

30 August 2021

## LETTER TO SHAREHOLDERS

### TNT announcement of its full year results:

**Normalised EBITDA of \$9.6m up from FY20 result of negative \$2.8m and Turnover increased to \$96.7m, up 372% from FY20 result of \$20.5m**

Dear Shareholders,

The company is pleased to present to shareholders its annual results and preliminary final reports for Tesseract Limited and its controlled entities ('TNT' or 'the Group') for the year ended 30 June 2021, plus an update of its achievements and current business activities.

The financial year ended 30 June 2021 represented a year of significant growth for the Group as the Board successfully executed its strategy to strengthen its core Cyber 360 capabilities and acquire complementary businesses and expand the product and service offering to its key clients.

During the year ended 30 June 2021, the Group reported total sales **turnover of \$96.7m**, statutory revenue of \$67.4m and **normalised EBITDA of \$9.6m** (excluding acquisition related costs and non-operating share based costs, 75% of which are non-cash costs).

TNT's financial results have improved progressively throughout the year culminating in a fourth quarter turnover result of \$38.2m. This also supports the business comfortably exceeding its initial ambition of annualised turnover run rate of \$150m.

The Group has achieved a **normalised net profit (NPAT) of \$4.9m**, excluding acquisition related costs and non-operating share based costs. Once these costs are added back in, this equates to a statutory reported net loss of \$4.5m for FY21.

The normalised/operating net profit and EBITDA results for FY21 represent a significant turnaround from last year's FY20 comparative results (FY20 normalised net loss of \$5.1m and FY20 normalised EBITDA loss of \$2.8m).

	<b>FY21</b>	<b>FY20</b>
	<b>\$m</b>	<b>\$m</b>
<b>Turnover</b>	<b>96.7</b>	20.5
Statutory revenue	67.4	20.2
<b>Normalised EBITDA</b>	<b>9.6</b>	<b>(2.8)</b>
Interest expense <sup>1</sup>	(1.9)	(0.5)
Depreciation and amortisation <sup>1</sup>	(7.4)	(2.6)
<b>Normalised PBT</b>	<b>0.3</b>	<b>(5.9)</b>
Tax (incl. credit from booking carry fwd losses)	4.6	0.8
<b>Normalised NPAT</b>	<b>4.9</b>	<b>(5.1)</b>

*Note 1 – Interest expense and Amortisation of Pure Asset management warrants are combined and disclosed within 'Finance costs' in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income.*

**Note** – share based payments and option expenses predominantly relate to the Group's Employee Share Option Plan (ESOP). The ESOP was initiated in October 2020 (during FY21) and as a result there are significant option expenses incurred in FY21 in relation to the initial allocation of options.

*ESOP is seen as a crucial component of key employee remuneration and gives the company a significant advantage in attracting and retaining talent over TNT's non-listed cyber competitors.*

FY21 saw the Group achieve exceptional growth – both organically through its execution of the Cyber 360 go-to-market strategy and through successful completion and integration of six acquisitions – with the acquired businesses adding public and private sector consulting services, managed services, specialised product expertise, plus cloud, defend and detect services to the Tesserent offering.

Pleasingly, the FY22 year has started off well for the Group with the business delivering above budget performance and a number of wins that will provide a foundation for continued strong organic growth during the current year. The acquisition of Loop Secure will complete in September and will add further to turnover. There are also a number of potential acquisitions currently in review which if completed, will further add to the inorganic earnings growth and deepen the Cyber 360 model.

The recently announced strategic acquisition of Loop Secure Pty Ltd on 19 August 2021, further enhances Tesserent's capabilities in the areas of Managed Security Services, GRC and Offensive Security. Loop Secure's services and solution offering is a strategic addition to strengthen Tesserent's Cyber 360 capabilities, with immediate synergies and opportunities to leverage its corporate relationships and skills within the Group.

During the year, Tesserent Innovation was launched in order to establish strategic partnerships with other technology businesses, thereby providing access to key technology capabilities to bring to Tesserent's customers. Under Tesserent Innovation, the Group acquired a 25% stake in each of TrustGrid and AttackBound, plus entered into an investment agreement for a 7% stake in Daltrey Pty Ltd (completed in early July 2021).

The launch of Tesseract Academy, which is a Cyber learning capability that is designed to promote industry cyber knowledge and develop industry talent, provides the Group with a leadership position in the Converged Security and Cyber Education markets.

As announced in the market release on 11 August 2021 – the business is pursuing a new brand and business unit integration strategy to drive growth in the business. The Company's new go-to-market approach will be accompanied by a new logo and colour palette, a preview of which is shown here:



This logo is based on the theme 'connected for a secure future': conveying unity, integration and forward motion. Combined with our new positioning statement '**Tesseract. Securing our digital future together**', our visual identity will align with the attributes we associate with Tesseract: Authoritative, Optimistic, Innovative, Curious and Collaborative.

The company looks forward to providing further updates on its future financial and commercial objectives when it releases its Annual Report in September.

Your sincerely,

A handwritten signature in black ink, appearing to read "Geoff Lord", with a stylized flourish at the end.

Geoff Lord  
Chairman  
Tesseract Limited

**Tesserent Limited and its controlled entities** (Tesserent, TNT or the Group)  
**13 605 672 928**

**APPENDIX 4E**

**Reporting Period**

**Reporting period:** Financial year ended 30 June 2021

**Comparative period:** Financial year ended 30 June 2020

**Preliminary results for announcement to the market**

Key Information		\$'000	Up/Down	% Change
Revenue from ordinary activities	(Note1)	67,389	Up	233%
(Loss) after tax from ordinary activities attributable to members	(Note2)	(4,533)	Down	38%
(Loss) attributable to members		(4,533)	Down	38%

Note1

Under accounting standard AASB15 "Revenue from Contracts with Customer", some of the Company's product sales are deemed as Agency Sales. The standard requires these sale amounts to be netted down against cost of products, which results in a lower reported 'Statutory' revenue in the Company's formal Financial Statements than the Group's Turnover of \$96.7m (a non-IFRS measure). This has no impact on Gross profit or Net profit.

Note2

Profit/(Loss) after tax from ordinary activities is presented in accordance with AASB 101 (para 87).

It is noted that the reported statutory loss includes \$4.9m of acquisition related expenses and \$4.4m of share option expense, associated with six acquisitions (business combinations) made during the year ended 30 June 2021, 75% of these expenses are non-cash items, and a tax benefit recognised from prior period tax losses of \$4.1m.

**Dividends paid and proposed**

No dividend has been proposed to be paid or is payable for the year ended 30 June 2021, nor for the comparative period.

**Control gained over entities during the year**

Name of Business		Reporting entity's percentage holding		Gross margin contribution* (period under TNT control)	
	Completion date	30 June 2021 %	30 June 2020 %	30 June 2021 \$'000	30 June 2020 \$'000
<b>Control gained</b>					
Seer Security Pty Ltd	31-Jul-20	100%	-	3,859	-
Airloom Holdings Pty Ltd	2-Sep-20	100%	-	7,224	-
Ludus Information Security Pty Ltd	11-Sep-20	100%	-	463	-
iQ3 Pty Ltd	11-Nov-20	100%	-	7,002	-
Lateral Security (IT) Services Limited [New Zealand]	12-Feb-21	100%	-	1,178	-
Secure Logic Pty Ltd	28-Apr-21	100%	-	390	-

\*Gross margin contribution from product and consulting revenue

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**Investment in Associates and Joint Ventures**
**Associates**

In addition to the controlling acquisitions identified above, during the year TNT entered into two investments in entities classified as associates:

<i>Investment</i>	<i>Investment date</i>
25% stake in TGrid Holdings Pty Ltd	16-Jun-21
25% stake in AttackBound Holdings Pty Ltd	16-Jun-21

No material trading or profit/loss were made in either AttackBound and TrustGrid during those 14 days, so TNT has reported the carrying value at 30 June 2021 of the investment in both AttackBound and TrustGrid at cost.

**Joint Ventures**

During the year TNT also entered into a 50/50 joint venture arrangement with New Zealand-headquartered security firm, Optic Security Group, managed through a newly incorporated entity, Optic TNT Security Pty Ltd.

Under the Joint Venture, TNT will provide its Cyber 360 security capabilities to support Optic Security's current customers to achieve their converged security outcomes. Converged security continues to be a strategic growth opportunity for Tesserent, as more organisations in critical infrastructure and government look to integrate their physical and cyber security as part of the rapid digitisation of their organisations.

No material activities, or trading or profit/loss has been made by the joint venture entity during the financial year ended 30 June 2021.

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**Net tangible assets per share**

		<b>30 June 2021</b>	<b>30 June 2020</b>
		<b>\$/share</b>	<b>\$/share</b>
Net tangible assets per share	(Note3)	(0.03)	(0.02)
Net assets (\$)		87,632,489	16,507,462
Net tangible assets (\$)		(32,220,025)	(10,996,885)
Number of shares on issue at 30 Jun		1,063,018,657	511,834,114

Note3

Excludes value of acquired Goodwill, Software IP and Customer contracts (recognised under AASB 3 Business Combinations)

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**Attachments**

This preliminary financial report of Tesserent Limited (and its subsidiaries) for the year ended 30 June 2021 is attached.

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**Status of Audit**

This preliminary financial report is based on Tesserent Group's accounts which are in the process of being audited.

## Explanation of Results and other information

### Board Review

Tesserent is pleased to provide its Preliminary Final Report (unaudited) for the year ended 30 June 2021.

This report is based on draft financial reports for the year ended 30 June 2021, which is in the process of being audited. The Board notes the following items regarding the Group's performance and the progress of the Company's strategy during and after the reporting period

### Explanation of Results

The financial year ended 30 June 2021 represented a year of significant growth for the Group as the Board successfully executed its strategy to strengthen its core Cyber 360 capabilities and acquire complementary businesses and expand the product and service offering to its key clients.

During the year ended 30 June 2021, the Group reported total turnover of \$96.7m, statutory revenue of \$67.4m and net loss after tax of \$4.5m (including acquisition costs and non-operating share based costs).

During the year, TNT completed controlling acquisitions of six unique businesses covering both public and private sector consulting services, managed services, specialised product expertise, plus cloud, defend and detect services.

As a result of successful integration of its strategic business acquisitions, the Group's trading performance and financial position has strengthened significantly and the business is poised to further enhance its commercial position in the market and achieve improvement in profitability.

The acquisition activities pursued during FY21 resulted in the group incurring significant upfront non trading costs which were incurred without the full benefit of the acquire business' contribution to the Group in the FY21 results.

**Figure 1 - Normalised NPAT and EBITDA (normalisation adjustments to remove non trading costs)**

	30 June 2021	
	\$'000	\$'000
<b>Statutory NPAT (loss)</b>		<b>(4,533)</b>
Share based payments and option expenses	4,462	
Acquisition costs	4,934	
<b>Normalised NPAT (excluding non-cash expense and acquisition costs)</b>		<b>4,863</b>
Interest expense <sup>1</sup>	1,929	
Tax (credit from DTA)	(4,578)	
Depreciation of property, plant and equipment	1,534	
Amortisation of customer contracts (acquired through acquisition)	2,206	
Amortisation of Pure Asset Mgmt - warrants and facility costs <sup>1</sup>	2,396	
Amortisation of Right of Use Assets (AASB16)	1,235	
<b>Normalised EBITDA</b>		<b>9,585</b>

*Note 1 – Interest expense and Amortisation of Pure Asset management warrants are combined and disclosed within 'Finance costs' in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income. 'Finance costs' as disclosed in the Consolidated Statement of Profit or Loss also includes approx. \$0.1m of non-interest financing costs.*

**Key Highlights**

- The Group exceeded all set financial objectives for FY21, including:
  - Turnaround to achieve sustainable quarter on quarter EBITDA growth from a quarterly loss making position in prior year
  - Strong regular cash flows and operating cash sustainability
  - Turnover run rate surpasses the \$150m stated ambition
  - Successful completion and integration of six acquisitions in Australia and NZ, extending the capability and service offering to its clients
  - Investment in two strategic innovation partner businesses
  - Launch of market leading Cyber learning capability (Tesseract Academy) to promote industry cyber knowledge and develop industry talent

In addition to record organic growth, a significant contributing factor to Tesseract's current and ongoing profitability is the successful integration of acquisitions, resulting in broad cost savings such as consolidation of office space and other operational resources.

The recently announced strategic acquisition of Loop Secure Pty Ltd on 19 August 2021, further enhances Tesseract's capabilities in the areas of Managed Security Services, GRC and Offensive Security. Loop Secure's services and solution offering is a strategic addition to strengthen Tesseract's Cyber 360 capabilities, with immediate synergies and opportunities to leverage its corporate relationships and skills within the Group.

**Future Focus**

Tesseract continues to build its operating profitability, and as announced in the market release on 11 August 2021 – the business is pursuing a new brand and business unit integration strategy to drive growth in the business.

Moving forward, TNT will go to market from a single entity with a single customer-facing brand which consolidates services from TNT's existing business units.

The Company's new go-to-market approach will be accompanied by a new logo and colour palette – to be announced in further detail in the coming weeks.

The Board and Management Team continue to focus on creating shareholder value by building on Tesseract's position as Australia's #1 ASX-listed cybersecurity provider. Important goals over this new financial year include:

- Continuing to drive the Company's acquisition strategy to expand on Cyber 360 capabilities and market share, increasing shareholder value through incremental EPS growth
- Fostering innovation and expand proprietary intellectual property to drive high-margin product and service offerings
- Driving an industry-wide capability uplift and reduce the skill shortage gap through the Tesseract Academy
- Focusing on capturing further market share in three key markets: Government (including Defence), Critical Infrastructure and Industry and Financial Services
- Driving growth through deeper customer engagements and increasing our average number of services per customer
- Integrating acquisitions to maximise synergy efficiencies and drive organic revenue growth through cross-selling
- Building out high-value recurring annuity revenue streams
- Exploring International expansion opportunities with a focus on Australia's key Five Eyes allies, which consists of the USA, UK, NZ and Canada
- Building a leadership position in the Converged Security and Cyber Education markets

The company notes two subsequent events following 30 June 2021 reporting date, being the announcement of its *brand and business unit integration strategy* and signing of a share purchase agreement for the *acquisition of Loop Secure Pty Ltd*. Further details of these items are disclosed in Note 22 of the Appendix 4E Preliminary Financial Report attached.

The company looks forward to providing further updates on its future financial and commercial objectives when it releases its Annual Report in September.

For further information, please contact:



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Authorised by the Disclosure team under Tesseract's Disclosure Policy



**Tesserent Limited and its controlled entities**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2021**

	<b>Note</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Revenue</b>	3	67,389	20,223
Other income	4	964	176
<b>Expenses</b>			
Software licence and connectivity fees		(9,654)	(5,449)
Employee benefits expense		(35,567)	(12,044)
Contractor expense		(8,679)	(2,082)
Administration expenses		(1,475)	(883)
Bad and doubtful debts		(235)	(281)
Consulting and legal costs		(962)	(958)
Advertising and promotion		(404)	(212)
Business acquisition costs		(4,934)	(1,995)
Share option expense		(4,462)	(265)
Depreciation and amortisation expense		(4,975)	(1,523)
Impairment of assets		-	(786)
Finance costs		(4,431)	(824)
Other expenses		(1,686)	(1,250)
<b>Loss before income tax benefit</b>		<b>(9,111)</b>	<b>(8,153)</b>
Income tax benefit		4,578	841
<b>Loss after income tax benefit for the year</b>		<b>(4,533)</b>	<b>(7,312)</b>
Other comprehensive income for the year, net of tax			
<b>Total comprehensive income for the year</b>		<b>(4,533)</b>	<b>(7,312)</b>
Basic loss per share (cents per share)	2	(0.52)	(2.02)
Diluted loss per share (cents per share)	2	(0.52)	(2.02)

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**Tesserent Limited and its controlled entities**  
**Consolidated Statement of Financial Position**  
**For the year ended 30 June 2021**

	<b>Note</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Current assets</b>			
Cash and cash equivalents		14,860	4,350
Trade and other receivables	5	24,800	7,423
Contract assets	6	9,293	780
Prepayments		1,960	1,382
Inventories		85	64
Lease asset receivable		254	-
Current tax asset		215	288
Total current assets		<b>51,467</b>	<b>14,286</b>
<b>Non-current assets</b>			
Contract assets	6	159	158
Property, plant and equipment		2,702	863
Intangibles	7	29,578	7,619
Goodwill	8	83,258	15,965
Right-of-use assets	9	6,812	3,920
Lease assets		534	-
Investments in associates and joint ventures		5,867	-
Other assets		812	467
Total non-current assets		<b>129,722</b>	<b>28,992</b>
<b>Total assets</b>		<b>181,189</b>	<b>43,278</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(29,035)	(7,469)
Contract liabilities	12	(8,396)	(2,651)
Lease liabilities	11	(2,390)	(1,046)
Provisions		(2,831)	(843)
Income tax payable		(172)	-
Deferred settlement liabilities	10	(11,699)	(4,714)
Total current liabilities		<b>(54,523)</b>	<b>(16,723)</b>
<b>Non-current liabilities</b>			
Contract liabilities	12	(118)	(129)
Lease liabilities	11	(5,078)	(3,489)
Borrowings	13	(25,603)	(3,637)
Provisions		(674)	(666)
Deferred settlement liabilities	10	(1,652)	(686)
Deferred tax liability		(5,910)	(1,440)
Total non-current liabilities		<b>(39,034)</b>	<b>(10,048)</b>
<b>Total liabilities</b>		<b>(93,557)</b>	<b>(26,771)</b>
<b>Net assets</b>		<b>87,632</b>	<b>16,507</b>

**Tesserent Limited and its controlled entities**  
**Consolidated Statement of Financial Position (continued)**  
**For the year ended 30 June 2021**

	<b>Note</b>	<b>2021</b> <b>\$'000</b>	<b>2020</b> <b>\$'000</b>
<hr/>			
<b>Equity</b>			
Contributed equity	14	102,992	29,485
Convertible notes	15	-	6,532
Reserves	16	10,889	1,840
Accumulated losses		(26,249)	(21,349)
		<hr/>	<hr/>
<b>Total equity</b>		<b>87,632</b>	<b>16,507</b>
		<hr/>	<hr/>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Tessarent Limited and its controlled entities**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2021**

	Contributed equity \$'000	Converting notes \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
<b>At 1 July 2019</b>	<b>13,756</b>	<b>-</b>	<b>773</b>	<b>(14,165)</b>	<b>364</b>
Impact of AASB 16 Leases, net of tax	-	-	-	49	<b>49</b>
Loss for the year	-	-	-	(7,312)	<b>(7,312)</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,263)</b>	<b>(7,263)</b>
Issue of shares	4,924	-	-	-	<b>4,924</b>
Issue of convertible notes	-	9,434	-	-	<b>9,434</b>
Capital raising costs	(330)	(451)	-	-	<b>(782)</b>
Share based payments	1,628	-	1,780	-	<b>3,408</b>
Shares issued or accrued as part of business combinations	6,732	-	-	-	<b>6,732</b>
Shares issued on conversion of convertible notes	2,775	(2,775)	-	-	-
Distributions to convertible note holders	-	324	-	(324)	-
Options exercised	-	-	(403)	403	-
Deferred tax	-	-	(310)	-	<b>(310)</b>
Total transactions with owners and other transfers	15,729	6,532	1,067	79	<b>23,406</b>
<b>As at 30 June 2020</b>	<b>29,485</b>	<b>6,532</b>	<b>1,840</b>	<b>(21,349)</b>	<b>16,507</b>
<b>At 1 July 2020</b>	<b>29,485</b>	<b>6,532</b>	<b>1,840</b>	<b>(21,349)</b>	<b>16,507</b>
Loss for the period	-	-	-	(4,533)	<b>(4,533)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,533)</b>	<b>(4,533)</b>
Capital raising costs	(216)	-	-	-	<b>(216)</b>
Share based payments	-	-	8,050	-	<b>8,050</b>
Share options issued	-	-	4,213	-	<b>4,213</b>
Shares issued or accrued as part of business combinations	50,480	-	-	-	<b>50,480</b>
Shares issued or accrued to employees or consultants	3,208	-	-	-	<b>3,208</b>
Shares issued or acquired on new operations	1,535	-	-	-	<b>1,535</b>
Shares issued on conversion of convertible notes	7,172	(6,721)	-	(451)	-
Distributions to convertible note holders	-	189	-	(189)	-
Options exercised	4,114	-	(169)	(92)	<b>3,855</b>
Options forfeited	-	-	(365)	365	-
Warrants exercised	7,213	-	-	-	<b>7,213</b>
Deferred tax	-	-	(2,710)	-	<b>(2,710)</b>
Translation of foreign operations	-	-	30	-	<b>30</b>
Total transactions with owners and other transfers	73,507	(6,532)	9,049	(367)	<b>75,658</b>
<b>As at 30 June 2021</b>	<b>102,992</b>	<b>-</b>	<b>10,889</b>	<b>(26,249)</b>	<b>87,632</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Tesserent Limited and its controlled entities**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2021**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	90,933	23,312
Payments to suppliers and employees	(86,524)	(26,170)
Other income	312	166
Interest received	5	9
Interest and other finance costs paid	(1,177)	(416)
Income tax paid	(881)	(151)
<b>Net cash from / (used in) operating activities</b>	<b>2,668</b>	<b>(3,250)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(24)	(73)
Development costs capitalised	-	(82)
Business acquisitions net of cash acquired	(17,104)	(10,171)
Other investments	(3,528)	-
<b>Net cash from / (used in) investing activities</b>	<b>(20,656)</b>	<b>(10,326)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	9,749	4,924
Cost of issuing shares	(154)	(188)
Proceeds from borrowings	25,409	4,169
Transaction costs related to loans and borrowings	(989)	(12)
Proceeds from convertible notes	-	8,995
Payment of deferred settlement liabilities	(5,517)	(962)
<b>Net cash from / (used in) financing activities</b>	<b>28,498</b>	<b>16,926</b>
<b>Net increase / (decrease) in cash held</b>	<b>10,510</b>	<b>3,350</b>
Cash and cash equivalents at the beginning of the year	4,350	1,000
<b>Cash and cash equivalents at the end of the year</b>	<b>14,860</b>	<b>4,350</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Tesseract Limited and its controlled entities**  
**Notes to the preliminary final report**  
**For the year ended 30 June 2021****1. Significant accounting policies**

This preliminary financial report has been authorised for issue by the directors.

**Statement of compliance**

The preliminary report has been prepared in accordance with ASX Listing Rule 4.3A, the disclosure requirements of ASX Appendix 4E, and in accordance with the recognition and measurement requirements but not the disclosure requirements of Accounting Standards and Australian Accounting Interpretations and the *Corporations Act 2001*. Accounting Standards includes Australian equivalents to International Financial Reporting Standards (A-IFRS).

The preliminary final report does not include all of the notes of the type normally included in an Annual Financial Report.

**Basis of preparation**

The preliminary report is to be read in conjunction with the 2020 Annual Financial Report, the December 2020 half year report and any public announcements made by Tesseract Limited and its controlled entities during the year in accordance with the continuous disclosure obligation arising under ASX Listing Rules.

The preliminary report includes the preliminary consolidated financial statements of the parent entity, Tesseract Limited and its subsidiaries (together 'the Group').

The preliminary final report has been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the Company's Annual Financial Report for the year ended 30 June 2020.

The Group has adopted all new and revised Australian Accounting Standards and Interpretations that are relevant to the Group and have become effective for the first time since the 2020 Annual Financial Report.

**Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. 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 judgements, estimates and assumptions that are material to the financial reports are discussed below.

*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.

*Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Technically obsolete or non-strategic assets that are abandoned or sold may 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 are appropriately valued. 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.

*Fair Value of Lateral earnout consideration*

Deferred consideration in respect of Lateral Security includes a component payable in issued capital. The contractual obligation for Earnout Shares as set out in the Share Purchase Agreement, is to issue a defined number of ordinary shares in TNT.

The fair value of the Earnout Shares which were expected to be issued under the Share Purchase Agreement was determined based on the share price of TNT shares on 12 February 2021 (being the date on which the acquisition of Lateral Security was completed). The fair value of these Earnout Shares was re-assessed at the date that the earnout date was reached and the contractual obligation to issue the shares crystallised (being 31 May 2021).

These Earnout Shares are to be issued on 12 February 2022. They have been accounted for in line with Accounting Standard AASB132 in that an instrument that meets requirements for classification as equity and the contractual obligation has been classified as 'Contributed equity'.

*Fair Value of TrustGrid and AttackBound options held*

In June 2021, Tesserent Group (TNT) entered into two investments comprising a 25% stake in TGrid Holdings Pty Ltd and a 25% stake in AttackBound Holdings Pty Ltd.

Consideration payable for the shares and options in TrustGrid and AttackBound under the terms of the Share Purchase Agreements and Convertible Note Deeds, comprises respectively, cash consideration and consideration in TNT shares as consideration for shares in the acquired entities plus cash consideration for grant of option instruments.

The options acquired under the Convertible Note Deeds (Options), give TNT the right to acquire additional shares in either TrustGrid or AttackBound to maintain TNT's shareholding in the relevant business when each business raises additional capital by issuing new shares.

The right to acquire these additional shares is essentially drawn down against amounts paid (or payable) under the Cash consideration plus Deferred Cash consideration for grant of Option Instrument. The pricing of these additional shares is to be equivalent to the share price applied to the applicable capital raise (Notional Share Price). The Options have a two-year Exercise Period from the date of completion of the Convertible Note Deeds – being 16 June 2021.

As at 30 June 2021, the carrying value of these options has been assessed as being equal to the cost of the options under the Convertible Note Deed, as the Directors believe this is the best estimate of the extent of the Call Option that will be exercised in the future. The carrying value of the options will be re-assessed, based on the underlying value of each of the TrustGrid and AttackBound businesses and the expectation/probability of the businesses raising capital within the Exercise Period.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax and recognition of deferred tax assets attributable to tax losses. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate

tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Employee benefits provision*

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

#### *Business combinations*

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

#### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

#### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

### **Other accounting policies**

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

### **Rounding of amounts**

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



## 2. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Tesserent Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

<b>Loss per share</b>	<b>2021</b>	<b>2020</b>
	<b>cents</b>	<b>cents</b>
Basic loss per share	0.52	2.02
Diluted loss per share	0.52	2.02
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(4,533)	(7,312)
<b>Basic</b>		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	875,632,954	361,822,054

## 3. Revenue

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Managed services	4,677	4,377
Consulting services	53,409	13,974
Software licence subscriptions	8,075	1,327
Hardware equipment sales	642	545
Support and maintenance renewals	586	-
<b>Total</b>	<b>67,389</b>	<b>20,223</b>

### *Significant accounting policy*

Under accounting standard AASB15 *Revenue from Contracts with Customers*, some of the Group's software product sales and hardware sales are required to be recognised on an agency basis and be netted down against the cost of those products sold – which results in a lower reported 'Statutory' revenue compared to Turnover (the Turnover or 'Gross sales' beings equivalent to the value invoiced to customers).

The netting of some of the Group's Turnover in applying AASB15 agency provisions has no impact on reported gross profit or net profit of the consolidated group.

**4. Other income**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Government grant income	113	100
Interest income	9	8
Other	842	68
<b>Total other income</b>	<b>964</b>	<b>176</b>

Government grant income relates to Cash Flow Boosts provided by the Australian Federal Government in response to Covid-19.

Other income includes a \$654,852 gain on restatement of deferred consideration - relating to FY21 earnout shares that were valued at TNT's at the prevailing share price of \$0.3500 per share at the time of acquisition, but revalued to the prevailing share price of \$0.2375 per share at the time the earnout was set and number of shares to be issued was fixed.

**5. Trade and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade Receivables	23,385	7,498
Less: Allowance for expected credit loss	(248)	(81)
	23,137	7,417
Other Receivables	1,663	6
<b>TOTAL</b>	<b>24,800</b>	<b>7,423</b>

**6. Contract assets**

Contract Assets are contract amounts to be received by the Group in relation to the Sale of Software, Licensing and Software Subscriptions. The Group is a Reseller of several different Vendors in relation to the Sale of Software, Licensing and Software Subscriptions. See also Note 12 for related contract liabilities.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued Revenue (WIP)	2,964	780
Contract Asset	6,329	-
<b>Current contract assets</b>	<b>9,293</b>	<b>780</b>
Contract Asset	159	158
<b>Non-current contract assets</b>	<b>159</b>	<b>158</b>

## 7. Intangible assets

2021	Customer contracts and relationships \$'000	Intellectual property \$'000	Software (T-Rex) \$'000	Total \$'000
Cost	31,611	684	-	32,295
Accumulated amortisation	(2,647)	(71)	-	(2,718)
<b>Net book value</b>	<b>28,964</b>	<b>613</b>	<b>-</b>	<b>29,577</b>
Opening net book value	7,596	23	-	7,619
Capitalised development costs	-	25	-	25
Additions through business combinations	23,574	569	-	24,143
Amortisation charge	(2,206)	(3)	-	(2,209)
Impairment	-	-	-	-
<b>Net book value</b>	<b>28,964</b>	<b>614</b>	<b>-</b>	<b>29,577</b>

  

2020	Customer contracts and relationships \$'000	Intellectual property \$'000	Software (T-Rex) \$'000	Total \$'000
Cost	8,037	23	2,112	10,172
Accumulated impairment	-	-	(786)	(786)
Accumulated depreciation	(441)	-	(1,326)	(1,767)
<b>Net book value</b>	<b>7,596</b>	<b>23</b>	<b>-</b>	<b>7,619</b>
Opening net book value	-	23	955	978
Capitalised development costs	-	-	82	82
Additions through business combinations	8,037	-	-	8,037
Amortisation charge	(441)	-	(251)	(692)
Impairment	-	-	(786)	(786)
<b>Net book value</b>	<b>7,596</b>	<b>23</b>	<b>-</b>	<b>7,619</b>

## 8. Goodwill

	2021 \$'000	2020 \$'000
Cost	84,036	16,742
Accumulated impairment	(777)	(777)
<b>Net book value</b>	<b>83,258</b>	<b>15,965</b>
Opening net book value	15,965	-
Additions through business combinations	66,737	16,742
Additional amount recognised from prior year business combination	557	-
Impairment	-	(777)
<b>Net book value</b>	<b>83,258</b>	<b>15,965</b>

**9. Right of use assets**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>\$</b>	<b>2020</b>
<b>Opening balance</b>	<b>3,920</b>	<b>1,262</b>
Additions through business combinations	5,007	3,258
Disposals	(880)	-
Depreciation expense	(1,235)	(600)
<b>Closing balance</b>	<b>6,812</b>	<b>3,920</b>

Right of use assets comprise office and operational workspace leased on long term leases. Included in the cost are leases acquired on business combinations – refer to note 18.

**10. Other financial liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred settlement liability - current	(11,699)	(4,714)
Deferred settlement liability - non-current	(1,652)	(686)
	<b>(13,351)</b>	<b>(5,400)</b>

The amounts recorded under other financial liabilities primarily relate to outstanding deferred settlement and 'earn out' payments which are contractually payable under the Share Purchase Agreements for each of the acquired businesses. The liability includes deferred settlement payments are fixed and payable at specified future dates, as well as 'earn out' payments which are estimated based upon the expected future trading performance of some of the acquired businesses.

Of the \$13.4m of deferred settlement liabilities outstanding at 30 June 2021, \$11.6m relates to remaining balance of deferred settlement liabilities in relation to business combinations set out in Note 18. \$1.5m relates to deferred consideration on Tesserent innovation investments TrustGrid and Attack Bound, discussed in Note 19, and \$0.2m relates to settlement of residual intellectual property costs.

**11. Lease liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Current lease liabilities	(2,390)	(1,046)
	<b>(2,390)</b>	<b>(1,046)</b>
Non-current lease liabilities	(5,078)	(3,489)
	<b>(5,078)</b>	<b>(3,489)</b>
<b>Total</b>	<b>(7,468)</b>	<b>(4,535)</b>

**Movement in Lease Liability**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2020	(4,535)	(101)
Adoption of AASB 16	-	(1,666)
New and Modified Leases	-	-
Acquired in a business combination	(4,506)	(3,371)
Cash Payments	1,755	751
Interest expense	(182)	(148)
	<b>(7,468)</b>	<b>(4,535)</b>

**12. Contract liabilities**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Deferred Revenue	(3,349)	(2,363)
Contract Liabilities	(5,047)	(289)
	<b>(8,396)</b>	<b>(2,651)</b>
<b>Non-Current</b>		
Contract Liabilities	(118)	(129)

Contract liabilities relate to amounts that the Group will be required to pay to these various Vendors in the future from prior Software, Licensing and Software Subscription sales. The Group is a Reseller of several different Vendors in relation to the Sale of Software, Licensing and Software Subscriptions. See Note 6 for contract assets"

**13. Borrowings**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-Current</b>		
Loan Facilities	(35,000)	(5,000)
Fair Value of attaching warrants	9,498	1,448
Transaction costs	797	138
	<b>(24,705)</b>	<b>(3,414)</b>
Amortisation of PAM warrants and transaction costs	(898)	(223)
	<b>(25,603)</b>	<b>(3,637)</b>

The fair value of long-term borrowings is based on cash flows discounted using effective market discount rates available to the Group. Finance costs (facility arrangement fees and fair value of warrants) of \$10,295,661 are amortised over the life of the borrowings, which in effect discounts the face value of the borrowings of \$35 million. The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, shorter period.

#### 14. Capital and reserves

Number of shares	Number of shares	
	2021	2020
<b>Shares on issue at the start of the year</b>	<b>511,834,114</b>	<b>183,043,123</b>
Shares issued pursuant to capital raisings	59,000,000	109,601,673
Shares issued from conversion of Warrants	74,086,779	-
Shares issued from conversion of Convertible Notes	146,699,254	53,500,000
Issued as part of business combinations consideration	243,993,862	137,550,000
Shares issued as equity settled expense	26,310,898	24,398,577
Shares issued to employees	1,093,750	3,740,741
<b>Shares on issue at the end of the year</b>	<b>1,063,018,657</b>	<b>511,834,114</b>

Number of shares	Value of issued capital (\$'000)	
	2021	2020
<b>Shares on issue at the start of the year</b>	<b>29,485</b>	<b>13,755</b>
Shares issued pursuant to capital raisings	-	5,192
Shares issued from conversion of Warrants	7,213	-
Shares issued from conversion of Convertible Notes	7,172	2,675
Issued as part of business combinations consideration	52,015	6,732
Shares issued or accrued to employees or consultants	3,208	-
Shares issued as equity settled expense	-	1,248
Shares from options exercised	4,114	212
Cost of issuing equity	(216)	(330)
<b>Shares on issue at the end of the year</b>	<b>102,992</b>	<b>29,485</b>

#### 15. Convertible notes

	2021	2020
	\$'000	\$'000
<b>Convertible Notes at the start of the year</b>	<b>6,532</b>	<b>9,434</b>
Converting notes issued	-	(451)
Cost of issue of converting notes	189	324
Notes converted to share capital	(6,721)	(2,775)
<b>Convertible Notes at the end of the year</b>	<b>-</b>	<b>6,532</b>

## 16. Reserves

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance</b>	<b>1,840</b>	<b>773</b>
Share based compensation recognised during the year	8,050	1,780
Share options issued	4,213	-
Share options exercised during the year	(169)	(403)
Share options expired during the year	(365)	-
Transalation of foreign operatons	30	-
Deferred Tax	(2,710)	(310)
<b>Balance at the end of the year</b>	<b>10,889</b>	<b>1,840</b>

## 17. Segment reporting

The Group operates predominantly in Australia and New Zealand (following the acquisition of Lateral Security on 12 February 2021 – refer to note on *Business Combinations*)

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are reviewed by the Group's chief operating decision maker (CODM) in order to effectively allocate Group resources and assess performance. In the case of Tesserent, the Co-Chief Executive Officers are the Group's CODM's.

In the process of preparing the strategic plan and budget for the 30 June 2022 financial year, the Group updated its internal management reporting structure and go to market approach. This revised structure has evolved through the management reporting developed in the 30 June 2021 financial year given the significant number of acquisitions during the year, and forms the basis in which the CODMs manage the business and assessment performance. (refer also to the ASX market announcement on 11 August 2021, titled: "Brand and Business Unit Integration Strategy")

Under the revised structure, the Group's internal reporting and management comprises three primary operating segments, being:

1. **Tesserent Commercial** segment- comprising the Group's core customer offerings Defend, Cloud and Detect customer service offerings
2. **Tesserent Federal** segment – comprising the North Security, Ludus and Seer Security businesses
3. **Tesserent New Zealand** segment – comprising the newly acquired Lateral business plus the newly incorporated Tesserent NZ entity to cross sell services from the Australian Core segment into Lateral and new NZ customers

The CODMs review these segments down to the EBIDAC level (Earnings before interest, tax, depreciation, amortisation and corporate overhead costs), with reporting of corporate overhead costs and non-cash costs done on a consolidated group basis.

**Year ended 30 June 2021**

	<b>Tesserent Commercial \$'000</b>	<b>Tesserent Federal \$'000</b>	<b>Tesserent New Zealand \$'000</b>	<b>Other / unallocated \$'000</b>	<b>Total \$'000</b>
Net Sales to external customers	40,572	24,976	1,846	(5)	67,389
Other sales	171	23	-	770	964
<b>Total revenue</b>	<b>40,743</b>	<b>24,999</b>	<b>1,846</b>	<b>765</b>	<b>68,353</b>
<b>EBITDAC</b>	<b>7,262</b>	<b>5,595</b>	<b>661</b>	<b>(31)</b>	<b>13,487</b>
Corporate costs (including acquisition costs and SBP*)				(13,298)	(13,298)
<b>EBITDA</b>	<b>7,262</b>	<b>5,595</b>	<b>661</b>	<b>(13,329)</b>	<b>189</b>
Depreciation and amortisation				(4,975)	(4,975)
Interest expense and PAM facility amortisation				(4,325)	(4,325)
<b>Profit/(loss) before income tax expense</b>	<b>7,262</b>	<b>5,595</b>	<b>661</b>	<b>(22,629)</b>	<b>(9,111)</b>
<b>Income tax expense</b>				4,578	4,578
<b>Profit/(loss) after income tax expense</b>	<b>7,262</b>	<b>5,595</b>	<b>661</b>	<b>(18,051)</b>	<b>(4,533)</b>

*Material items include:*
*\* Share based payments*
*(4,462)*
*\* Acquisition costs*
*(4,934)*

Total segment assets	89,653	36,946	6,999	47,591	181,189
Total segment liabilities	(42,330)	(6,600)	(193)	(44,434)	(93,557)

**Year ended 30 June 2020**

	<b>Tesserent Commercial \$'000</b>	<b>Tesserent Federal \$'000</b>	<b>Tesserent New Zealand \$'000</b>	<b>Other / unallocated \$'000</b>	<b>Total \$'000</b>
Net Sales to external customers	16,151	4,072	-	-	20,223
Other sales	110	66	-	-	176
<b>Total revenue</b>	<b>16,261</b>	<b>4,138</b>	<b>-</b>	<b>-</b>	<b>20,399</b>
<b>EBITDAC</b>	<b>(1,397)</b>	<b>798</b>	<b>-</b>	<b>(794)</b>	<b>(1,393)</b>
Corporate costs (including acquisition costs and SBP*)				(4,413)	(4,413)
<b>EBITDA</b>	<b>(1,397)</b>	<b>798</b>	<b>-</b>	<b>(5,207)</b>	<b>(5,806)</b>
Depreciation and amortisation				(1,523)	(1,523)
Interest expense and PAM facility amortisation				(824)	(824)
<b>Profit/(loss) before income tax expense</b>	<b>(1,397)</b>	<b>798</b>	<b>-</b>	<b>(7,554)</b>	<b>(8,153)</b>
<b>Income tax expense</b>				841	841
<b>Profit/(loss) after income tax expense</b>	<b>(1,397)</b>	<b>798</b>	<b>-</b>	<b>(6,713)</b>	<b>(7,312)</b>

*Material items include:*
*\* Share based payments*
*(1,468)*
*\* Acquisition costs*
*(1,296)*

Total segment assets	15,782	8,096	-	19,400	43,278
Total segment liabilities	(12,230)	(2,335)	-	(12,205)	(26,770)



## **18. Business Combinations**

During the year, the Group completed the acquisitions of Seer Security Pty Ltd, Airloom Holdings Pty Ltd, Ludus Information Security Pty Ltd, iQ3 Pty Ltd, Lateral Security (IT) Services Limited [New Zealand] and Secure Logic Pty Ltd. Details of the acquisitions were as follows:

### ***Seer Security***

On 4 August 2020, TNT Cyber Services Pty Ltd, a subsidiary of Tesserent Limited, acquired 100% of the ordinary shares of Seer Security Pty Ltd for consideration of \$20,636,811 million, with \$6,982,965 cash and \$13,653,846 in issued share capital, being 76,923,077 shares issued at a fair value of \$0.1775 per share. In addition, a cash payment of \$1,383,158 was made post-completion as a working capital adjustment.

The cash consideration has been split, with \$2.5 million paid on completion, \$1.25 million payable 13 months after completion and the final payment of \$1.25m, 25 months after completion.

### ***Airloom***

On 11 September 2020, TNT Cyber Services Pty Ltd, a subsidiary of Tesserent Limited, acquired 100% of the ordinary shares of Airloom Holdings Pty Ltd for consideration of \$23,184,758, with \$12,298,323 cash and \$10,886,435 in issued share capital, being 39,950,221 shares issued at fair value of \$0.2725 per share.

The cash consideration has been split, with \$7.50 million paid on completion and \$1 million payable 12 months after completion upon achievement of set milestones. Total consideration for the acquisition also includes \$3.8m in estimated earnout payments based upon forecast performance of the business.

### ***Ludus Cybersecurity***

On 11 September 2020, TNT Cyber Services Pty Ltd, a subsidiary of Tesserent Limited, acquired 100% of the ordinary shares of Ludus Information Security Pty Ltd for consideration of \$2,094,224, with \$1,006,324 cash and \$1,087,900 in issued share capital, being 4,440,410 shares issued at a fair value of \$0.245 per share.

The cash consideration has been split, with \$267,750 paid on completion and \$267,750 payable 12 months after completion. A cash payment of \$156,838 was made post-completion as a working capital adjustment.

Total consideration for the acquisition also includes \$0.3m in estimated earnout payments based upon forecast performance of the business.

### ***iQ3***

On 28 October 2020, TNT Cyber Services Pty Ltd, a subsidiary of Tesserent Limited, acquired 100% of the ordinary shares of iQ3 Pty Ltd for consideration of \$18,086,895 with \$8,634,650 cash and \$9,513,336 in issued share capital, being 34,593,950 shares at fair value of \$0.275 per share.

The cash consideration has been split, with \$4,317,325 paid on completion and four deferred quarterly payments of \$1,079,331, payable over a 12-month period after completion. A working capital adjustment of \$(61,091) has been estimated for completion accounts.

### ***Lateral Security (IT) Services Limited***

On 12 February 2021, TNT Cyber Services Pty Ltd, a subsidiary of Tesserent Limited, acquired 100% of the ordinary shares of New Zealand based Lateral Security (IT) Services Limited for consideration of NZ\$8,594,502 (A\$8.253m), with A\$4,163,883 cash, A\$2,055,197 in issued share capital, being 5,871,990 shares issued at a fair value of \$0.350 per share and a provision for a further A\$2,034,204 in share capital being 5,812,014 shares issued at a fair value of \$0.350 per share in relation to in estimated earnout payments based upon forecast performance of the business.

The cash consideration has been split, with A\$1,068,000 paid on completion and A\$970,140 payable 6 months after completion. A cash payment of A\$654,838 was made post-completion as a working capital adjustment and a further cash payment of \$1,470,904 was made in relation to Lateral meeting agreed earnout targets.

Deferred consideration in respect of Lateral Security includes a component payable in issued capital. The contractual obligation for FY21 Earnout Shares as set out in clause 10.7(b), is to issue 5,812,014 ordinary shares in

TNT. These Earnout Shares have been accounted for in line with Accounting Standard AASB132 -in that an instrument that meets requirements for classification as equity and the contractual obligation has been classified as 'Contributed equity'.

### **Secure Logic Pty Ltd**

On 28 April 2021, TNT Cyber Services Pty Ltd, a subsidiary of Tesserent Limited, acquired 100% of the ordinary shares of Secure Logic Pty Ltd for consideration of \$17,904,336, with \$8,526,857 cash and \$9,377,479 in issued share capital, being 42,145,974 shares issued at a fair value of \$0.2225 per share.

The cash consideration has been split, with \$7,002,139 paid on completion and further \$1,524,716 held in escrow pending finalisation of working capital adjustment.

The above business combinations have been initially accounted for on a provisional basis.

<b>Details of acquisitions</b>	<b>Seer Fair value \$'000</b>	<b>Airloom Fair value \$'000</b>	<b>Ludus Fair value \$'000</b>	<b>iQ3 Fair value \$'000</b>
Cash	2,493	3,665	210	2,731
Trade and other receivables	943	1,639	217	1,328
Prepayments	-	52	1	358
Deposits	46	-	-	104
Plant and equipment	-	-	-	1,559
Right of use assets	-	-	-	4,413
Deferred tax assets	-	-	-	212
Trade and other payables	(473)	(1,768)	(139)	(1,052)
Contract liabilities	(320)	-	-	(40)
Lease liabilities	-	-	-	(6,019)
Employee benefit provisions	(194)	(548)	(19)	(573)
Provision for income tax	(709)	(364)	(72)	(246)
<b>Net assets acquired</b>	<b>1,786</b>	<b>2,676</b>	<b>198</b>	<b>2,775</b>
Fair value of contracts and relationships acquired	5,320	4,541	415	4,201
Deferred tax liability on customer contracts acquired	(1,532)	(1,143)	(170)	(1,348)
Software IP acquired	-	-	-	-
Goodwill	15,063	17,113	1,651	12,459
<b>Total Consideration</b>	<b>20,637</b>	<b>23,187</b>	<b>2,094</b>	<b>18,087</b>
Represented by:				
Cash paid	3,883	7,495	425	6,476
Issued capital	13,654	10,886	1,088	9,513
Deferred consideration	3,100	4,803	582	2,098
	<b>20,637</b>	<b>23,184</b>	<b>2,095</b>	<b>18,087</b>
<b>Cash used to acquire businesses:</b>				
Purchase consideration paid	3,883	7,495	425	6,476
Less: cash and cash equivalents acquired	(2,493)	(3,665)	(210)	(2,731)
<b>Net cash payments for business combinations</b>	<b>1,390</b>	<b>3,830</b>	<b>215</b>	<b>3,745</b>

<b>Details of acquisitions (continued)</b>	<b>Lateral Fair value \$'000</b>	<b>Secure Logic Fair value \$'000</b>	<b>TOTAL (6 acquisitions) \$'000</b>
Cash	758	43	9,900
Trade and other receivables	538	349	5,014
Prepayments	-	628	1,039
Deposits	-	-	150
Plant and equipment	37	354	1,950
Right of use assets	-	594	5,007
Deferred tax assets	-	-	212
Trade and other payables	(249)	(2,015)	(5,696)
Contract liabilities	-	(1,073)	(1,433)
Lease liabilities	-	(695)	(6,714)
Employee benefit provisions	(84)	(414)	(1,832)
Provision for income tax	(57)	(109)	(1,557)
<b>Net assets acquired</b>	<b>943</b>	<b>(2,338)</b>	<b>6,040</b>
Fair value of contracts and relationships acquired	2,797	6,300	23,574
Deferred tax liability on customer contracts acquired	(751)	(1,814)	(6,758)
Software IP acquired	-	569	569
Goodwill	5,265	15,187	66,738
<b>Total Consideration</b>	<b>8,254</b>	<b>17,904</b>	<b>90,163</b>
Represented by:			
Cash paid	1,723	7,002	27,004
Issued capital	2,055	9,377	46,573
Deferred consideration	4,475	1,525	16,583
	<b>8,253</b>	<b>17,904</b>	<b>90,160</b>
Cash used to acquire businesses:			
Purchase consideration paid	1,723	7,002	27,004
Less: cash and cash equivalents acquired	(758)	(43)	(9,900)
Net cash payments for business combinations	<b>965</b>	<b>6,959</b>	<b>17,104</b>

## 19. Other investments

In addition to the controlling acquisitions identified above, during the year TNT entered into two investments, being:

<b>Investment</b>	<b>Investment date</b>
25% stake in TGrid Holdings Pty Ltd	16 June 2021
25% stake in AttackBound Holdings Pty Ltd	16 June 2021

Under Accounting Standard AASB 128 *Investments in Associates and Joint Ventures* it is determined that the 25% stake in each of these entities, plus representation on the board of each business, results in Tesserent having significant influence.

The Group has accounted for each of these investments by the application of the equity method when accounting for investments in associates.

**20. Joint venture**

During the year TNT also entered into a joint venture arrangement with New Zealand-headquartered security firm, Optic Security Group.

The Joint venture is managed through a newly incorporated entity, Optic TNT Security Pty Ltd, which is 50/50 jointly owned with Optic Security Group. The initial investment into the joint venture was a nominal amount of \$50, representing issued capital.

No material activities, or trading or profit/loss has been made by the joint venture entity during the financial year ended 30 June 2021, so TNT has reported the carrying value of the investment in the joint venture – at cost at 30 June 2021.

**21. Contingent assets and liabilities**

There are no contingent assets or liabilities as at 30 June 2021

**22. Events after the end of the full year reporting period***Announcement of brand and business unit integration strategy*

On 11 August 2021, Tesserent announced a brand and business unit integration strategy to drive growth in the business, such that, moving forward, TNT will go to market from a single entity with a single customer-facing brand, Tesserent, that incorporates services from TNT's existing business units.

The re-organisation of the go-to-market approach also reflects the evolution of the Group as it integrates the businesses acquired during the last 18 months, and its consistent with the basis in which the Group's chief operating decision makers manage the business and assess performance.

The Company's new go-to-market approach will be accompanied by a new logo and colour palette – to be announced in the coming weeks following the 11 August 2021 announcement.

*Acquisition of Loop Secure Pty Ltd*

Tesserent announced to the market, the acquisition of Loop Secure Pty Ltd following the signing of a Share Purchase Agreement executed between both parties on the 18 August 2021.

Under the terms of the Share Purchase Agreement, TNT Cyber Services Pty Ltd, a subsidiary of Tesserent Limited, acquired 100% of the ordinary shares of Loop Secure Pty Ltd for consideration of \$13,500,000, with \$7m initial payment of cash and \$4.5m in issued share capital, based on 15,946,137 shares at a based on VWAP of \$0.2822 per share. Two further deferred consideration payments of \$1m are payable six months and twelve months following completion date. Final consideration is also subject to net debt and working capital adjustments and an earnout payment if the business exceeds agree future targets.

Apart from the items above, there has been no matter or circumstance which has arisen since 30 June 2021, that has significantly affected or may significantly affect the operations of the Group or the results of those operations or the state of affairs of the Group.