



Netlinkz

We connect.

Secure. Fast. Simple.

NETLINKZ LIMITED

**APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

ACN 141 509 426

APPENDIX 4E (RULE 4.3A)

Preliminary final report for the year ended 30 June 2022

Company details

Name of entity: Netlinkz Limited
ABN: 55 141 509 426
Reporting period: For the year ended 30 June 2022
Previous period: For the year ended 30 June 2021

Results for announcement to the market

(All comparisons to year ended 30 June 2021)

	30-Jun-22 \$	30-Jun-21 \$	% Movement
Revenue from customers	15,701,430	14,388,354	+9%
Revenue from ordinary activities (incl. interest and grant income)	15,998,080	15,096,099	+6%
Net loss after tax from ordinary activities	(6,976,059)	(23,750,691)	+240%
Net comprehensive loss after tax from ordinary activities	(6,733,988)	(23,738,431)	+252%
Net comprehensive loss attributable to members	(6,724,146)	(23,456,734)	+249%

Earnings per share

	30 June 2022	30 June 2021	% Movement
Basic loss per share	(\$0.0021)	(\$0.0099)	+79%
Diluted loss per share	(\$0.0021)	(\$0.0099)	+79%

Net tangible assets per security

	30-Jun-22 \$	30-Jun-21 \$
Net tangible assets per security	\$0.0012	\$0.0027

Control gained or lost over entities in the year

On the 29 June 2022 the Company acquired a 100% interest in Southcloud Holdings Pty Limited and its wholly owned subsidiary Southcloud Pty Ltd, an Australian regional internet service provider (ISP).

Dividends

Current period

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

Previous period

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

Dividend reinvestment plan

Not applicable.

Dividends per security

Not applicable.

Details of associates and joint venture entities

The Company does not have any associates or joint venture entities. Refer to Note 21 Interests in material subsidiaries for further information.

Foreign entity accounting standards

The Company compiled the consolidated financial information in accordance with International Financial Reporting Standards for all foreign entities.

Audit

The financial information provided in this Appendix 4E is based on accounts which are in the process of being audited.

It is not considered likely any audit modification will arise.

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

Attachments

The preliminary final report of Netlinkz Limited for the year 30 June 2022 is attached.

Commentary on results

Virtual Secure Network (VSN) company Netlinkz Limited ("Netlinkz" or the "Company") (ASX: NET) is pleased to provide its Appendix 4E Preliminary Financial Report (unaudited) for the financial year ended 30 June 2022, together with the following commentary.

Netlinkz is pleased to report continued revenue growth for the financial year ended 30 June 2022 and strengthening of the operational capability of the business.

HIGHLIGHTS

- Total revenue from customers of \$15.7m (2021: \$14.4m), up 9% on prior year and 22.5% up on prior year excluding hardware sales
- Funding facilities in place to enable acceleration of growth, \$10m unsecured loan on 9 May 2022 and post year end a \$20.5m equity placement facility
- Net assets of \$17.4m (2021: \$21.4m) and \$2.7m in cash, with no drawing on facilities at year end
- The creation of product bundles is focused on assisting enterprises in cloud network security and congestion, securing surveillance (CCTV) networks and enabling cloud based IOT infrastructure projects (water and solar)
- Strong marketing and sales team is now in place focused on scalable recurring contracted revenue
- Regional expansion continuing with the establishment of a Company and office in Pakistan, and the Qatar legal JV close to finalisation which will allow for the establishment of an Innovation Lab in Qatar in the second quarter of the financial year
- The net loss of \$7m a significant improvement on the prior year loss of \$23.8m

GROUP REVENUE (A\$ million)



Revenue

Revenue for the year grew by 9% over the prior year to \$15.7m (2021: \$14.4m). The last three financial years highlight the pivot the Company made in the creation and development of VSN in July 2019. Whilst revenue growth was disappointingly low (2022 v 2021 due to the zero COVID policy in China) the revenue shift from hardware to software sales continued at a strong rate.

China revenue grew by 5% to \$12.4m (2021: \$11.9m) but increased by ~21% when prior year hardware sales are removed. Rolling shutdowns in the major cities of Beijing and Shanghai, where the Company has its operations, weighed on the shift to product sales. The Company is in the process establishing a key partnership in China to allow the sale of the VSN to telecommunications providers in China.

Revenue for the ROW grew modestly by 5% to \$2.7m given delays in finalising the product bundles and the hiring of key product, sales and marketing executives. The development of new product bundles, for the acquired Southcloud business, the MENA venture and South East Asia with LNS should position well for accelerated growth in FY 2023.

Initiatives & Growth

Netlinkz is perfectly positioned to fully leverage the strong secular growth in stand-alone 5G Enterprise networks that support an increasingly mobile workplace tethered to Cloud Services utilizing among other things SD-WAN, SASE and Zero Trust. Netlinkz' array of network services and software allow it to be in the middle of the critical path of offerings that enhance enterprise network performance whilst providing the ultimate in security. Furthermore, Netlinkz' global reach and in particular its strong foothold in China provides it with scale and scope to drive robust growth.

Product Delivery

VSN 2.4 was completed during the financial year and the Global VSN network commenced with OV Cloud roll-out complete in Sydney, Singapore, Hong Kong and Europe. This is additional to the existing cloud based network in China and the USA which were established in 2020.

The VSN is a software-based technology that creates private invisible networks over the internet, focused on performance and security. VSN enables enterprise to transition to cloud and have a network of users and/or devices that are mobile. In other words, there is no fixed location. Allowing a workforce to operate off a single encrypted network from multiple locations.

Key features include:

- Interoperability, VSN is not disruptive to an enterprise's existing network
- Cloud based
- Subscription based
- Encrypted
- Mobile application based software
- 3G/4G/5G

As a result of VSN 2.4 the Company has launched new product bundles:

- **Express.** A low-cost VSN client deployed on workstations and mobile devices that directly inter-connects users' devices using the Netlinkz performant, encrypted global NaaS.
- **ExpressPlus.** VSN realises virtual private cloud inter-connectivity and user-to-cloud communications at a cheaper price but with the same level of security and network performance as any public cloud provider's network offering.
- **ExpressPass.** Using VSN, the user establishes a secure, encrypted, and highly performant connection to offshore networks for inter-office communications and to reach publicly hosted (Internet) services.
- **CCTV Protect.** VSN secures connections from cameras to centralized network video recorders using the highest level of commercially available encryption.
- **eCommerce.** Netlinkz website development in progress with ecommerce to allow the VSN product range to be purchased online and in scale across all key markets (Q2 launch).

These product bundles will be sold through the distribution and partner channels the company has established over the last eighteen months in key markets including:

- China
- MENA
- South East Asia
- Northwest Asia
- Australia
- Europe and UK

MENA (Middle East North Africa)

The Company continued during the year to develop its new partnership opportunities. The establishment of a legal entity in Qatar is close to finalisation and will enable the Company to build the business based on its Joint Venture Agreement with Al Rabban International, Qatar.

In late FY 2022 the Company executed an agreement with Empact Consulting, Bahrain, who are now tendering for government projects in MENA, and selling the VSN to corporate enterprises. Additionally, Empact will provide support services for the VSN product bundles.

The establishment of an Innovation Lab in Doha, Qatar will be completed by the end of the second quarter of the current financial year. Doha will evolve as the hub for the Company and the VSN product bundles.

Australia

The acquisition of SouthCloud (29 June 2022) is the first sales channel to be established for the VSN product bundles (see www.southcloud.online/friends-family). SouthCloud is a telecommunications provider servicing rural customers across the country. Netlinkz will underpin the SouthCloud backbone in network security and improved data transmission, as well as the deployment of secure networking services to SouthCloud's customers. This is an exciting development for Netlinkz as it establishes a large-scale telecommunications use-case for the VSN.

Over the current financial year, the Company expects to have established more channels to more focus on small to medium enterprises that need a secure cloud-based network over the internet.

SSI will continue to grow its revenue base from surveillance activity and contract maintenance growth, in addition, to VSN product bundle sales.

The Company has started a process of establishing a research partnership with a cybersecurity unit with an Australian university and a government agency.

China

The Company is continuing to develop its capability in China to deliver the VSN product bundles to the existing distribution channels. Whilst the rolling lockdowns (as a result of China's zero COVID tolerance) slowed sales growth the Company expects sales to pick up again with an improved profit margin as the business continues to transition.

With the VSN product bundles the company will expand its reseller network to include partners that are focused on tier one and tier two telecommunications providers in the mainland and Hong Kong.

Key partnership channels will transition to VSN product bundles over the next 12 months.

The Company has over 180 employees and contractors in China which provides the platform to expand the VSN product bundles and provide the product support function for China.

South-East Asia

LNS has agreed pricing for the VSN product bundles. We expect sales to start in the second quarter of the current financial year in Malaysia.

North Western Asia

Netlinkz established an office and a corporate entity in Pakistan to develop business in North Western Asia. The Company is finalising a demonstration lab in Islamabad as part of the go to market.

Europe.

As a result of limited resources and the demands outside of Europe the Company delayed its go to market with UniSystems until the last quarter of the current financial year. The VSN product bundles were developed as part the collaboration work undertaken with UniSystems over the last 15 months.

Funding

The Company completed the year with \$2.7m in the bank.

With a number of significant distribution and sales opportunities in FY 2023, the Company took steps late in the financial year to put in place appropriate financing facilities.

A Director has provided a \$10m unsecured loan facility (undrawn at year end) at an interest rate of 6.8% as adjusted by increases in the Reserve bank cash rate post 9 May 2022.

In addition, the Company executed a \$20.5m equity placement facility, available for a period of 3 years, providing the Company with flexible funding over an extended period.

The Company is not precluded from raising capital through traditional placement, rights issue or share purchase plan, however, the Company will optimise its funding needs minimising dilution of its shareholders, whilst accessing valuable capital to fund its distribution strategies to generate revenue growth.

Building the team

To accelerate the growth of the business, the Company has made a number of key appointments during and subsequent to year end.

Richard Valente

Richard Valente is the Chief Revenue Officer for Netlinkz. He joined Netlinkz in June 2022 after a successful history of leading technology and cloud-based businesses. Prior to joining Netlinkz, Richard was the Senior Vice President at Intrado, leading an \$800m digital cloud services portfolio before being a full-time consultant for a pre-IPO global digital media market leader. Richard has also been working with Indigenous owned organisations for over 10 years and providing business consultancy services. During his career, he has had the opportunity to live and work in Tokyo, Singapore and Chicago. Richard has had success scaling growth businesses through building sustainable global partner sales networks and programmatic sales organisations.

Gavin Shipman

Gavin has recently joined Netlinkz as the Head of Sales. With more than 15 years of experience working in the Unified Communications & General IT industry, Gavin has been in various sales leadership roles, responsible for building sales teams and operational efficiencies for some of the largest UCaaS providers and new businesses entering the ANZ/APAC market.

In 2020, Gavin embarked on a new venture, acquiring V Logic Pty Ltd in January 2020, a specialist UCaaS provider. Throughout the global pandemic, V Logic realised double-digit growth in both customer and revenue, ultimately leading to the complete acquisition by Vytec Pty Ltd in 2021.

Alessandro Zucchini

Alessandro has 18 years' experience in IT and technology infrastructure. Alessandro joined Netlinkz in January 2022 to as Product Line Manager and Pre-Sales Specialist. Prior to Netlinkz Alessandro spent 6 ½ years at NTT Ltd. (ex-Dimension Data), with a focus on Software-Defined (SD) technologies applied to networking, and specifically to both the wider network areas (campus and WAN) and datacentre.

Alessandro received the NTT global award, recognising him as one of the top technical people across NTT Ltd. globally for two years in a row. Prior to NTT Ltd., Alessandro managed a team of 12 senior engineers specialised in network, voice, and security for 5 years, overseeing operational maintenance of a network and security infrastructure based on 400+ core devices providing services to 9000+ WAN branches, making the TabCorp (ex-Tatts Group) network the second biggest network infrastructure in South-East Asia for total number of network and security devices.

Other

The company is the final stages of appointing a COO to manage the global operations and ensure execution of its revenue initiatives in the various jurisdictions.

The Result

The loss for the year of ~\$7m includes non-cash share based payments of \$1.4m and non-cash depreciation and amortisation of \$1m, giving a “cash loss” of approximately \$4.6m.

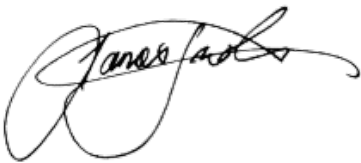
The Company has again this year invested in product development and packaging along with the establishment of global operations which should position it well in FY2023. Each VSN product bundle can be sold globally rather than a local market only.

Comment

James Tsiolis added: *“The 2022 financial year has continued to focus on investing for future sales and revenue growth. Significant resources have been applied during the year to create a product bundle that can be sold to any company anywhere in the world. We have established a global footprint with key partners that will sell the product across markets.*

Our team is focused on building a recurring subscription revenue business with global clients.”

James Tsiolis | CEO & Managing Director | E: jtsiolis@netlinkz.com | P: + 61 (2) 9329 9700



James Tsiolis
Director

Dated this 31 day of August 2022.

		Consolidated for the year ended	
	Note	30 Jun 2022	30 Jun 2021
		\$	\$
Continuing operations			
Revenue	4	15,701,430	14,388,354
Other income	4	296,650	707,745
		<u>15,998,080</u>	<u>15,096,099</u>
Expenses			
Business development, marketing, travel and accommodation expenses		(267,698)	(1,334,892)
Administration, office and corporate expenses		(7,363,014)	(11,180,807)
Development and commercialisation expenses		(1,871,448)	(2,938,078)
Selling, design, implementation and hardware expenses	5(a)	(11,664,350)	(11,024,744)
Financing costs	5(b)	(347,321)	(10,075,304)
Employee share based payment expenses (shares and options)	5(c)	(1,168,236)	(943,944)
Other share based payment expenses (shares and options)	5(d)	(237,328)	(1,627,500)
Net fair value gain/(loss) on debt settlement	5(e)	-	334,504
Foreign exchange loss		(54,744)	(56,025)
	5(f)	<u>(22,974,139)</u>	<u>(38,846,790)</u>
Loss before income tax benefit		<u>(22,974,139)</u>	<u>(23,750,691)</u>
Income tax benefit		-	-
Loss after income tax benefit for the year		<u>(6,976,059)</u>	<u>(23,750,691)</u>
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		242,071	12,260
Other comprehensive income/(loss) for the year, net of tax		<u>242,071</u>	<u>12,260</u>
Total comprehensive loss for the year		<u>(6,733,988)</u>	<u>(23,738,431)</u>
<i>Loss for the year is attributable to:</i>			
Members of the parent entity		(6,981,052)	(23,451,880)
Non-controlling interests		<u>4,993</u>	<u>(298,811)</u>
		<u>(6,976,059)</u>	<u>(23,750,691)</u>
<i>Total comprehensive loss for the year is attributable to:</i>			
Members of the parent entity		(6,724,146)	(23,456,734)
Non-controlling interests		<u>(9,842)</u>	<u>(281,697)</u>
		<u>(6,733,988)</u>	<u>(23,738,431)</u>
Loss per share from continuing operations			\$
Basic loss per share	20	(0.0021)	(0.0099)
Diluted loss per share	20	(0.0021)	(0.0099)

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

		Consolidated as at	
	Note	30 Jun 2022	30 Jun 2021
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	2,689,024	10,836,411
Trade and other receivables	7 (a)	2,531,586	1,912,240
Other assets	7 (b)	589,744	1,184,676
Total current assets		5,810,354	13,933,327
Non-current assets			
Property, plant and equipment		56,332	7,692
Investments		100,000	100,000
Right of use asset		173,269	216,722
Intangible assets	8	2,611,084	3,362,075
Goodwill	8	10,960,852	9,381,815
Total non-current assets		13,901,537	13,068,304
Total assets		19,711,891	27,001,631
LIABILITIES			
Current liabilities			
Trade and other payables	9	1,100,566	2,628,618
Employee benefits	10	108,026	316,104
Borrowings	11	75,750	1,343,190
Other current liabilities	12	1,098,492	1,322,830
Total current liabilities		2,382,834	5,610,742
Non-current liabilities			
Other non-current liabilities	12	88,597	23,537
Total non-current liabilities		88,597	23,537
Total liabilities		2,471,431	5,634,279
Net assets		17,240,460	21,367,352
Equity			
Issued capital	13	122,528,735	120,447,809
Reserves	15	13,372,400	12,594,317
Accumulated losses	16	(118,771,013)	(111,789,961)
Capital and reserves attributable to members of the parent entity		17,130,122	21,252,165
Non-controlling interests		110,338	115,187
Total equity		17,240,460	21,367,352

Attributable to owners of Netlinkz Limited							
	Notes	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$	Non-controlling interest \$	Total equity \$
Consolidated							
Balance at 1 July 2020		79,736,988	8,915,364	(88,338,081)	314,271	396,884	711,155
Loss for the year		-	-	(23,451,880)	(23,451,880)	(298,811)	(23,750,691)
Other comprehensive income		-	(4,854)	-	(4,854)	17,114	12,260
Total comprehensive loss for the year		-	(4,854)	(23,451,880)	(23,456,734)	(281,697)	(23,738,431)
Transactions with owners in their capacity as owners:							
Share issue	13	41,646,670	-	-	41,646,670	-	41,646,670
Collateral shares converted to ordinary shares	13	1,331,700	-	-	1,331,700	-	1,331,700
Share based payments	14	-	3,683,807	-	3,683,807	-	3,683,807
Capital raising costs	13	(2,267,549)	-	-	(2,267,549)	-	(2,267,549)
Balance at 30 June 2021		120,447,809	12,594,317	(111,789,961)	21,252,165	115,187	21,367,352

Attributable to owners of Netlinkz Limited							
	Notes	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$	Non-controlling interest \$	Total equity \$
Consolidated							
Balance at 1 July 2021		120,447,809	12,594,317	(111,789,961)	21,252,165	115,187	21,367,352
(Loss)/profit for the year		-	-	(6,981,052)	(6,981,052)	4,993	(6,976,059)
Other comprehensive income		-	251,913	-	251,913	(9,842)	242,071
Total comprehensive loss for the year		-	251,913	(6,981,052)	(6,729,139)	(4,849)	(6,733,988)
Transactions with owners in their capacity as owners:							
Shares issued on conversion of options	13	820,000	-	-	820,000	-	820,000
Shares issued for settlement of debt and services	13	469,432	-	-	469,432	-	469,432
Share based payments	14	791,494	526,170	-	1,317,664	-	1,317,664
Balance at 30 June 2022		122,528,735	13,372,400	(118,771,013)	17,130,122	110,338	17,240,460

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

		Consolidated for the year ended	
	Note	30-Jun-22 \$	30-Jun-21 \$
Cash flows from operating activities			
Receipts from customers		16,873,683	14,537,943
Payments to suppliers and employees		(22,950,093)	(24,662,609)
Grants, government support and research and development tax offset received		249,808	660,086
Interest received		20,789	47,660
Interest paid		(301,039)	(368,601)
Net cashflows used in operating activities	19	(6,106,852)	(9,785,521)
Cash flows from investing activities			
Investment in low-risk at-call financial assets (FVTPL)		-	2,683,264
Investment on acquisition of Southcloud	18	(1,609,009)	-
Additions to plant, property and equipment		(60,075)	(7,599)
Net cashflows from/(used in) investing activities		(1,669,084)	2,675,665
Cash flows from financing activities			
Proceeds from issue of shares		-	21,109,618
Proceeds from issue of convertible notes		-	4,995,000
Payments of convertible note redemptions		-	(12,460,644)
Proceeds from exercise of options		820,000	1,256,350
Share issue transaction costs		-	(1,268,427)
Financing costs		(67,600)	(1,082,689)
Proceeds from borrowings		-	12,150,000
Payments of borrowings		(1,150,000)	(8,006,398)
Lease payments		(83,739)	(142,835)
Cash on acquisition of subsidiary	18	26,729	-
Net cashflows from financing activities		(454,610)	16,549,975
Net increase/(decrease) in cash and cash equivalents		(8,230,546)	9,440,119
Effect of foreign exchange movements on cash		83,159	(43,643)
Cash and cash equivalents at the beginning of the financial year		10,836,411	1,439,935
Cash and cash equivalents at the end of the financial year	6	2,689,024	10,836,411

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying note

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

General information

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

Netlinkz Limited (ASX:NET) is a listed public company limited by shares, incorporated and domiciled in Australia.

Basis of preparation

These preliminary financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('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 basis, except for certain financial assets and liabilities measured at fair value.

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 consolidated entity'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 2.

Going concern

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Netlinkz Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Netlinkz Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Netlinkz Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

The Group makes use of the simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

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

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

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

Plant and equipment	2-7 years
---------------------	-----------

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.

Revenue recognition

The consolidated entity recognises revenue as follows:

Software, service and licensing revenue

The Group generates revenue from the sale, licensing and support of network security solutions. Software and support is sold both directly to large customers and via partners/resellers. Customers enter either monthly, quarterly or annual licensing arrangements and revenue is recognised over the corresponding license/support period. The Group recognises revenue from resellers at the point where it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Some customer sites are deployed on network appliances that are invoiced up-front. Resellers are typically responsible for level 1 and 2 technical support of the solution, in addition to updates and maintenance as per the licensing.

Consulting, design and implementation services

The Group provides secure networking consulting, design and implementation services to its resellers, partners and customers. Revenue from providing these services and associated hardware is recognised in the accounting period in which the services are rendered.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

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.

Grant revenue

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

Contract assets and liabilities

Contract assets and contract liabilities refer to what is commonly known as 'unbilled or accrued revenue' and 'deferred revenue'. Contract assets represent receivables in respect of the Group's right to consideration when that right is condition on something other than the passage of time (for example, the entity's future performance). Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through 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 consolidated entity 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 consolidated entity 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 amortisation 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.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7.5 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on basis of fair value until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes and gain/loss on fair value are expensed to profit or loss.

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 consolidated entity'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.

Borrowing costs

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

Provisions and contingencies

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination.

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 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 as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation expense and other post-employment benefits

Australian employees may nominate their own superannuation fund into which the Company pays superannuation contributions. The Company contributed 10% of employee's salary to each employee's nominated fund or where a fund is not nominated by an employee, to a superannuation fund chosen by the Company. In addition, the Company pays pension contributions to foreign employees hired in their respective countries.

Share Based Payments

Equity-settled share-based compensation benefits are provided to employees, key management personnel and consultants. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the 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 consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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.

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 consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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.

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.

Collateral Shares

Collateral shares are shares in the Company that are held by the Company's convertible notes holders as security for purpose of the agreed funding facilities. These shares are treated as treasury shares until they are fully paid for.

Dividends

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

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.

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

Where the business combination is achieved in stages, the consolidated entity 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.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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.

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.

Adoption of new and revised accounting standards

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

Standards issued but not yet effective:

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2. 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.

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, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available.

Estimation of useful lives of assets

The consolidated entity 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, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Business combinations

As discussed in Note 1, 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 consolidated entity 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.

Share Based Payments

The consolidated entity 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 of options with non-market conditions is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of shares is determined by the market price of the Company's shares at the date of grant. 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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and intangible assets.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, a discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of potential acquisition targets, maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness.

The value-in-use calculation uses cash flow projections based on operating budgets and strategic business plans, after which a terminal value is applied, based on management's view of the expected long-term growth profile of the business. The determination of cash flows over the life of an asset requires management judgement in assessing the future number of customers, the number of branches and active devices, data usage, potential price changes as well as any changes to the costs of the product and other operating costs incurred by the Group. The implied pre-tax discount rate is calculated with reference to long-term government bond rates, external analyst views and the Group's pre-tax cost of debt.

In determining fair value less costs of disposal, the valuation model incorporates the cash flows projected over the balance of the current corporate plan period. Cash flows beyond this period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. These projections are discounted using a risk-adjusted discount rate commensurate with a typical market participant's assessment of the risk associated with the projected cash flows.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill and indefinite life intangible assets are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use and fair value less costs of disposal of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

Allocation of goodwill to cash-generating units

Management allocates goodwill acquired in a business combination to cash-generating units (CGUs) or a group of cash-generating units in a non-arbitrary way which is expected to benefit from the synergies of the combination.

Fair value of convertible notes at fair value through profit and loss (FVTPL)

The fair value is estimated using a net present valuation calculation using a discount rate derived from instruments with similar maturity and credit rating.

Impact of COVID-19

The Group has specifically further reviewed the following accounting estimates in response to COVID-19:

Impairment of goodwill and intangible assets: The Group performed impairment testing on the CGUs. The recoverable amount of the CGUs are based on value-in-use calculations, using cash flow projections based on forecast operating results or fair value less costs of disposal (such as earnings multiples) whichever is higher. The recoverable amount of each CGU exceeded its carrying amount and there were no further impairment indicators.

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on differences in geography: Australia & New Zealand and International of which China is the first material country starting operations to develop and sell products and services. Each country has a management team to oversee the local operations and undertakes local research and development, including source code specific to that country and/or region. These operating segments are 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. There is no aggregation of operating segments.

The CODM reviews monthly management and financial reports, including 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.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Consulting, design & implementation services	the design and implementation of secure network migration and deployment services and hardware.
Software & licensing revenue	the sale, licensing and support of software.

Intersegment transactions

No intersegment transactions occurred during the period.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

For the year ended 30 June 2022

	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
Earnings before interest, tax, depreciation & amortisation	\$	\$	\$	\$
Revenue	3,266,502	12,434,928	-	15,701,430
Other income (excl. interest)	11,987	13,530	249,808	275,325
Total revenue	3,278,489	12,448,458	249,808	15,976,755
Selling, design, implementation and hardware expenses	(775,165)	(10,889,185)	-	(11,664,350)
Financing costs (excl. interest)				
Employees share based expenses (shares and options)			(1,168,236)	(1,168,236)
Other share based expenses (shares and options)			(237,328)	(237,328)
Foreign exchange movements	(54,744)	-	-	(54,744)
Other operating expenses	(6,409,500)	(2,132,908)		(8,542,408)
Total earnings before interest, tax, depreciation & amortisation	(3,960,920)	(573,635)	(1,155,756)	(5,690,311)
Depreciation and amortisation	(861,605)	(98,147)	-	(959,752)
Net interest income/(expense)	(347,321)	21,325	-	(325,996)
Loss before income tax from continuing operations	(5,169,846)	(650,457)	(1,155,756)	(6,976,059)

For the year ended 30 June 2021

Earnings before interest, tax, depreciation & amortisation

	Australia & New Zealand	China	Unallocated/ Corporate	Netlinkz Group
	\$	\$	\$	\$
Revenue	2,530,346	11,858,008	-	14,388,354
Other income (excl. interest)	33,787	305	625,993	660,085
Total revenue	2,564,133	11,858,313	625,993	15,048,439
Selling, design, implementation and hardware expenses	(315,759)	(10,708,985)	-	(11,024,744)
Financing costs (excl. interest)	-	-	(7,968,563)	(7,968,563)
Employees share based expenses (shares and options)	-	-	(943,944)	(943,944)
Other share based expenses (shares and options)	-	-	(1,627,500)	(1,627,500)
Net fair value gain on debt settlement	-	-	334,504	334,504
Foreign exchange movements	(21,326)	-	(34,699)	(56,025)
Other operating expenses	(1,498,451)	(2,745,266)	(10,214,381)	(14,458,098)
Total earnings before interest, tax, depreciation & amortisation	728,597	(1,595,938)	(19,828,590)	(20,695,931)
Depreciation and amortisation	(340,730)	(538,156)	(116,792)	(995,678)
Net interest income/(expense)	(53,015)	43,688	(2,049,755)	(2,059,082)
Loss before income tax from continuing operations	334,852	(2,090,406)	(21,995,137)	(23,750,691)

As at 30 June 2022

Summarised balance sheet

	Australia & New Zealand	China	Unallocated/C orporate	Netlinkz Group
	\$	\$	\$	\$
Current assets	231,391	4,382,212	1,196,751	5,810,354
Current liabilities	(526,846)	(40,679)	(1,815,309)	(2,382,834)
Current net assets	(295,455)	4,341,533	(618,558)	3,427,520
Non-current assets	7,853,783	4,122,637	1,925,117	13,901,537
Non-current liabilities	(88,597)	-	-	(88,597)
Non-current net assets	7,765,186	4,122,637	1,925,117	13,812,940
Net assets	7,469,731	8,464,170	1,306,559	17,240,460

As at 30 June 2021

Summarised balance sheet

	Australia & New Zealand	China	Unallocated/C orporate	Netlinkz Group
	\$	\$	\$	\$
Current assets	147,092	4,247,581	9,538,654	13,933,327
Current liabilities	(338,519)	(724,557)	(4,547,666)	(5,610,742)
Current net assets	(191,427)	3,523,024	4,990,988	8,322,585
Non-current assets	8,292,983	4,571,549	203,772	13,068,304
Non-current liabilities	-	-	(23,537)	(23,537)
Non-current net assets	8,292,983	4,571,549	180,235	13,044,767
Net assets	8,101,556	8,094,573	5,171,223	21,367,352

NOTE 4. REVENUE AND OTHER INCOME

Disaggregation of revenue

	Consolidated for the year ended	
	30 Jun 2022	30 Jun 2021
	\$	\$
Consulting, design and implementation revenue	13,045,698	12,093,463
Software, service and licensing revenue	2,655,732	2,294,891
Total revenue	15,701,430	14,388,354

	Consolidated for the year ended	
	30 Jun 2022	30 Jun 2021
	\$	\$
Interest	21,325	47,660
Grants and research and development tax offset	249,808	571,673
Government support - COVID-19 cash flow boost	-	76,825
Other	25,517	11,587
Total other income	296,650	707,745

	Consulting, design & implementation revenue	Software, service and Licensing revenue	Total
	2022	2022	2022
	\$	\$	\$
Revenue			
Primary geographical markets			
Australia	601,570	530,114	1,131,684
New Zealand	-	2,125,618	2,125,618
China	12,444,128	-	12,444,128
	13,045,698	2,655,732	15,701,430

Timing of revenue recognition

Products transferred at point in time	4,266,655	330,918	4,597,573
Products and services transferred over time	8,779,043	2,324,814	11,103,857
	13,045,698	2,655,732	15,701,430

	Consulting, design & implementation revenue	Software, service and Licensing revenue	Total
	2021	2021	2021
	\$	\$	\$
Revenue			
Primary geographical markets			
Australia	235,455	808,740	1,044,195
New Zealand	-	1,486,151	1,486,151
China	11,858,008	-	11,858,008
	12,093,463	2,294,891	14,388,354

Timing of revenue recognition

Products transferred at point in time	2,229,631	122,948	2,352,579
Products and services transferred over time	9,863,832	2,171,943	12,035,775
	12,093,463	2,294,891	14,388,354

NOTE 5. EXPENSES

(a) Selling, design, implementation and hardware expenses

Direct costs associated with design, implementation and hardware costs of sales in Australia and China.

(b) Financing costs

Costs and facilitation fees incurred to secure financing and funding for the Group.

(c) Employee share based payment expenses

Incentives paid to directors and employees settled in shares or options.

(d) Other share based payment expenses

The Company paid suppliers for services during the year in the amount \$250,000 on 2 August 2021 being 7,142,857 shares at \$0.035 per share, and in the amount of \$25,000 on 9 May 2022 being 99,497 shares at \$0.025 per share.

(e) Net fair value loss on debt settlements

The Group settled outstanding debts, fees and claims using shares and options. Net fair value loss represents the difference between the fair value of instruments used for debt settlements and carrying amount of the debts, fees and claims.

(f) Included in expenses are the following costs:

	Consolidated for the year ended	
	30 June 2022	30 June 2021
	\$	\$
Salary and wages expense	4,306,879	5,953,368
Interest and other borrowing costs	346,577	2,106,742
Legal	53,252	1,122,094
Amortisation expense	750,991	758,861
Compliance and other costs related to being listed	310,891	364,046
Depreciation expense	207,952	236,817
Rental and outgoings	81,180	39,294
Foreign exchange loss	54,744	56,025

NOTE 6. CASH AND CASH EQUIVALENTS

	Consolidated as at	
	30 Jun 22	30 Jun 21
	\$	\$
Cash at bank	2,689,024	10,836,411

NOTE 7 (a). TRADE AND OTHER RECEIVABLES

(a) Trade and other receivables

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Trade receivables	1,805,676	1,535,049
Security deposits	13,215	3,649
Prepayments	712,695	373,542
Trade and other receivables	<u>2,531,586</u>	<u>1,912,240</u>

NOTE 7 (b) OTHER CURRENT ASSETS

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Funds held on trust for deferred consideration of SSI Pacific Pty Ltd	-	1,020,000
Inventory	78,583	-
Other receivable	515,741	164,676
Total other assets	<u>594,324</u>	<u>1,184,676</u>

NOTE 8. INTANGIBLE ASSETS

	Goodwill	Customer contracts and relationships	Internally generated software	Total
	\$	\$	\$	\$
For the year ended 30 June 2022				
Opening net book amount	9,381,815	1,756,000	1,605,275	12,743,890
Additions ¹	1,579,037	-	-	1,579,037
Amortisation charge	-	(324,327)	(426,664)	(750,991)
Closing net book amount	<u>10,960,852</u>	<u>1,431,673</u>	<u>1,178,611</u>	<u>13,571,936</u>
As at 30 June 2022				
Cost	10,960,852	2,196,000	2,300,836	15,457,688
Accumulated amortisation and impairment	-	(763,527)	(1,122,225)	(1,885,752)
Net book amount	<u>10,960,852</u>	<u>1,432,473</u>	<u>1,178,611</u>	<u>13,571,936</u>

¹Goodwill arising on acquisition of Southcloud.

NOTE 9. TRADE AND OTHER PAYABLES

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Trade payables and accruals	<u>579,997</u>	<u>2,628,618</u>

NOTE 10. EMPLOYEE BENEFITS

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Employee benefits	108,026	316,104

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The above amounts reflect annual leave that has accrued as at the reporting date.

NOTE 11. BORROWINGS

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Current		
Borrowings - unsecured ¹	75,750	1,150,000
Related party loans	-	193,190
	<u>75,750</u>	<u>1,343,190</u>

¹ Short term loans totalling \$1,150,000 from Viriathus Capital investors. The loans matured in December 2021, with \$20,000 being repaid and \$1,130,000 rolled over to 15 June 2022 and repaid as at that date. The loans had an interest rate of 20% per annum interest rate paid monthly. The amount of \$75,750 are loans owing by Southcloud. The loans are unsecured and interest free.

On 9 May 2022 the Company executed an agreement with Booker Super Services Pty Limited for a \$10,000,000 facility. The facility is unsecured and has an interest rate of 6.83% adjusted for increases in the Reserve Bank cash rate after this date and has a maturity date of 30 June 2025.

On 1 August 2022 the Company announced the execution of a facility agreement with Regal Funds Management for a facility in the amount of \$20,500,000 with a maturity date of 1 August 2025.

Loan repayment schedule

	Balance as at 1 July 2021	Cash flows	Interest payable	Fair value changes	Non-cash settlement	Balance as at 30 June 2022
	\$	\$	\$	\$	\$	\$
Other related party loans	193,190	-	1,242	-	(194,432)	-
Virathus Capital	1,150,000	(1,150,000)	-	-	-	-
	1,343,190	(1,150,000)	1,242	-	(194,432)	-

	Balance as at 1 July 2020	Cash flows	Interest payable	Fair value changes	Non-cash settlement	Balance as at 30 June 2021
	\$	\$	\$	\$	\$	\$
Other related party loans	172,556	-	20,634	-	-	193,190
Akuna Finance Pty Ltd	2,098,025	-	81,664	-	(2,179,689)	-
Jamber Investments Pty Ltd	2,900,000	-	145,000	-	(3,045,000)	-
CST Capital Pty Ltd	4,459,700	(3,320,000)	-	-	(1,139,700)	-
Lind Global Macro Fund LP	4,259,701	(3,120,000)	-	-	(1,139,701)	-
J Callaway	250,000	1,250,000	88,125	-	(1,588,125)	-
Everblu Capital Pty Ltd	-	1,600,000	80,000	-	(1,680,000)	-
T Naim	-	1,683,602	-	-	(1,683,602)	-
Virathus Capital	-	1,150,000	-	-	-	1,150,000
ARIE Manager Pty Ltd	-	4,900,000	-	-	(4,900,000)	-
	14,139,982	4,143,602	415,423	-	(17,355,817)	1,343,190

NOTE 12. OTHER LIABILITIES

(a) Other current liabilities

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Unearned revenue	563,704	397,665
Deferred consideration on SSI Pacific Pty Ltd acquisition	-	510,000
Payroll tax and other statutory liabilities	254,228	244,661
GST payable	60,177	-
Other employee liabilities	160,400	-
AASB 16 Lease liability - Current	59,983	170,504
	1,098,492	1,322,830

(b) Other non-current liabilities

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
AASB 16 Lease liability - Non-current	88,597	23,537

NOTE 13. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	30 June 2022	30 June 2022	30 June 2021	30 June 2021
	Shares	\$	Shares	\$
Ordinary shares - fully paid	3,265,909,706	122,528,735	3,191,671,270	119,116,109
Issue of collateral shares subsequently forgiven ¹	-	-	-	1,331,700
Total issued capital	3,265,909,706	122,528,735	3,191,671,270	120,447,809

¹ These collateral shares were issued on 24th December 2019 as part of the convertible notes. These shares were treated as treasury shares until the shares are fully paid for. On 31 July 2020, the Company agreed to forgo the right to the return of these collateral shares as part of the settlement agreement with CST and Lind.

Movements in ordinary share capital – Year ended 30 June 2021

	Notes	Number of shares	\$
Opening balance 1 July 2020		2,036,424,162	79,736,988
Issue of shares – placement		131,900,004	7,914,000
Issue of shares – entitlement offer		599,168,811	14,979,220
Issue of shares – exercise of options		95,779,279	2,811,043
Issue of shares – debt settlement		148,869,159	8,347,804
Issue of shares – services		122,935,275	6,547,606
Issue of shares – cancellation of options		56,594,580	1,046,997
Collateral Shares converted to ordinary shares		-	1,331,700
		3,191,671,270	122,715,358
Less: Capital raising costs arising on share issues		-	(2,267,549)
Closing balance 30 June 2021		3,191,671,270	120,447,809

NOTE 13. EQUITY – ISSUED CAPITAL (CONTINUED)

Movements in ordinary share capital – Year ended 30 June 2022

	Notes	Number of shares	\$
Opening balance 1 July 2021		3,191,671,270	120,447,809
Issue of shares – exercise of options	(i)	41,000,000	820,000
Issue of shares – debt settlement	(ii)	6,846,197	194,432
Issue of shares – services	(iii)	8,142,354	275,000
Issue of shares – vesting of performance rights	(iv)	6,500,000	461,494
Issue of shares – termination benefits	(v)	1,749,885	30,000
Issue of shares – staff incentives	(vi)	10,000,000	300,000
		3,265,909,706	122,528,735
Less: Capital raising costs arising on share issues		-	-
Closing balance 30 June 2022		3,265,909,706	122,528,735

(i) Options exercised on 2 July 2021 and 15 December 2021 at \$0.02 per share.

(ii) Shares issued on 2 August 2021 in settlement of a debt at \$0.0284 per share.

(iii) 7,142,857 shares issued on 2 August 2021 for services rendered, at \$0.035 per share and 999,497 shares issued on 9 May 2022 for services rendered at \$0.025 per share.

(iv) Performance rights vested, and 3,500,000 shares issued on 5 October 2021, and 3,000,000 shares issued on 29 December 2021 to the previous Chief Financial Officer, Matthew Ryan.

(v) Shares issued to previous employee as a termination benefit on 9 May 2022, at \$0.017 per share.

(vi) Shares issued to Chief Technology Officer, Mr Rotem Salomonovitch, as a sign on bonus, at \$0.03 per share.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. 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 consolidated entity'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.

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

NOTE 14. SHARE BASED PAYMENTS

Options issued with expiry date of 28 September 2022	17/09/2020	3,703,716	\$0.1000
Options issued with expiry date of 24 September 2022	17/09/2020	5,000,000	\$0.0600
Options issued with expiry date of 1 September 2023	19/11/2020	40,000,000	\$0.1750
Options issued with expiry date of 24 September 2023	10/12/2019	2,500,000	\$0.1600
Options issued with expiry date of 24 December 2023	19/11/2020	5,500,000	\$0.1273
Options issued with expiry date of 24 December 2025	19/11/2020	2,500,000	\$0.1600
Options issued with expiry date of 1 September 2023	16/06/2021	20,000,000	\$0.1750
Options issued with expiry date of 22 June 2022	16/06/2021	17,320,782	\$0.2000
Exercise of options		(95,779,279)	
Options lapsed/cancelled		(140,154,719)	
Closing balance 30 June 2021		170,320,782	
Opening balance 1 July 2021		170,320,782	
Exercise of options	2/7/2021 & 15/12/2021	(46,000,000)	\$0.02
Options lapsed/cancelled		(43,820,782)	
Closing balance 30 June 2022		80,500,000	

Share options outstanding as at 30 June 2022 have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	30 June 2022	30 June 2021
9/2/17	1/10/21	\$0.060	-	2,000,000
9/2/17	1/10/21	\$0.120	-	2,000,000
9/2/17	1/10/21	\$0.240	-	2,000,000
9/2/17	1/10/21	\$0.360	-	2,000,000
6/6/18	2/7/21	\$0.020	-	26,000,000
6/6/18	2/7/21	\$0.090	-	6,250,000
6/6/18	2/7/21	\$0.150	-	5,000,000
6/6/18	2/7/21	\$0.045	-	2,250,000
21/12/18	21/12/21	\$0.020	-	25,000,000
10/12/19	24/9/23	\$0.160	2,500,000	2,500,000
24/12/19	24/12/22	\$0.200	10,000,000	10,000,000
24/9/20	24/9/22	\$0.060	5,000,000	5,000,000
19/11/20	1/9/23	\$0.100	10,000,000	10,000,000
19/11/20	1/9/23	\$0.150	10,000,000	10,000,000
19/11/20	1/9/23	\$0.200	10,000,000	10,000,000
19/11/20	1/9/23	\$0.250	10,000,000	10,000,000
19/11/20	24/12/23	\$0.100	3,000,000	3,000,000
16/6/21	22/6/22	\$0.200	-	17,320,782
16/6/21	1/9/23	\$0.100	5,000,000	5,000,000
16/6/21	1/9/23	\$0.150	5,000,000	5,000,000
16/6/21	1/9/23	\$0.200	5,000,000	5,000,000
16/6/21	1/9/23	\$0.250	5,000,000	5,000,000
Total			80,500,000	170,320,782

Additionally, as approved by shareholders at the Annual General Meeting on 19 November 2020, Mr Matthew Ryan (Chief Financial Officer) was issued three tranches of 3,500,000 performance rights, to a total of 10,500,000. Of these rights 6,500,000 vested prior to Mr Ryan's resignation in December 2021, with the remainder lapsing. The performance rights were valued on grant date with reference to the share price, being \$0.071. The resulting value has been vested over the associated service condition periods.

Expenses arising from employee share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows.

	Consolidated for the year ended	
	30 June 2022	30 June 2021
	\$	\$
Options issued under employee share scheme	139,434	631,983
Performance rights issued under employee share scheme	573,402	311,961
Shares issued under employee share scheme	300,000	-
Directors fees to be settled in shares ¹	155,400	-
Total employee share based payment expenses	1,168,236	943,944
Shares issued to Mr James Tsiolis ²	-	220,000
Total expenses arising from employee share-based payment transactions	1,168,236	1,163,944

¹During the year the directors reduced the cash element of their remuneration by 50% with the difference payable in shares, subject to approval by the shareholders at the next meeting of shareholders.

²Amount reflected within Salary and wages expense.

NOTE 15. EQUITY – RESERVES

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Foreign currency translation reserve	(40,318)	(292,291)
Share based payments and options reserve	13,412,718	12,886,608
Total reserves	13,372,400	12,594,317

Share based payments and options reserve

This reserve is used to record the value of equity benefits provided for the issue of equity instruments.

NOTE 16. EQUITY – ACCUMULATED LOSSES

	Consolidated as at	
	30 June 2022	30 June 2021
	\$	\$
Accumulated losses at the beginning of the financial year	(111,789,961)	(88,338,081)
Loss after income tax expense for the financial year	(6,981,052)	(23,451,880)
Accumulated losses at the end of the financial year	(118,771,013)	(111,789,961)

NOTE 17. NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Beijing iLinkAll Science and Technology Co

Summarised balance sheet

	2022	2021
	\$	\$
Current assets	593,832	785,109
Current liabilities	(78,666)	(209,176)
Current net assets	515,166	575,933
Non-current assets	36,526	-
Non-current liabilities	-	-
Non-current net assets	36,526	-
Net assets	551,692	575,933
Accumulated non-controlling interests	110,338	115,187

Summarised statement of comprehensive income

	2022	2021
	\$	\$
Revenue	1,375,176	5,894,384
Profit/(loss) for the period	24,966	(1,494,061)
Other comprehensive income	-	-
Total comprehensive income	24,966	(1,494,061)
Profit/(loss) allocated to non-controlling interests	4,993	(298,811)

Summarised cash flows

	2022	2021
	\$	\$
Cash flows from operating activities	(135,681)	(212,177)
Cash flows from investing activities	-	1,816,780
Cash flows from financing activities	-	(1,338,229)
Effect of movement in exchange rates on cash held	9,822	40,159
Net (decrease)/increase in cash and cash equivalents	(125,859)	306,533

NOTE 18. BUSINESS COMBINATION

(a) Summary of acquisition

Acquisition of Southcloud Holdings Pty Limited

On 29 June 2022 the Company acquired 100% of the issued share capital of Southcloud Holdings Pty Limited and its wholly owned subsidiary Southcloud Pty Ltd (together **Southcloud**). Southcloud is an Internet Service Provider based in regional New South Wales offering bundled product solutions to consumers and Small and Medium Enterprises (SME's). Southcloud is a channel to market for VSN with SouthSupport leveraging VSN technology to remotely service clients.

The consideration for the shares was \$179,237 and the assumption of Southcloud's net asset deficit as at 29 June 2022 of \$1,173,669. This deficit was largely incurred in the 2022 financial year as Southcloud built its product range and expanded its customer base.

Details of the acquisition are as follows:

	Fair value
	\$
Current assets	
Cash and cash equivalents	26,729
Receivables	198,385
GST recoverable	80,887
Other Debtors	34,684
Inventory	78,583
Total current assets	419,268
Non-current assets	
Office furniture & equipment	23,804
Software	24,679
Total non-current assets	48,483
Total assets	467,751
Current liabilities	
Accounts payable	210,972
Other payables and accruals	151,058
Total current liabilities	362,030
Non-current liabilities	
Loan from Netlinkz Limited ¹	1,429,772
Other loans	75,750
Total non-current liabilities	1,505,522
Total liabilities	1,867,552
Net assets	(1,399,801)
Net assets acquired	(1,399,801)
Goodwill ²	1,579,038
Fair value of total consideration transferred at acquisition date	179,237
Representing:	
Cash	179,237

¹The loan was effectively forgiven as at the date of acquisition, bringing the total consideration, including consideration paid to the vendors, to \$1,609,009.

²The goodwill is attributable to the customer base. The business is projected to be profitable in the years ahead.

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB3 Business Combinations.

NOTE 18. BUSINESS COMBINATION (CONTINUED)

Revenue and profit contribution

Given that the Company was acquired at year end it made no contribution to earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2022.

If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and loss before interest, tax, depreciation and amortisation, research and product development expenses for the year ended 30 June 2022 would have been \$839,549 and \$632,192 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiary.

There were no acquisitions in the year ended 30 June 2021.

NOTE 19. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated for the year ended	
	30 June 2022	30 June 2021
	\$	\$
Loss after income tax benefit for the year	(6,976,059)	(23,750,691)
Adjustments for non-cash transactions:		
Depreciation and amortisation	958,943	866,478
Foreign exchange differences	54,744	56,025
Fair value loss/(gain) on debt settlement	-	(334,504)
Operating expenses paid in shares and options	487,328	2,026,215
Share based payments	1,168,236	2,571,444
Borrowing finance costs	-	9,277,622
Others	44,028	5,730
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(24,414)	(1,372,932)
Increase in trade and other payables	(1,777,619)	439,300
Increase/(decrease) in unearned income	166,039	265,999
Increase in employee benefits	(208,078)	163,793
Net cashflows used in operating activities	(6,106,852)	(9,785,521)

NOTE 20. EARNINGS PER SHARE

	Consolidated for the year ended	
	30 June 2022	30 June 2021
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Netlinkz Limited	(6,981,052)	(23,451,880)
Consolidated for the year ended		
	30 June 2022	30 June 2021
Weighted average number of ordinary shares used in calculating basic diluted earnings/(loss) per share	3,247,828,349	2,362,037,429
	\$	\$
Basic loss per share	(0.0021)	(0.0099)
Diluted loss per share	(0.0021)	(0.0099)

NOTE 21. INTERESTS IN MATERIAL SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 June 2022	30 June 2021
		%	%
Netlinkz Global Services (Aust & NZ) Pty Limited	Australia	100%	100%
Netlinkz Technology Pty Ltd	Australia	100%	100%
SSI Pacific Pty Ltd	Australia	100%	100%
AoFa Software Engineering (Shanghai) Co. Ltd	China	100%	100%
Netlinkz Japan K.K.	Japan	100%	100%
Netlinkz Technology Hong Kong Limited	Hong Kong	100%	100%
Beijing iLinkAll Science and Technology Co	China	80%	80%
Southcloud Holdings Pty Ltd	Australia	100%	0%
Southcloud Pty Ltd	Australia	100%	0%
Netlinkz (Private) Limited	Pakistan	100%	0%

NOTE 22. COMMITMENTS

There were no commitments as at 30 June 2022 or 30 June 2021.

NOTE 23. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2022 (30 June 2021: Nil).

NOTE 24. EVENTS SUBSEQUENT TO REPORTING DATE

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