024 and 30 June 2023.

	2024 \$	2023 \$
<i>Lease commitments - short-term</i>		
Committed at the reporting date but not recognised as liabilities, payable	<u>46,095</u>	<u>80,309</u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 32. Related party transactions

#### *Parent entity*

SOCO Corporation Ltd is the parent entity.

#### *Subsidiaries*

Interests in subsidiaries are set out in note 35.

#### *Key management personnel*

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

#### *Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

#### *Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

#### *Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 33. Business combinations

On 24 October 2023, the Group announced that it had entered into a binding agreement for the acquisition of 100% of the issued shares in AxSym Technology Pty Ltd ('AxSym'). AxSym is a Canberra-based information technology consultancy with a federal government focus, with clients including Defence, Foreign Affairs and National Security agencies. AxSym also brings success in the New South Wales state government sector, delivering services to the NSW Rural Fire Service. The purchase price includes \$4,251,010 in cash, funded from the Group's available cash on hand, and \$2,678,688 in Company ordinary shares with 10,714,753 shares issued at 25.0 cents per share. In addition, contingent consideration of up to \$3,193,000 (\$1,596,500 relating to FY24 performance and \$1,596,500 relating to FY25 performance) is payable in cash, subject to AxSym achieving agreed EBITDA targets based on audited EBITDA results for FY24 and FY25. The goodwill recognised represents the expected synergies from integrating the business into the Group.

The acquired business contributed revenues of \$6,985,593 and profit after tax of \$275,706 to the Group for the period from 1 November 2023 to 30 June 2024. If the acquisition occurred on 1 July 2023, the full year contributions would have been revenues of \$10,730,563 and profit after tax of \$808,465.

The values identified in relation to the acquisition are final as at 30 June 2024.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	935,134
Trade receivables	874,651
Plant and equipment	26,770
Intangible assets	4,394,000
Deferred tax asset	8,366
Trade payables	(194,689)
Other payables	(658,169)
Provision for income tax	(385,618)
Deferred tax liability	(1,135,207)
Employee benefits	(33,462)
Net assets acquired	3,831,776
Goodwill	4,547,597
Acquisition-date fair value of the total consideration transferred	<u>8,379,373</u>
Representing:	
Cash paid or payable to vendor	4,251,010
SOCO Corporation Ltd shares issued to vendor	2,678,688
Contingent consideration	1,449,675
	<u>8,379,373</u>
Acquisition costs expensed to profit or loss	<u>440,700</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	8,379,373
Less: cash and cash equivalents	(935,134)
Less: contingent consideration	(1,449,675)
Less: shares issued by Company as part of consideration	(2,678,688)
Net cash used	<u>3,315,876</u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 33. Business combinations (continued)

#### *Significant estimate - contingent consideration*

Contingent consideration of up to \$3,193,000 (\$1,596,500 relating to FY24 performance and \$1,596,500 relating to FY25 performance) is payable in cash, subject to AxSym achieving agreed EBITDA targets. The potential undiscounted amount payable under the agreement in each measurement period is between \$0 for EBITDA below the threshold and pro rata up to \$1,596,500 for meeting or exceeding the target EBITDA. The fair value of contingent consideration of \$1,449,675 was estimated by applying an assumed probability adjusted EBITDA at the mid-point of the threshold and target EBITDA and a discount rate of 7.56%.

<i>Measurement period</i>	<i>Threshold EBITDA \$</i>	<i>Target EBITDA \$</i>	<i>Undiscounted contingent consideration \$</i>	<i>Discount rate %</i>	<i>Probability estimate %</i>	<i>Probability - weighted contingent consideration \$</i>
FY24	1,800,000	2,200,000	1,596,500	7.56%	50%	751,239
FY25	2,000,000	2,400,000	<u>1,596,500</u>	7.56%	50%	<u>698,436</u>
			<u>3,193,000</u>			<u>1,449,675</u>



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

#### *Statement of profit or loss and other comprehensive income*

	Parent	
	2024 \$	2023 \$
Profit after income tax	391,223	3,252,416
Total comprehensive income	391,223	3,252,416

#### *Statement of financial position*

	Parent	
	2024 \$	2023 \$
Total current assets	1,738,276	5,680,424
Total assets	9,504,458	5,888,919
Total current liabilities	618,216	276,944
Total liabilities	1,159,334	276,944
Equity		
Issued capital	8,068,678	5,245,411
Share-based payments reserve	394,392	239,421
(Accumulated losses)/retained profits	(117,946)	127,143
Total equity	8,345,124	5,611,975

#### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

#### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

#### *Material accounting policy information*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
Thesoco Pty Ltd	Australia	100.00%	100.00%
Wide Net Pty Ltd	Australia	100.00%	100.00%
AxSym Technology Pty Ltd	Australia	100.00%	-

### Note 36. Cash flow information

*Reconciliation of profit after income tax to net cash (used in)/from operating activities*

	2024 \$	2023 \$
(Loss)/profit after income tax benefit/(expense) for the year	(486,170)	1,482,223
Adjustments for:		
Depreciation and amortisation	712,376	300,666
Net loss on disposal of property, plant and equipment	36,257	-
Share-based payments	281,784	362,858
Fair value of contingent consideration	(716,662)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(236,896)	(275,453)
Increase in contract assets	(143,395)	-
Increase in deferred tax assets	(504,671)	(317,373)
Decrease/(increase) in prepayments	125,334	(239,514)
Increase in trade and other payables	442,141	116,832
Increase in contract liabilities	262,553	313,943
(Decrease)/increase in provision for income tax	(627,036)	44,081
Increase in deferred tax liabilities	74,686	-
Increase in employee benefits	310,100	246,704
Net cash (used in)/from operating activities	<u>(469,599)</u>	<u>2,034,967</u>

*Non-cash investing and financing activities*

	2024 \$	2023 \$
Additions to the right-of-use assets	1,035,259	-
Shares issued under employee share plan	126,813	-
Shares issued in relation to business combinations	2,678,688	-
Shares issued to Beostemis Pty Ltd	-	418,548
Shares issued to CEO (S Forth)	-	200,000
Options issued to Lead Manager	-	136,563
	<u>3,840,760</u>	<u>755,111</u>

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 36. Cash flow information (continued)

*Changes in liabilities arising from financing activities*

	<i>Bank loans \$</i>	<i>Lease liabilities \$</i>	<i>Total \$</i>
Balance at 1 July 2022	-	251,755	251,755
Net cash used in financing activities	-	(145,664)	(145,664)
Balance at 30 June 2023	-	106,091	106,091
Net cash from/(used in) financing activities	416,667	(142,933)	273,734
Acquisition of leases	-	1,035,259	1,035,259
Balance at 30 June 2024	416,667	998,417	1,415,084

### Note 37. Earnings per share

	<b>2024 \$</b>	<b>2023 \$</b>
(Loss)/profit after income tax	(486,170)	1,482,223
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	134,355,844	112,794,040
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares*	-	2,163,153
Weighted average number of ordinary shares used in calculating diluted earnings per share	134,355,844	114,957,193
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.36)	1.31
Diluted earnings per share	(0.36)	1.29

\* Options have been excluded in the current year calculation of diluted earnings per share as their inclusion would be anti-dilutive due to the loss in the year.

### Note 38. Share-based payments

The Group has the following options in existence:

#### **Existing Employee Options**

The Company has on issue 1,087,251 options over shares, which are held by seven employees of the Group ('Existing Employee Options'). The Existing Employee Options are governed by the terms of a historical share option plan, which has been adopted by the Company.

An option confers a right to acquire an ordinary 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 Existing Employee Options Plan may not dispose of an option or share issued on exercise of an option until three (3) years after the issue of the option.

The Existing Employee Options Plan contains provisions for the Board to deal with securities issued under the Existing Employee Options Plan in the event of a change of control trigger event, which includes the ability to:

- (a) buy-back or accelerate the vesting of options or performance rights, arrange replacement securities on similar economic terms in a bidder, allow the options or performance rights to continue on their terms, or proceed with any combination of the alternatives;
- (b) accelerate vesting (including on a pro rata basis) of share appreciation rights; and
- (c) provide under an offer document for a particular treatment of shares issued under the Existing Employee Options Plan upon the occurrence of a change of control trigger event.

The Existing Employee Options will only vest and become capable of exercise upon the holder remaining employed with the Group on the third anniversary of the date of issue of the relevant options. Any Existing Employee Options not capable of being exercised by the holder of the option on the date that the relevant employee ceases to be employed with the Group will automatically lapse.

A holder may exercise an Existing Employee Option within 60 days upon satisfaction of the vesting conditions, upon expiry of which the option will lapse.

#### **Omnibus Plan**

The Group has adopted a long-term incentive plan in connection with its admission to 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 ordinary shares, options or rights. Each Director is eligible to participate in the Omnibus Plan.

The vesting of the shares, options or rights may be subject to the satisfaction of service-based conditions and performance hurdles which, when satisfied, will allow participating employees to receive shares or vested options or rights which are exercisable over shares.

Awards of fully paid ordinary shares, options, performance rights and share appreciation rights can be made under the Omnibus Plan.

Shares can be granted to the participants under a free grant (receiving an allocation of shares for no consideration) or salary contribution agreement.

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.

A participant under the Omnibus Plan does not have a right to participate in dividends on shares or a further issue of shares until shares are issued, transferred or allocated under the terms of an offer, including on exercise or vesting of the security or right.

A performance right confers an entitlement to be issued, transferred or allocated one share after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions, and any other requirements contained in the offer.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 38. Share-based payments (continued)

A share appreciation right confers an entitlement to be issued, transferred or allocated the number of shares calculated under the terms of the Omnibus Plan after the vesting date, subject to any disposal restrictions, the satisfaction of the vesting conditions and any other requirement contained in the offer. The Board may decide, in its absolute discretion to substitute the issue, transfer or allocation of these shares for the payment of a cash amount.

The Omnibus Plan contains provisions for the Board to deal with securities issued under the Omnibus Plan in the event of a change of control trigger event, which includes the ability to:

- buy-back or accelerate the vesting of options or performance rights, arrange replacement securities on similar economic terms in a bidder, allow the options or performance rights to continue on their terms, or proceed with any combination of the alternatives;
- accelerate vesting (including on a pro rata basis) of share appreciation rights; and
- provide under an offer document for a particular treatment of shares issued under the Omnibus Plan upon the occurrence of a change of control trigger event.

Each participant under the Omnibus Plan grants to the Company a power of attorney to perform any act required in respect of actions available to the Company on a change of control trigger event.

The Omnibus Plan includes provisions consistent with the Listing Rules to permit an adjustment to the number of shares that may be issued on exercise or vesting of a security issued under the Omnibus Plan in the event of a reorganisation of the Company's capital.

The maximum number of securities projected to be issued under the Omnibus Plan within the three-year period from completion of the IPO is 7,300,000. This number is not intended to be a prediction of the actual number of securities to be issued by the Company, simply a ceiling for the purposes of ASX Listing Rule 7.2 (Exception 13(a)).

#### FY24 Performance Options

1,000,000 performance options were granted to the Chief Executive Officer, Simon Forth on 3 October 2023 under the terms of the Omnibus Plan.

The key terms of the FY24 Performance Options are:

- Entitlements:** Each Performance Option entitles the holder to subscribe for one ordinary share upon exercise of the Performance Option.
- Exercise price:** \$0.00 per option.
- Vesting conditions:** The total number of FY24 Performance Options that may vest will be determined based on achievement of the following performance milestones. Failure to meet a lower target of a performance milestone will mean no FY24 Performance Options under that milestone will vest.

Milestone <sup>(1)</sup>	Lower target	Upper target	Lower multiplier %	Upper multiplier %	Weighting <sup>(3)</sup> %
FY24 Revenue from organic business	\$22,000,000	\$24,585,923	80%	100%	25%
FY24 EBITDA <sup>(2)</sup>	\$3,075,000	\$3,476,501	80%	100%	25%
The employee remains an employee until at least 1 July 2024 <sup>(4)</sup>					50%

(1) Each of the milestones are independent. vesting of options under one milestone is not conditional on satisfaction of the other milestones. Any fraction of an option (on calculating the number of options that vest) will be rounded up to the nearest whole option.

(2) To be assessed based on the Group's consolidated audited FY24 financial statements.

(3) As a percentage of the total FY24 Performance Options

(4) A vesting condition was modified during the year such that the service condition was no longer required and an expense of \$122,800 was recognised during the period.

(d) **Expiry date:** The expiry date is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as CEO of the Company; and (ii) the date that is five (5) years after the issue date.

(e) **Exercise period:** Subject to satisfaction of the vesting conditions, the exercise period commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 38. Share-based payments (continued)

#### FY24 Employee Tenure Options

A total of 208,332 employee tenure options were granted to eight senior employees on 5 October 2023 under the terms of the Omnibus Plan.

The key terms of the FY24 Employee Tenure Options are:

- (a) *Entitlements*: Each option entitles the holder to subscribe for one ordinary share upon exercise of the option.
- (b) *Exercise price*: \$0.00 per option.
- (c) *Vesting conditions*: The employee remains an employee until at least 1 July 2024.
- (d) *Expiry date*: The expiry date is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their employment and (ii) the date that is fifteen (15) days after the vesting date.
- (e) *Exercise period*: Subject to satisfaction of the vesting conditions, the exercise period commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

#### FY24 Employee Performance Options

A total of 1,559,521 employee performance options were granted to 36 senior employees on 15 January 2024 under the terms of the Omnibus Plan.

The key terms of the FY24 Employee Performance Options are:

- (a) *Entitlements*: Each option entitles the holder to subscribe for one ordinary share upon exercise of the option.
- (b) *Exercise price*: \$0.00 per option.
- (c) *Vesting conditions*: The employee must remain an employee until at least 1 July 2025. The total number of options that may vest will be determined based on achievement of the following performance milestones. Failure to meet the lower target of any performance milestone will mean no options under that milestone will vest.

<i>Milestone<sup>(1)</sup></i>	<i>Lower target</i>	<i>Upper target</i>	<i>Lower multiplier %</i>	<i>Upper multiplier %</i>	<i>Weighting<sup>(3)</sup> %</i>
FY24 Revenue from organic business	\$10,600,000	\$12,400,000	80%	100%	60%
FY24 EBITDA <sup>(2)</sup>	\$1,750,000	\$2,050,000	80%	100%	40%

(1) Each of the milestones are independent. vesting of options under one milestone is not conditional on satisfaction of the other milestones. Any fraction of an option (on calculating the number of options that vest) will be rounded up to the nearest whole option.

(2) To be assessed based on the Group's consolidated audited FY24 financial statements.

(3) As a percentage of the total FY24 Performance Options

- (d) *Expiry date*: The expiry date is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their employment and (ii) in respect of any portion of the options for which the vesting conditions have been satisfied, 1 July 2025.
- (e) *Exercise period*: Subject to satisfaction of the vesting conditions, the exercise period commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.

#### Non-Executive Director Options

The Company granted a total of 1,200,000 options to the independent non-executive Directors on 18 November 2022 under the terms of the Omnibus Plan ('NED Options').

The key terms of the NED Options are:

- (a) *Entitlements*: Each NED Option entitles the holder to subscribe for one ordinary share upon exercise of the NED Option.
- (b) *Exercise price*: \$0.20 per option.
- (c) *Vesting conditions*: The holder has not resigned as a director of the Company on the date that is two (2) years after the issue date of the NED Options, or a change of control transaction occurs.
- (d) *Expiry date*: The expiry date for the NED Options is the earlier of: (i) if the vesting conditions are not satisfied, the date on which the holder voluntarily vacates their office as a director of the Company; and (ii) the date that is five (5) years after the issue date.
- (e) *Exercise period*: Subject to satisfaction of the vesting conditions, the exercise period for the NED Options commences from the date the vesting conditions are satisfied and ends on the relevant expiry date.



## CONSOLIDATED FINANCIAL STATEMENTS

### Note 38. Share-based payments (continued)

#### Lead Manager Options

The Company agreed to issue 3,125,000 unquoted options to the Lead Manager and/or its nominee(s) as a component of the fees payable to the Lead Manager in connection with the IPO.

The Company and the Lead Manager entered into a Lead Manager Options Deed which governs the terms of the options. Each option issued to the Lead Manager or its nominee(s) is convertible into one (1) ordinary share on exercise.

The key terms of the Lead Manager Options are:

- Entitlement:** Each Lead Manager Option entitles the holder to subscribe for one ordinary share upon exercise of the Lead Manager Option.
- Allotment Date:** The date that is three (3) business days after the date on which the Company received unconditional approval from the ASX for the admission of the Company to the official list and quotation of the shares on the ASX.
- Exercise Price:** \$0.30 per option, representing a 50% premium to the IPO offer price.
- Exercise Period:** Commencing from the date of the Lead Manager Options Deed and ending on the date that is 48 months from the date on which the Company was admitted to the official list. The options will expire if not exercised during the exercise period.
- Adjustments:** If the Company makes a pro rata issue, there will be no adjustment to the exercise price of an option. In the event of a bonus issue, the number of ordinary shares issued on exercise of each option will be increased in accordance with Rule 6.22.3 of the Listing Rules. No change will be made to the exercise price of an option. If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, the rights of the option holder in respect of any unexercised options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

#### Summary

Set out below are summaries of options granted under the plans:

2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2020	30/08/2023	\$0.060	586,615	-	(586,615)	-	-
08/12/2021	06/02/2025	\$0.080	500,636	-	-	-	500,636
18/11/2022	18/11/2027	\$0.000	1,000,000	-	(383,635)	(616,365)	-
18/11/2022	18/11/2027	\$0.200	1,200,000	-	-	-	1,200,000
23/12/2022	20/12/2026	\$0.300	3,125,000	-	-	-	3,125,000
03/10/2023	03/10/2028	\$0.000	-	1,000,000	-	-	1,000,000
05/10/2023	22/07/2024	\$0.000	-	208,332	-	-	208,332
15/01/2024	22/07/2025	\$0.000	-	1,559,521	-	-	1,559,521
			6,412,251	2,767,853	(970,250)	(616,365)	7,593,489

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.37 years (30 June 2023: 3.33 years).

For the options granted during the current financial year, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate
03/10/2023	03/10/2028	\$0.300	\$0.000	60.80%	4.00%	4.16%
05/10/2023	22/07/2024	\$0.300	\$0.000	60.80%	4.00%	4.08%
15/01/2024	22/07/2025	\$0.200	\$0.000	58.90%	4.00%	4.10%

## CONSOLIDATED FINANCIAL STATEMENTS

### Note 38. Share-based payments (continued)

#### Expenses arising from share-based payment transactions

	2024 \$	2023 \$
Director fees	40,512	24,964
Employee gift shares	54,626	60,000
Performance options	186,646	77,894
Total share-based payments expense	<u>281,784</u>	<u>162,858</u>

### Note 39. Events after the reporting period

On 1 November 2023 the Company acquired 100% of the issued shares in AxSym Technology Pty Ltd ('AxSym'). The purchase price included contingent consideration of up to \$3,193,000 (\$1,596,500 relating to FY24 performance and \$1,596,500 relating to FY25 performance) which was payable in cash, subject to AxSym achieving agreed EBITDA targets for FY24 and FY25.

The agreement referenced FY24 and FY25 as being the earnout measurement periods despite FY24 already being well along. The parties to the agreement have agreed to reset the measurement periods from FY24 and FY25, to FY25 and FY26 respectively. The quantum of the earnout did not change.

An amendment to the original share sale deed reflecting this change was fully executed on 29 August 2024.

	Measurement Period			Maximum Earnout \$
	FY24 \$	FY25 \$	FY26 \$	
<b>AxSym Technology Pty Ltd</b>				
<i>Contingent consideration:</i>				
Share sale deed – original	1,596,500	1,596,500	-	3,193,000
Share sale deed - amendment	-	1,596,500	1,596,500	3,193,000

As the agreement was not executed until after 30 June 2024, the statement of profit or loss records a fair value adjustment to contingent consideration based on the original agreement which results in a fair value write back to profit of contingent consideration in FY24 of \$716,662 as the FY24 earnout hurdle was not met.

Under the amended agreement, the amounts may become payable at the end of the new measurement periods if the EBITDA targets for FY25 and FY26 are met, which would then result in an expense being recognised in the statement of profit or loss during that future period for any amount that may become payable.

No other matter or circumstance has arisen since 30 June 2024 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.

# Consolidated entity disclosure statement

As at 30 June 2024

Entity name	Entity type <sup>(1)</sup>	Place formed / Country of incorporation	Ownership interest %	Tax residency <sup>(2)</sup>
SOCO Corporation Ltd <sup>(3)</sup>	Body corporate	Australia	-	Australian
Thesoco Pty Ltd	Body corporate	Australia	100.00%	Australian
Wide Net Pty Ltd	Body corporate	Australia	100.00%	Australian
AxSym Technology Pty Ltd	Body corporate	Australia	100.00%	Australian

(1) None of the entities noted above were trustees of trusts within the Group, partners in a partnership within the Group or participants in a joint venture within the Group.

(2) All entities are Australian tax residents, there are no foreign tax jurisdictions of tax residency.

(3) SOCO Corporation Ltd is the head entity of the Group.

## Basis of preparation

This consolidated entity disclosure statement ('CEDS') has been prepared in accordance with subsection 295(3A)(a) of the Corporations Act 2001. The entities listed in the statement are SOCO Corporation Ltd and all the entities it controls as at 30 June 2024 in accordance with AASB 10 'Consolidated Financial Statements'.

## Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'T. Stianos', written over a horizontal line.

Thomas Stianos  
Chair

30 August 2024  
Brisbane



Arnie. Modern Workplace Team.



We put  
**people**  
**first**  
and technology  
second

# Independent auditor's report to the members of SOCO Corporation Ltd



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 SOCO Corporation Ltd

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of SOCO Corporation Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.





## Revenue Recognition

Key audit matter	How the matter was addressed in our audit
<p>The Group generates revenue from multiple streams, including IT consultancy services and license sales.</p> <p>Revenue recognition under AASB 15 <i>Revenue from Contracts with Customers</i> is complex and subject to error, especially where revenue is recognised over time or with multiple performance obligations.</p> <p>The Group's disclosures about revenue recognition are included in Note 2, which detail the accounting policies applied under the requirements of AASB 15 <i>Revenue from Contracts with Customers</i>, and Note 5, which includes the disclosures required under the standard.</p> <p>The assessment of the Group's revenue recognition was significant to our audit due to the materiality of revenue to the financial report, and the complex nature of account for the appropriate timing of revenue related to the sale of licenses under the requirements of AASB 15 <i>Revenue from Contracts with Customers</i>.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessing the revenue recognition policy for compliance with AASB 15 <i>Revenue from Contracts with Customers</i>.</li> <li>Involving our internal specialists to review management's expert's position paper on the treatment of licence revenue.</li> <li>Selecting a sample of licence sales, support services, and consulting fees recognised as revenue, and agreeing to supporting invoices, signed customer contracts and timesheet records where applicable.</li> <li>Completing invoice cut-off testing, to ensure an appropriate revenue cut-off was achieved at year-end.</li> <li>Analytical review procedures on all significant revenue streams against expected trends and prior year levels.</li> <li>Assessing the adequacy of the Group's revenue recognition disclosures within the financial statements.</li> </ul>

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



#### Business Combination

Key audit matter	How the matter was addressed in our audit
<p>The Group's disclosures in respect to business combinations are included in note 33.</p> <p>The audit of the accounting for the business combination is a key audit matter due to the significant judgement and complexity involved in assessing the determination of the fair value of identifiable intangible assets and the consideration paid/payable.</p> <p>The assessment of business combinations required significant auditor effort.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or an asset acquisition</li> <li>• Comparing the assets and liabilities recognised on acquisition against the historical financial information</li> <li>• Evaluating management's assessment of the fair value of the consideration paid/payable</li> <li>• Evaluating management's assessment of the identifiable assets and liabilities acquired</li> <li>• Engaging with internal experts on the appropriateness of the calculation of identifiable intangible assets</li> <li>• Assessing the adequacy of the Group's disclosures on the acquisition</li> <li>• Evaluating management's assessment of the contingent consideration amount booked at acquisition date and reporting date</li> <li>• Reviewing and challenging management's assumptions in respect of the probability of occurrence of contingent consideration linked to financial hurdles, at initial recognition</li> <li>• Assessing the adequacy of the Group's disclosures of the acquisition.</li> </ul>

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



#### Valuation and disclosures of non-financial assets including goodwill

Key audit matter	How the matter was addressed in our audit
<p>The Group's disclosures in respect to intangible assets, including the impairment assessments of goodwill and other intangible assets are included in note 15.</p> <p>The carrying value of intangible assets represents a significant of the Group.</p> <p>The Group is required to assess at each reporting period if impairment indicators are present, and at least annually for goodwill test for impairment. The impairment test was significant to our audit because the goodwill and intangible assets balance is material to the financial statements and because management's assessment process is complex, highly judgemental and includes estimates and assumptions relating to expected future market or economic conditions.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Evaluating management's determination of the Group's Cash Generating Units ("CGUs") to ensure they are appropriate, including being at a level no higher than the operating segments of the Group</li> <li>• Evaluating management's process regarding the valuation of Group's goodwill and other intangible assets</li> <li>• Assessing the Group's assumptions and estimates relating to forecast revenue, costs, capital expenditure, discount rates and growth rates</li> <li>• Involving our internal specialists to assess the discount rate against comparable market information</li> <li>• Assessing the disclosures related to the impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards</li> <li>• Challenging key assumptions by performing sensitivity analysis on the growth rates and discount rate assumptions used.</li> </ul>

#### Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual report, which is expected to be made available to us after that date.

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 identified above 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.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of 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](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 25 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of SOCO Corporation Ltd, for the year ended 30 June 2024, 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

A handwritten signature in black ink, appearing to read 'R J Liddell', is written over a faint, larger 'BDO' watermark.

R J Liddell

Director

Brisbane, 30 August 2024

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.





The IT services  
market is  
growing  
and we're ready to  
make an impact

Amanda. Modern Workplace Team.



# Shareholder information

The shareholder information set out below was applicable as at 5 August 2024.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		% of total shares issued
	Number of holders	Number of shares	
1 to 1,000	10	1,507	-
1,001 to 5,000	99	358,901	0.26
5,001 to 10,000	89	814,851	0.59
10,001 to 100,000	164	5,250,930	3.79
100,001 and over	57	132,013,469	95.36
	<u>419</u>	<u>138,439,658</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>127</u>	<u>421,795</u>	<u>0.30</u>

## SHAREHOLDER INFORMATION

### Equity security holders

#### *Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
BEOSTEMIS PTY LTD	20,000,000	14.45
SEANRICA PTY LTD	20,000,000	14.45
ULIN HOLDINGS PTY LTD	19,108,383	13.80
ROCK FAMILY PTY LTD	18,691,486	13.50
CASTELFRENTANO PTY LIMITED	17,398,762	12.57
WESTFERRY OPERATIONS PTY LTD (THE WESTFERRY FUND A/C)	3,125,000	2.26
DMX CAPITAL PARTNERS LIMITED	2,544,754	1.84
SNOWBALL ASSET MANAGEMENT PTY LTD (SNOWBALL ASSET MGMT A/C)	2,544,754	1.84
VANWARD INVESTMENTS LIMITED	2,544,754	1.84
NATIONAL NOMINEES LIMITED	2,544,754	1.84
2LIFE SUPER PTY LTD (2LIFE SUPER FUND A/C)	2,150,000	1.55
NORFOLK ENCHANTS PTY LTD (TROJAN RETIREMENT FUND A/C)	2,012,250	1.45
MR SIMON CRAIG FORTH	1,610,426	1.16
EXTREMISTAN NATIVE PTY LTD	1,375,000	0.99
BOND STREET CUSTODIANS LIMITED (TAMOFF - D91880 A/C)	1,304,348	0.94
CERTANE CT PTY LTD (BC2)	1,125,000	0.81
VESKAY PTY LTD (VESKAY SUPER FUND A/C)	1,053,090	0.76
DAWNEY & CO LTD	1,005,000	0.73
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	891,617	0.64
GOFFPORT PTY LTD	875,000	0.63
	<u>121,904,378</u>	<u>88.05</u>

#### *Unquoted equity securities*

	Number on issue	Number of holders
Options over ordinary shares issued	7,385,157	46

## SHAREHOLDER INFORMATION

### Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
ROCK FAMILY PTY LTD and related parties	20,463,844	14.78
SEANRICA PTY LTD and related parties	20,237,732	14.62
ULIN HOLDINGS PTY LTD	20,000,000	14.45
CASTELFRENTANO PTY LIMITED and related parties	18,703,110	13.51
BEOSTEMIS PTY LTD	18,691,486	13.50

### Voting rights

The voting rights attached to ordinary shares are set out below:


#### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

### Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares	31 October 2024	5,357,377
Ordinary shares	31 October 2025	<u>5,357,376</u>
		<u>10,714,753</u>



Jack. Modern Workplace  
Consulting Team.

**soco.**<sup>®</sup>

Let's talk about your big ideas.  
Call 1300 364 833  
[soco.com.au](http://soco.com.au)