

28 April 2023

## Quarterly Activities Report

For the quarter ending 31 March 2023

ActivePort Group Ltd (“**ActivePort**” or “**the Company**” or “**Group**”), (**ASX:ATV**) continues to drive solid quarter-on-quarter revenue growth, bringing software revenue for FY23 to \$5.51M, exceeding the \$5M annual target, a quarter ahead of schedule.

### Business Highlights:

- **Q3 Software revenue is \$2.87M, an increase of 53% on Q2.**
- **Software revenue as a percentage of Group revenue increased to 50% of total Group revenue, up from 34% in Q2.**
- **Lightstorm strategic 10-year deal was announced in Q3 with an upfront \$2.1M cash payment, bolstering the Company’s cash position heading into Q4.**
- **The Company’s internal target for FY23 software revenue of \$5M has been exceeded one quarter early with software revenue at \$5.51M at the end of Q3.**

### Other updates:

Karim Nejaim, CEO and Executive Director of ActivePort Group Ltd has announced his intention to step down from his role and step off the board at the end of April. Karim recently uncovered some health issues that may require considerable time away from the office over the coming year to address and as a result decided to step down from his roles at ActivePort.

Under Karim’s exceptional leadership, ActivePort listed on the ASX and grew from its startup phase to its scale-up phase. Guiding a software start-up throughout the past 2 years has been a challenging task that Karim accepted and managed with absolute proficiency and professionalism.

The ActivePort Board reluctantly accepted Karim’s resignation and wishes him well. The team at ActivePort will certainly miss his substantial presence. Peter Christie takes over as interim CEO, supported by a 5-person ActivePort executive management team as the candidates for the CEO role are considered. Founder and CTO, Mark Middleton, will be appointed to the ActivePort Board.

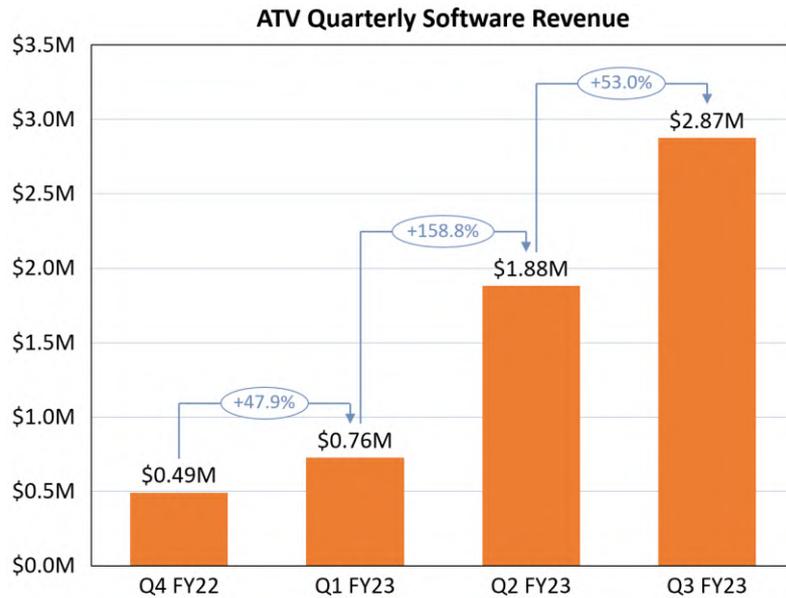
The Company continues executing on its strategy of delivering strong, profitable revenue growth, with 50% of the quarterly Group revenue now driven from software. A major milestone for ActivePort was to reach a point where the majority of group revenue is delivered from software, and this is now in sight.

### ActivePort CEO and Executive Director, Karim Nejaim said:

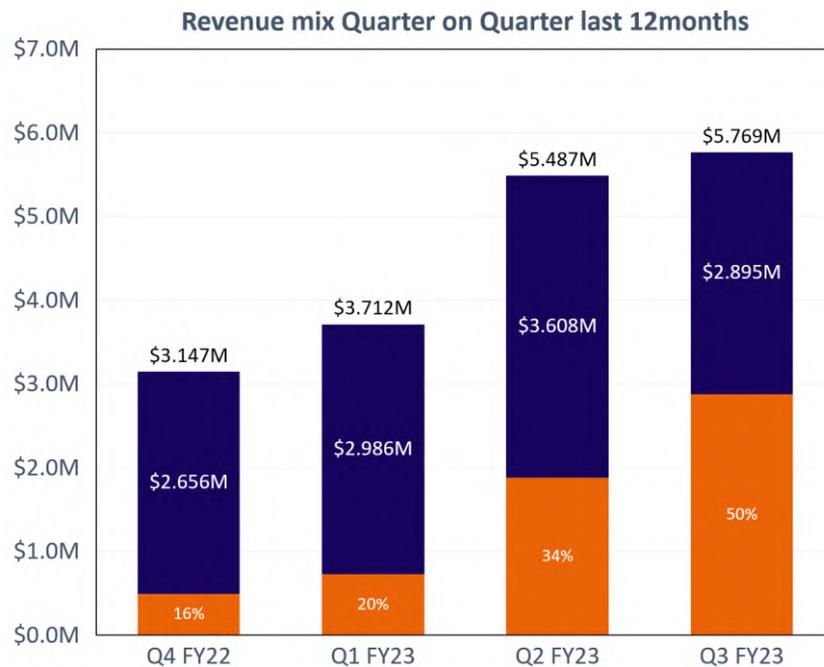
*“The ActivePort Team is thrilled that we have met our FY23 software revenue target with a quarter to spare. Our software is expanding globally, and we are delighted that our revenue growth is being driven by new and existing customers, such as Lightstorm, who are continuing and expanding their agreements with us. The consistency of the Company’s software growth since listing, provides a launch pad to drive the start-up to scale-up phase over the next 12 months.*”

## Software Revenue

Q3FY23 software revenue increased by 53% in comparison with the preceding quarter. This positive upward trajectory not only exceeds the company’s internal targets but solidifies the software revenue growth that has been building over the last four quarters.



Increasing software revenue continues to be a top priority for the Company, increasing from 34% to 50% in Q3FY23.



*This chart sets out the quarterly revenue for the Group with the increasing contribution of ActivePort software in orange and the managed services revenue in blue.*

## Group Revenue

As set out above, ActivePort Group is focussing on software revenue, but also on building and maintaining a profitable and growing Services business. ActivePort recently took the step of combining management of the two services companies, Starboard IT and Vizstone, under one CEO, Steve Kelly. Steve is having a marked impact of the growth in profitability of the services business, with a focus on driving higher margin services revenue and moving away from lower margin hardware deals.

## Cash Position

As the Company moves into Q4FY23 and beyond, it has a path towards a positive cash position in FY24. This is the result of:

- Strong software sales pipeline increasing the percentage of overall Group revenue that consists of software revenue;
- Higher margin revenue being derived in the Services businesses;
- Continued diligence around use of cash through the reduction of leasing costs and consolidation of resources amongst the entities within the Group;
- Pre-funding the Company's large R&D incentive to increase cashflow.

## Departure of Karim Nejaim, CEO and Executive Director of ActivePort Group

After nearly three years with the company, Karim Nejaim is stepping down from his position as Chief Executive Officer and Executive Director effective April 28, 2023.

*"The decision to step down from the CEO and Executive Director role has been by far the most difficult of my career, but I must focus on some health issues in the short term. I am incredibly proud of the ActivePort team and all that has been achieved since we listed in October 2021."* said Nejaim. *"It has been a privilege to be a part of ActivePort's journey. When I first saw ActivePort's software I concluded the orchestration, automation and networking capability could be a game changer in an increasingly complicated business environment. Our revenue numbers show that an increasing number of customers believe the same thing. With a robust sales pipeline, outstanding leadership team and a focused strategy, I am confident that ActivePort will continue to thrive."*

The search for Mr Nejaim's successor is already underway. In the interim, Chairman Peter Christie will step into the role until the new Chief Executive Officer is announced.

*"Karim has been instrumental in building this company to where it is today, and we are grateful for his dedication and passion,"* said Christie. *"Under Karim's guidance ActivePort is now operating in over 20 countries, our revenue has exceeded original forecasts and we have a clear trajectory and path to scale-up. From the entire ActivePort Board and staff, we wish him the very best with this next chapter."*

## IPO Use of funds reconciliation

Pursuant to Listing Rule 4.7C2, the Company confirms that during the period since listing on the ASX on 20<sup>th</sup> October 2021, its expenditure incurred is in line with the Use of Funds as set out in its Prospectus, with a summary as shown in the table below:

	Funds allocated under the Prospectus	Funds expended to 31 March 2023
<b>Use of Funds under Prospectus</b>		
Business growth and acquisitions	1,700,000	1,651,000
Global sales development	4,200,000	2,540,000
Product engineering and tech support	2,400,000	7,007,000
Capital raising and listing costs	870,000	951,000
Administration and other corporate costs	375,000	524,000
Working capital	2,595,000	2,406,000
Add: Receipts from Customers		5,260,000
Less: Other costs between admission and 31 March 2023		5,108,000
Add: Receipts from borrowings		1,181,000
Add: R&D Tax Incentive		2,348,000
<b>Net funds expended between admission and 31 March 2023</b>		<b>11,398,000</b>

Since listing the Company has invested more heavily in product and feature development to enhance its service offering to customers. As shown in the above table, the additional investment in product and feature development has mainly been funded by using funds previously allocated to global sales development, as well as with cash receipts from customers.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C include Director fees, salary and superannuation for the CEO, non-executive Chairman and non-executive Directors, consistent with disclosures in the Prospectus.

#### About ActivePort Group Ltd

ActivePort is an Australian company delivering software-defined networking (SDN) solutions, tailored to the global telecommunications and IT sectors. The product suite enables network automation, minimising operational costs while optimising customer control over their environment. The broader Group of companies includes ActivePort Infrastructure, Vizstone, Starboard IT, and Future Broadband.

For more information, please visit [www.activeport.com.au](http://www.activeport.com.au)

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#### ActivePort Group Ltd

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ABN: 24 636 569 634

*This announcement has been authorised for release by the Board of ActivePort Group Ltd.*

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

ACTIVEPORT GROUP LTD

**ABN**

24 636 569 634

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,011	13,882
1.2 Payments for		
(a) research and development	(313)	(1,195)
(b) product manufacturing and operating costs	(2,771)	(8,578)
(c) advertising and marketing	(24)	(70)
(d) leased assets	(2)	(12)
(e) staff costs	(2,014)	(6,652)
(f) administration and corporate costs	(666)	(2,336)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(3)	(8)
1.6 Income taxes paid	-	(71)
1.7 Government grants and tax incentives	2,348	2,348
1.8 Other (provide details if material)	(69)	(69)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>497</b>	<b>(2,760)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	(23)
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	40
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) <sup>1</sup>	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>17</b>

<sup>1</sup> – Cash acquired on acquisition of Vizstone Pty Ltd and Starboard Pty Ltd subsidiaries

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,194	2,884
3.6	Repayment of borrowings	(2,126)	(2,387)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) <sup>1</sup>	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(932)</b>	<b>498</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,838	3,648
4.2	Net cash from / (used in) operating activities (item 1.9 above)	497	(2,760)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	17
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(932)	498
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,403</b>	<b>1,403</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	908	1,838
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	1,392	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,300</b>	<b>1,838</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(244)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>The amount at 6.1 relates to fees (including superannuation, where applicable) paid to the Directors (including for their executive roles, where applicable).</p>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	1,392	1,254
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	100	87
7.4 <b>Total financing facilities</b>	1,492	1,341
7.5 <b>Unused financing facilities available at quarter end</b>		151
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
	<ol style="list-style-type: none"> <li>1. A \$100,000 unsecured principal and interest line of credit facility with Prospa Advance Pty Ltd. The interest rate is 0.077% daily rate at the Disclosure Date.</li> <li>2. Total short-term R&amp;D tax credit loan facility of \$1.392M provided by Michell Asset Management based on 80% of expected FY2023 R&amp;D tax refund with interest rate at 14% per annum.</li> </ol>	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	497
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,403
8.3 Unused finance facilities available at quarter end (item 7.5)	151
8.4 Total available funding (item 8.2 + item 8.3)	1,553
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer:
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 9. Additional Disclosure

### Performance Rights

On 13 August 2021, ActivePort Group Ltd (“ATV” or “Company”) issued 7,118,220 Class A Performance Rights, 2,372,740 Class B Performance Rights, 2,372,740 Class C Performance Rights, 7,118,220 Class D Performance Rights, 2,372,740 Class E Performance Rights and 2,372,740 Class F Performance Rights (together “Performance Rights”). All Class A, B and C Performance Rights expire on 31 October 2022 and all Class D, E and F Performance Rights expire on 31 October 2023. On vesting, each Performance Right converts into one ordinary share in the Company.

The Performance Rights shall vest, subject to the Vesting Calculation, when the following vesting conditions have been achieved:

- **Class A Performance Rights:** the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2022 of at least 135% of the total ActivePort consolidated revenue for the previous financial year (**FY22 Deadline**);
- **Class B Performance Rights:** the vesting condition for some or all of the Class A Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 30% of the value of the Total Pro-forma Revenue counted towards the Class A Performance Rights Vesting Condition;
- **Class C Performance Rights:** the vesting condition for some or all of the Class A Performance Rights is achieved and at least 25% of the Class B contracted recurring revenue is derived directly from use of ActivePort software;
- **Class D Performance Rights:** the Company achieving a Total Pro-forma Revenue during the financial year ending on 30 June 2023 of at least 135% of the total ActivePort consolidated revenue for the financial year ending on 30 June 2022 (**FY23 Deadline**);
- **Class E Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and the value of the ActivePort contracted recurring consolidated revenue is at least 50% of the value of the Total Pro-forma Revenue counted towards the Class D Performance Rights Vesting Condition; and
- **Class F Performance Rights:** the vesting condition for some or all of the Class D Performance Rights is achieved and at least 30% of the Class E contracted recurring revenue is derived directly from use of ActivePort software,

(each a **Vesting Condition**).

Where the Total Pro-forma Revenue achieved by the FY22 and FY23 Deadlines as a percentage of the respective comparison revenue target is:

- less than 135% of the previous financial year’s total reported revenue - no Performance Rights will vest; or
- 135% or more of the previous financial year’s total reported revenue, then such proportion (limited to a maximum of 100%) of the Class A and Class D Performance Rights will vest pro-rata to the amount by which the Total Pro-forma Revenue achieved exceeds 135% of the total ActivePort consolidated revenue for the previous financial year, as a percentage of 135% of the total ActivePort consolidated revenue for the previous financial year. For the purposes of the calculation pursuant to this paragraph; the Total Pro-forma Revenue applied to the Class A Performance Rights’ Vesting Condition and vesting conditions that are dependent of the Class A vesting condition, is limited to a maximum of \$30,000,000; the Total Pro-forma Revenue applied to the Class D Performance Rights Vesting Condition and vesting conditions that are dependent of the Class D vesting condition, is limited to a maximum of \$75,000,000 (**Vesting Calculation**).

Total Pro-forma Revenue for a financial year for Class A to F Performance Rights means the total consolidated revenue for that financial year of ActivePort Group Ltd plus the pre-acquisition revenue for that financial year of any subsidiaries acquired during that financial year.

On 24 June 2022, 459,240 Class A Performance Rights, 153,080 Class B Performance Rights, 153,080 Class C Performance Rights, 459,240 Class D Performance Rights, 153,080 Class E Performance Rights and 153,080 Class F Performance Rights, lapsed in accordance with their terms and conditions due to the holder ceasing to be an officer (and employee, if applicable) of the Company.

On 28 October 2022, 6,658,980 Class A Performance Rights and 2,219,660 Class B Performance Rights vested as they had met their vesting conditions and consequently 8,878,640 ordinary shares

were issued on 28 October 2022, pursuant to the vesting of those Performance Rights. Also on 28 October 2022, 2,219,660 Class C Performance Rights lapsed as they were no longer capable of meeting their vesting conditions.

No other Performance Rights have been cancelled since their date of issue.

The remaining 6,658,980 Class D Performance Rights, 2,219,660 Class E Performance Rights and 2,219,660 Class F Performance Rights, remain on issue. No Class D, E or F Performance Rights have been converted or cancelled during the period of this report.

On 20 May 2022, ATV issued 2,000,000 Class G Performance Rights. All Class G Performance Rights expire on 31 May 2024. On vesting, each Performance Right converts into one ordinary share in the Company.

For Class G Performance Rights, **Adjusted Revenue** means total consolidated revenue excluding one-off or extraordinary revenue items; revenue received in the form of government grants, allowances, rebates or other hand-outs and revenue that has been “manufactured” to achieve the Vesting Condition. **Total Revenue** for a financial year means the Adjusted Revenue for that financial year of Digital Immortality Pty Ltd (ACN 615 117 998) (Digital Immortality) for that financial year, excluding subsidiaries of Digital Immortality that were acquired for consideration provided by ActivePort Group Ltd (ACN 636 569 634) (ActivePort) or subsidiaries of ActivePort other than Digital Immortality.

The Class G Performance Rights shall vest, subject to the Class G Vesting Calculation, where Total Revenue during the financial year ending 30 June 2023 (**FY23 Revenue**) is at least AUD\$3.2 million.

Where Future Broadband’s FY23 Revenue is:

- Less than AUS \$1 million, no Class G Performance Rights will vest; or
- AUD\$1 million or greater, then such proportion (limited to a maximum of 100%) of the Class G Performance Rights will vest as calculated by the amount that the FY23 Revenue exceeds the total revenue during the financial year ending 30 June 2022 (**FY22 Revenue**) divided by the amount that FY23 Revenue exceeds FY22 Revenue to a maximum of 100%. (**Vesting Calculation**)

## 9. Additional Disclosure (continued)

### Deferred Consideration Shares

The consideration for the acquisitions of Starboard IT Pty Ltd (“**Starboard**”) and Vizstone Pty Ltd (“**Vizstone**”) included various tranches of ordinary shares in ActivePort Group Ltd to be issued based on the financial performance in financial years ended 30 June 2021, 2022 and 2023 (“FY21, FY22 and FY23”) of each company (“**Deferred Consideration Shares**”). No Deferred Consideration Shares were issued based on the financial performance of the Acquisitions for FY21.

#### Deferred Consideration Shares for the Starboard acquisition

The consideration payable by the Company for the Starboard Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- The number of ActivePort shares, with a deemed issue price of \$0.20, equivalent to 1x revenue valuation for any revenue invoiced in FY21 by Starboard which exceeds \$3,500,000 – **Starboard Tranche 1 Consideration**
- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Starboard Tranche 2 Consideration**

$$\frac{(\text{Starboard's FY22 revenue} - (\text{Starboard's FY21 revenue} \times 1.1)) \times 1}{\text{The higher of 80\% of ActivePort's 3 month VWAP (April to June 2022) and } \$0.08}$$
- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
  - 80% of the Company’s 3-month VWAP (April to June 2023); and
  - \$0.08 – **Starboard Tranche 3 Consideration**, (together “**the Starboard Consideration**”)

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche 1, 2, and/or 3 Consideration in cash.

9.

**Additional Disclosure (continued)****Deferred Consideration Shares (continued)****Deferred Consideration Shares for the Vizstone acquisition**

The consideration payable by the Company for the Vizstone Acquisition includes the following Deferred Consideration Shares comprising fully paid ordinary shares of the Company at a deemed issue price of \$0.20 per share as follows:

- The number of ActivePort shares calculated using the formula below, with the numerator capped at \$5,000,000 – **Vizstone Tranche 1 Consideration**:

$$\frac{(\text{Vizstone's FY22 revenue} - (\text{Vizstone's FY21 revenue} \times 1.1)) \times 1}{\$5,000,000}$$

The higher of 80% of ActivePort's 3 month VWAP (April to June 2022) and \$0.08

- On achievement of at least \$14,000,000 of reported revenue for FY23, the number of ActivePort shares calculated as \$2,000,000 divided by the higher of:
  - 80% of the Company's 3-month VWAP (April to June 2023); and
  - \$0.08 – **Vizstone's Tranche 2 Consideration**, (together "the **Vizstone Consideration**")

The Company may, in its sole discretion, opt to satisfy a percentage, up to 100%, of the Tranche 1 and/or 2, Vizstone Consideration in cash.

During Q2FY23, the following Deferred Consideration Shares were issued.

Entity	Tranche of Deferred Consideration Shares	Issued
Starboard	Tranche 2	8,996,327
Vizstone	Tranche 1	22,591,784

In Q3FY23, no Deferred Consideration Shares were issued.

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2023.....

Authorised by: The Board.....

(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.