



ASX Announcement

22 August 2023

Appendix 4E, FY23 Financial Report and 2023 AGM Date

BRISBANE, Australia: In accordance with the Listing Rules of the Australian Securities Exchange (**ASX**), XPON Technologies Group Limited (ASX:XPON), (**XPON**):

1. encloses for immediate release the following information:
 - Appendix 4E, the Preliminary Final Report for the Year ended 30 June 2023; and
 - the Audited Financial Report for the financial year ended 30 June 2023;
2. announces that XPON will hold its 2023 Annual General Meeting (**AGM**) on Thursday 26 October 2023. Further details regarding the AGM will be provided to shareholders in mid-September 2023; and
3. the closing date for receipt of Director nominations for the AGM is Thursday 7 September 2023.

This announcement was authorised for release by the Board of XPON Technologies Group Limited.

-ENDS-

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Appendix 4E

Preliminary Final Report

Company details

Name of entity:	XPON Technologies Group Limited and Controlled Entities
ABN:	37 635 810 258
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

Results for announcement to the market

Reported	30 June 2023 \$'000	30 June 2022 \$'000		Change \$'000	Change %
Revenue from ordinary activities	15,070	13,310	Up	1,760	13%
Net (loss) from ordinary activities after tax attributable to members	(8,605)	(6,301)	Up	(2,304)	37%
Net (loss) for the year attributable to members	(8,605)	(6,301)	Up	(2,303)	37%

Dividends

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

Net tangible assets

	30 June 2023 (cents)	30 June 2022 (cents)
Net tangible assets per ordinary security	(0.24)	2.20

Net tangible assets do not include intangible assets, deferred tax assets and deferred tax liabilities in the measurement.

Net tangible assets per ordinary security is calculated as net tangible assets divided by the total Ordinary Shares at 30 June 2023 (303,608,169) and 30 June 2022 (303,608,169) respectively.

Control gained over entities

Not applicable.



Loss of control over entities

Not applicable.

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 plans

Not applicable.

Details of associates and joint venture entities

Not applicable.

Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

Attachments

Details of attachments (if any):

The Financial Statements of XPON Technologies Group Limited and Controlled Entities for the year ended 30 June 2023 is attached.

Signed

Signed

Date: 22 August 2023

Phil Aris

Chairman and Non-Executive Director



XPON Technologies Group Limited
and Controlled Entities

ABN 37 635 810 258

Financial Statements for the year end - 30 June 2023



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Corporate Directory

Directors

Matt Forman – Managing Director
Phil Aris – Non-Executive Chairman
Tim Ebbeck – Non-Executive Director
Jodie Leonard – Non-Executive Director

Company Secretary

Clare Craven
Company Matters Pty Limited
www.companymatters.com.au

Registered Office

Suite GR-111/310 Edward St,
Brisbane City, QLD, 4000
Australia
www.xpon.ai

Auditors

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000
www.bdo.com.au

Share Registry

Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000
www.automicgroup.com.au



Directors' Report

The Directors present their report, together with the financial statements of the Group, being XPON Technologies Group Limited (the "Company") and its controlled entities (the "Group" or "XPON"), for the financial year ended 30 June 2023.

Governance

To the extent the Directors regard as appropriate to the size and stage of development of the Company, the Group has adopted the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) throughout the reporting period. Details are provided in the Corporate Governance Statement lodged annually with the ASX.

Directors

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

Phil Aris - Independent Non-Executive Chairman

Tim Ebbeck - Independent Non-Executive Director

Jodie Leonard - Independent Non-Executive Director (appointed 12 September 2022)

Matt Forman - Group Managing Director and CEO

Company Secretary

Clare Craven – appointed 28 April 2023

Mark Licciardo – resigned 28 April 2023

Principal activities

During the year the principal continuing activities of the Group were helping businesses modernise their marketing and Customer Experience (CX) in Australia, New Zealand, the United Kingdom, and Europe. The Group achieved this through:

- Selling technology products, including proprietary tools such as Wondaris® and Holoscribe® and partner technologies like Google Marketing and Google Cloud solutions, that help its customers achieve a better ROI through improved marketing effectiveness and more personalised and profitable consumer experiences; and
- Offering services that help customers effectively implement and optimise XPON's technology products, and services to create new digital products and applications that allow businesses to utilise their marketing and customer data more profitably.

Key verticals served include retail & travel, financial services, media & entertainment, non-profit and education.

Dividends

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

Review and Results of operations

Operating results

The Group continued to deliver growth during FY23 and continued to invest in its growth strategy to secure new customers and retain and expand existing customers. These investments included expanding sales, marketing, software and product development, and project delivery capacities.

Full year revenue increased 13% to \$15,070,156, gross profit rose 22% to \$10,443,164 and gross margin increased by 4 pts to 69%. The Group landed 28 new customers and expanded 44 existing customers.



Directors' Report (continued)

While these results were pleasing, the Group experienced difficult market conditions through the latter half of FY23, particularly with economic challenges in the UK market. As a result, the Group conducted an operational review in Q4 FY23. This led to a restructure of the Group to realign the cost base to current market conditions and continue the drive towards profitability. The implementation process incurred one-off costs of \$753,077 in FY23, however the result is a business remaining focused on high margin, scalable revenue but streamlined with annualised cost savings of at least \$3,000,000.

The consolidated loss of the Group amounted to \$8,604,526 (2022: \$6,301,292).

Adjusted EBITDA is a key earning measure used by management in operating the business. This non-IFRS financial information, not subject to audit, has been extracted from the audited financial statements.

	Note	30-Jun-23 \$	30-Jun-22 \$	Movement % 30 Jun 23 vs 30 Jun 22
Revenue		15,070,156	13,310,449	13%
Cost of sales		(4,626,992)	(4,717,302)	(2%)
Gross Profit		10,443,164	8,593,147	22%
Gross Margin %		69%	65%	6%
Other income		277,125	112,852	146%
Less expenses				
Employee & Contractor expense		(13,396,922)	(9,691,325)	38%
Sales & Marketing expenses		(1,117,357)	(1,025,860)	9%
IT & Facilities expenses		(1,325,906)	(692,565)	91%
General & Admin expenses		(2,904,704)	(3,350,580)	(13%)
Finance expenses		(12,309)	(42,703)	(71%)
Total Expenses		(18,757,198)	(14,803,033)	27%
EBITDA	2	(8,036,909)	(6,097,034)	32%
Depreciation & amortisation expenses		(422,565)	(481,179)	(12%)
EBIT	2	(8,459,474)	(6,578,213)	29%
NPAT		(8,604,526)	(6,301,292)	37%
EBITDA to Adjusted EBITDA		(8,036,909)	(6,097,034)	32%
Add Back:				
Finance expenses		12,309	42,703	(71%)
IPO Transaction related expenses	1	-	1,862,332	(100%)
Restructure related expenses	4	753,077	-	-
Adjusted EBITDA	3	(7,271,523)	(4,191,999)	73%

Note:

1. IPO expenses – Pre IPO and IPO expenses related to XPON's IPO on 16 December 2021.
2. EBITDA \$(8,036,909) and EBIT \$(8,459,474) are unaudited metrics.
3. Adjusted EBITDA \$(7,271,523) (unaudited) – Earnings before Interest, Tax, Depreciation, Amortisation, Financing expenses, M&A related expenses, IPO and restructure related costs is a non-IFRS disclosure. In the opinion of the Directors, the Group's Adjusted EBITDA (unaudited) reflects the results generated from ongoing operating activities which is used by Directors and management as measures in assessing the financial performance of the Group. The non-operating adjustments outlined in this table are considered to be non-cash and/or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the Adjusted EBITDA.
4. Restructure expenses (included in employee and contractor expense) related to the operational review as detailed in ASX announcement dated 10 May 2023.



Directors' Report (continued)

Revenue

For the year ended 30 June 2023, the Group's Revenue was \$15,070,156, representing a 13% increase year on year (YOY) (2022: \$13,310,449). The increase in revenue has been derived organically.

Gross margin

The Group have improved the annual gross margin by 4 ppts to 69% (2022: 65%). The underlying reason for this change is due to the improvement in project delivery and a higher ratio of licensing revenue which attracts higher margins.

Total expenses

Total expenses were \$18,757,198 representing an increase of 27% year on year (2022: \$14,803,033). Included in expenses for the year ended 30 June 2023 was non-recurring restructuring costs of \$753,077 (2022: Non-recurring IPO Transaction related expenses of \$1,862,332).

The increase in expenses aligned with the Group's objective to build scale and expand the business globally based on the Group's growth strategies which are:

- Retaining existing customers and expanding the number of solutions used by them;
- Selling existing solutions to new customers;
- Enhancing XPON solutions;
- Expanding sales and marketing capacity;
- Expanding partner relationships;
- Expanding overall operating capacity;
- Expansion into other geographical regions; and
- Extending the Wondaris® platform ecosystem.

The operational review in the second half of FY23 led to a restructure of the business to realign the cost base to market conditions and drive towards profitability with estimated annualised cost savings of at least \$3m. The Group incurred a net loss after tax of \$8,604,526 for the year ended 30 June 2023 (2022: net loss after tax of \$6,301,292).

Financial position

On 30 June 2023, the Group had net assets of \$4,082,761 (2022: \$11,847,353), including cash of \$4,415,166 (2022: \$8,236,634). The Group had very low borrowings of \$56,927 as at 30 June 2023.

Significant changes in the state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 12 September 2022, Jodie Leonard was appointed as an Independent Non-Executive Director of the Group;
- On 15 May 2023, Lisa Young was appointed as Chief Financial Officer replacing Leanne Wolski who retired on 7 July 2023; and
- On 28 April 2023, Clare Craven was appointed as Company Secretary of the Group.



Directors' Report (continued)

Material business risks

XPON is well positioned and continues to operate in a large and growing market that is supported by macro trends of businesses needing to:

- accelerate their adoption of disruptive technologies like cloud, Artificial Intelligence and Machine Learning;
- respond to increased privacy regulations globally and the increasing prominence of first-party-data; and
- scale personalised and secure consumer experiences.

Despite this, the following is a summary of material business risks that could adversely affect the Group's financial performance and growth potential in future years.

Cyber security and potential breaches

The Group and its customers are dependent on the effective confidentiality, integrity and availability of its systems, information and operations in which it provides its marketing and customer experience solutions. There is a risk that the Group's systems, information or operations may be adversely affected or be subject to disruption as a result of internal or external threats, cyber attacks or system and user errors. There is a risk that the information security measures taken by the Group and its third-party operators will not be sufficient to prevent unauthorised access to this infrastructure.

Failure to retain existing customers and attract new customers

The Group's financial performance is dependent on its ability to retain customers and attract new customers to its products and services in a competitive market. Retention of customers is dependent on a number of factors including the customer business success and the market conditions in which they operate. It is also dependent upon XPON's capability, pricing, customer support and value compared to competing offerings. In addition, following initial commitment periods under customer contracts there is no guarantee that customers will continue their engagement with XPON. If the Group is unable to execute successfully on its land and expand strategy and/or attract new customers this may have an adverse impact on the Group's operations, financial performance and growth targets.

Customer concentration

XPON is in its early stages of growth and accordingly may be impacted by the concentration of customers. The loss of, or significant adverse change in, the relationship between the Company and significant customers could have an adverse effect on the Company's business and financial results. The loss of or reduction in contracts from any significant customer, losses arising from customer disputes or the Company's inability to collect accounts receivable from any major customer could also have an adverse impact on the Company's business and financial results.

Reliance on key personnel

There are a number of key personnel who are strategically important to the group. They include the Executive team as well as key operational roles within the broader business. The loss of one or more of these key personnel could have a negative impact on the business. The Group seeks to mitigate this risk through maintaining its strong corporate culture, high employee satisfaction, succession planning and providing incentives linked to performance and tenure.

Relationship with key partners

The Group's business model relies on continuing strong relationships with key partners, in particular, its relationship with Google. Continuing strong relationships with key partners will be dependent on XPON ensuring its offering meets the needs of these partners and their customers. XPON's relationship with Google Cloud and Google Marketing Platform may be affected if Google decides to diversify and offer partnerships to XPON's competitors, to terminate the agreement, or for other reasons. Further, there is a degree of complexity in the partner agreements with Google and other partners and there is a risk that XPON may not have met all requirements in the agreements. A proportion of XPON's revenue is dependent on these partnerships and the loss of partnerships could cause the Company to lose growth momentum and may adversely impact its financial and market performance.



Directors' Report (continued)

Intellectual Property

The Company's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. The intellectual property may not be capable of being adequately legally protected, it may be the subject of unauthorised disclosure or be unlawfully infringed, the Company may not adequately identify breaches, or the Company may incur substantial costs in asserting or defending its intellectual property rights. Issues regarding the company's intellectual property rights may cause a material risk to XPON's business, market growth and financial performance. Further, the Company has developed its own intellectual property using tools and technology owned by third parties, including open-source technology. The Company may be subject to claims that its products, or its use of third-party products, breaches another party's intellectual property or other rights. This could result in significant costs and delays and may adversely impact the Company's market and financial performance.

Regulatory risk and privacy

Information collected by customers as the primary controller and processed by XPON's offerings may include personal information of individuals some of which may be sensitive. Further, XPON may collect personal information related to its business (e.g. employees, investors, customers). Privacy, data protection and direct marketing regulation varies in the jurisdictions in which XPON operates. Claims relating to a breach of privacy regulation may adversely affect the Company's market and financial performance, particularly if the reputation of XPON's offerings is affected or compromised or if a large-scale privacy or confidentiality breach occurs. A breach may also result in additional regulatory scrutiny, damages, fines and other costs.

Jurisdictional risk

XPON operates in multiple jurisdictions. This increases the regulatory compliance burden and requires XPON to comply with multiple regulatory regimes with respect to its offerings. Different jurisdictions may adopt stricter or different approaches to regulation which may affect financial performance in those jurisdictions. Further, the Company has operations in markets where there is a potential risk of exposure to modern slavery and similar legislation, or social, political or economic instability. There is no guarantee that such instabilities will not occur, and should they occur, they may adversely impact XPON's market and financial performance.

Insurance

XPON offers a broad scope of information technology products and services and has obtained business insurances to cover these services and offerings. XPON consults periodically with its professional insurance advisors regarding its business insurances; however, there is a risk that XPON's existing policies may not cover all potential claims that XPON may sustain in the course of undertaking its business.

Currency exchange risk

XPON reports its financial performance in Australian dollars. However, XPON has customers in multiple jurisdictions. Fluctuations in the exchange rate between the AUD and currency in those jurisdictions may affect XPON's financial performance.

Macro Economic Factors

The Group's ability to retain and renew existing contracts and win new contracts may also be impacted by broader external factors including a slowdown in economic activity, changes to law or changes to the regulation of the internet and digital landscape generally. If the Group fails to adapt to these changes and retain existing customers, attract further business from existing customers and attract new customers, the Company's future financial performance and position may be adversely affected.

Matters subsequent to the end of the financial year

Aside from the following, no matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years:



Directors' Report (continued)

- On 13 July 2023, a tranche totalling 23,400,595 Options over XPN Ordinary Shares issued to Executives under the Company's Share Option Plan, vested. The Options were issued prior to the IPO and a summary of the Option terms is set out in the Prospectus. All 23,400,595 Options are entitled to be exercised immediately upon vesting and will convert to Ordinary Shares at an exercise price of \$0.11.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation on the jurisdiction where it has operations.

Information on Directors

The names of each person who has been a Director during the year and to the date of this report are:

Phil Aris

Independent

Non- Executive Chairman

Qualifications

Bachelor of Economics, Masters of Management

Experience

Phil Aris has over 30 years of strategy, business development, executive, and governance experience across a range of industries including banking, financial services, health and technology.

Phil's executive experience includes roles as Managing Director and CEO at Countplus Limited, Chief Executive Officer of Total Finance Solutions Australia, Chief Executive Officer of the Australian Health Export Council and Head of Credit Cards for Commonwealth Bank (ASX.CBA).

He is currently a Non-Executive Director of Credit Corp (ASX.CCP) and an Advisory Board member of Lumenary Investment Management.

Interest in Shares

666,666 Ordinary Shares

Escrowed Shares

2,354,850 escrowed Shares - 24 months from quotation 16 December 2021.

Interest in Options

972,220 Ordinary Options

Special responsibilities

Member of XPON's Nomination & Remuneration Committee and a member of the Audit & Risk Management Committee

Other current directorships in listed entities

Non-Executive Director of Credit Corp (ASX.CCP)

Other directorships in listed entities held in the previous three years

None

**Matt Forman**

Managing Director and CEO
("CEO")

Qualifications

Advanced Diploma in Business Management

Experience

Matt Forman is a seasoned entrepreneur with over 25 years of experience working with Internet businesses and technologies. He has senior experience in strategy, commercialisation, business development, marketing, and technology across a range of industries including retail, media, telecommunications, agriculture, advertising and technology.

Matt is the Founder and Group CEO of XPON with prior experience including Founder and CEO of Maverick Data Group, Founder & CEO of leading digital marketing agency Traffika, Co- Founder & CEO of 3Style Media and National Manager of FuelWatch.

Interest in Shares

5,558,055 Ordinary Shares in the name of Black Oak Ventures Pty Ltd

Escrowed Shares

104,288,320 escrowed Shares - 24 months from quotation 16 December 2021

Interest in Options

3,472,220 ordinary Options; 500,000 performance incentive Options

Share Appreciation Rights

1,585,835 Share Appreciation Rights

Special responsibilities

Nil

Other current directorships in listed entities

Nil

Other directorships in listed entities held in the previous three years

Nil

**Tim Ebbeck**

Independent Non-Executive
Director

Qualifications

Bachelor of Economics and Accounting, Graduate member of Australian Institute of Company Directors, Fellow CPA Australia, Fellow Australian Institute of Leaders and Managers

Experience

Tim Ebbeck has over 35 years of board, executive, and advisory experience across a breadth of industries including technology, software, AI, blockchain, telecommunications, professional services, infrastructure, health, media, sports and the arts.

Tim's executive experience includes roles as Chief Executive Officer at SAP (ANZ), Chief Executive of Oracle (ANZ), Chief Commercial Officer of SAP (APJ), Chief Commercial Officers of NBN Co, as well as Chief Financial Officer of Unisys South Pacific and TMP Worldwide.

His board roles have included being Non-Executive Director for Indara Digital Infrastructure, ReadyTech Limited (ASX.RDY), The Yield Technology Solutions, CPA Australia, Director of Central Coast Local Health District, and Trustee of the Museum of Applied Arts & Sciences NSW.

Tim is a professional company director and advisor to a range of companies in the technology and emerging industries and a former member of the Business Council of Australia.

Interest in Shares

600,000 Ordinary Shares in the name of Ebbeck Holdings Pty Ltd ATF Ebbeck Superannuation Fund

Interest in Options

375,000 Ordinary Options

Special responsibilities

Chairman of XPON's Audit & Risk Management Committee and a member of the Nomination & Remuneration Committee

Other current directorships in listed entities

Non-Executive Director for ReadyTech Limited (ASX.RDY).

Other directorships in listed entities held in the previous three years

IXUP Limited (ASX.IXU) Envirosuite Limited (ASX: EVS) and Tymlez (ASX:TYM)

**Jodie Leonard**

Independent Non-Executive Director (appointed 12 September 2022)

Qualifications

Bachelor of Business, Graduate of the Australian Institute of Company Directors and Member of Chief Executive Women.

Experience

Jodie Leonard is an experienced Non-Executive Director with a focus on high growth businesses undertaking digital transformation. Jodie brings more than 30 years of global experience in corporate strategy, marketing, and digital disruption in ASX, NYSE and FTSE-listed companies including GE, Telstra, British Airways and the Nine Network. Jodie is currently on the Board of Great Ocean Road Coast & Parks Authority and was previously a Non-Executive Director of BWX Limited (ASX: BWX), Flexigroup Limited (now ASX: HUM), RACV Limited, Beyond Bank Australia Limited, Kinetic Superannuation Limited, Racing Victoria Limited and Tourism North East.

Interest in Shares

504,615 Ordinary Shares in the name of Tranquillity Rose Pty Ltd (ATF J Leonard Superannuation Fund).

Interest in Options

None

Special responsibilities

Chair of XPON's Nomination & Remuneration Committee and a member of the Audit & Risk Management Committee

Other current directorships in listed entities

Non-Executive Director Pacific Smiles Group Limited (ASX:PSQ)

Other directorships in listed entities held in the previous three years

Flexigroup Ltd (ASX:FXL / HUM), Selfwealth Ltd (ASX:SWF), X2M Connect Limited (ASX:X2M)



Company secretary – Clare Craven (appointed 28 April 2023)

Clare has over 20 years' legal, company secretarial and governance experience gained in various listed and private companies. She has a deep understanding of financial services, wealth management, corporate governance, risk management and compliance.

Clare has held various senior leadership roles at Westpac Banking Corporation including Head of Westpac Secretariat, Head of Westpac Subsidiaries and Head of BT Secretariat. Clare's previous roles included Company Secretarial Consultant to various public and private companies in the financial services, construction, insurance and health services sector, legal and corporate advisory roles at NRMA Ltd and NRMA Insurance Limited (including Company Secretary), and as an Associate Solicitor in private practice.

Company secretary – Mark Licciardo (resigned 28 April 2023)

Mark is the founder of Mertons Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia's Listed Services Division. He is also an ASX-experienced Director and Chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Board		Nomination and Remuneration Committee (NRC)		Audit and Risk Management Committee (ARMC)	
	A	B	A	B	A	B
Phil Aris	14	14	4	4	4	4
Matt Forman ²	14	13	2	4	2	4
Tim Ebbeck	14	14	4	4	4	4
Jodie Leonard ¹	11	11	3	3	2	2

A – Number of meetings eligible to attend

B – Numbers of meetings attended

1. Jodie Leonard was appointed on 12 September 2022 and attended her first meeting on 22 September 2023.

2. Matt Forman was a member of NRC and ARMC until Jodie Leonard was appointed on 12 September, then ceased as a member of each. He attended subsequent NRC and ARMC meetings as an invitee.



Directors' Report (continued)

Shares under Option

Unissued Ordinary Shares of XPON and Controlled Entities under Option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number Issued Under Option	Number Options Forfeited as at 30 June 2023	Number Options Vested as at 30 June 2023	Balance under Option Unvested
30-June-2020	1-Jul-2030	\$0.11	16,129,305	250,000	250,000	15,629,305
31 May-2021	01-Jun-2031	\$0.13	461,540	-	-	461,540
12-Jun-2021	13-Jun-2031	\$0.13	461,540	-	-	461,540
01-Jul-2021	02-Jul-2031	\$0.11	3,972,220	-	250,000	3,722,220
27-Sep-2021	28-Sep-2031	\$0.20	1,500,000	-	-	1,500,000
30-Sep-2021	01-Oct-2031	\$0.11	4,924,070	-	-	4,924,070
08-Nov-2021	09-Nov-2031	\$0.20	375,000	-	-	375,000
			27,823,675	250,000	500,000	27,073,675

Included in these Options were 8,490,410 Options granted as remuneration to the Directors and other KMP. Details of Options granted to KMP are disclosed on pages 27 to 29. In addition, 19,333,265 Options were granted to employees in essential roles of the group but who are not KMP and hence not disclosed in the remuneration report.

No Option holder has any right under the Options to participate in any other Share issue of the Company or any other entity.

Indemnity and insurance of officers

During or since the end of the financial year, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring Directors, officers and employees of the Company and its subsidiaries against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

Under the terms of the Executive service agreement with Matt Forman, the Company has agreed to indemnify and keep indemnified Mr Forman in respect of loss suffered by him under certain personal guarantees Mr Forman has provided to third parties for the obligations of the Company's subsidiary, Datisan Pty Ltd. The personal guarantees relate to Datisan Pty Ltd's obligations under its credit card facilities.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.



Directors' Report (continued)

Non-audit services

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, BDO Audit Pty Ltd, and its related practices:

	2023 \$	2022 \$
Other non-assurance services		
Tax compliance services	27,500	43,500
Independent limited assurance report services	-	67,500

Details of the amounts paid or payable to the Company's auditor and related practices of the auditor for non-audit services provided during the year are set out above. The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Rounding of amounts

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

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2023 has been received and can be found on page 32 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Phil Aris

Chairman and Non-Executive Director

Matt Forman

Group Managing Director and CEO

22 August 2023



Directors' Report (continued)

Remuneration Report (audited)

The Remuneration Report is set out under the headings below:

- 1.0 FY23 Remuneration at a Glance**
 - 1.1 Remuneration framework
 - 1.2 KMP remuneration mix
 - 1.3 How we performed and remuneration received
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This report details the remuneration arrangements for the Key Management Personnel ("KMP") of XPON, in accordance with the requirements of the Corporations Act 2001 and its regulations.

Persons covered in the Remuneration Report

Non-Executive Directors	Role
Phil Aris	Independent Non-Executive Director, Chair of the Board, a member of the Nominations and Remuneration Committee, a member of the Audit & Risk Management Committee, appointed to the Board on 26 September 2019.
Tim Ebbeck	Independent Non-Executive Director, Chair of the Audit & Risk Management Committee, a member of the Nomination & Remuneration Committee, appointed to the Board on 20 July 2021.
Jodie Leonard	Independent Non-Executive Director, the Chair of the Nomination & Remuneration Committee, a member of the Audit & Risk Management Committee, appointed to the Board on 12 September 2022.
Executives	Role
Matt Forman	Group CEO and Managing Director ("CEO") appointed on 27 August 2019.
Lisa Young	Chief Financial Officer ("CFO") appointed on 15 May 2023.
Leanne Wolski	Chief Financial Officer ("CFO") appointed on 5 February 2020 and retired on 7 July 2023.



Directors' Report (continued)

1. REMUNERATION AT A GLANCE

The remuneration framework is designed to support delivery of XPON's strategic priorities:

- Scaled and engaged team;
- Global standardisation;
- Shortened time to value;
- Valuable and defensible IP;
- Partner for growth; and
- Optimised capital Investments.

Remuneration Principles

Clear principles guide the remuneration decisions and design and form the basis of XPON's Remuneration Policy. The key principles are:

- Attract and retain talent;
- Merit based;
- Market competitive;
- Aligned with strategy;
- Reward fairly; and
- Comply with all legal and regulatory requirements.

1.1 Remuneration Framework

The remuneration framework has been designed to align Executive reward to shareholders' interests and includes:

Total Fixed Remuneration (TFR)

TFR consists of base salary and superannuation.

TFR is set in relation to the external market and considers:

- strategic value of the role;
- size and complexity of the role;
- individual responsibilities; and
- experience and skills.

TFR is positioned broadly in line with the 50th percentile of similar companies.

Short Term Incentive (STI)

The STI is currently paid as cash for achievement of a mix of short-term corporate and personal targets.

The short-term business objectives reflect the early stage of the company and are primarily based on achievement of the following goals:

- Group Annual Recurring Revenue (ARR)
- Cashflow run rate at 30 June 2023.

Long Term Incentive (LTI)

The LTI aligns Executives with the Company performance and with the goals of shareholders.

The FY23 LTI is awarded as Share Appreciation Rights (SARs) that vest subject to performance of the CAGR of ARR over a two-year period.



Directors' Report (continued)

1.2 FY23 Executive KMP Remuneration Mix

The remuneration mix KMP are eligible to earn in FY23 is as follows:

	Total Fixed Remuneration (TFR)	Target STI	Target LTI
Matt Forman - CEO	56%	13%	31%
Leanne Wolski - CFO	56%	13%	31%
Lisa Young - CFO ¹	100%	-	-

1. Ms. Young is not eligible for an STI or LTI in FY23 due to the timing of her appointment on 15 May 2023. Her package enables her to participate in the Incentive Scheme in FY24.

1.3 Summary of how the Company performed

Performance Metric	FY23	FY22	FY21	FY20	FY19
STI outcome achieved ²	0%	100%	n/a	n/a	n/a
LTI Outcome - % vesting ^{1 2}	50%	0%	n/a	n/a	n/a
Dividends per Share – ordinary (cents)	-	-	-	-	-
Share Price \$ (60-day VWAP to 30 June) ³	0.09	0.16	n/a	n/a	n/a
Adjusted EBITDA \$million ⁶	(7.27)	(4.19)	(1.56)	(1.73)	(0.64)
Total Shareholder Return (TSR) \$ ⁵	(0.08)	(0.08)	n/a	n/a	n/a
Basic Earnings Per Share (EPS) cents ⁴	(2.83)	(2.32)	(0.89)	(1.20)	(1.01)

1. Calculated as the % of equity eligible to vest in the year.

2. Formal incentive plans were not in place for years prior to listing.

3. Listed Share price not available for FY19, FY20 and FY21 as the Company was not listed on the Australian Securities exchange until 16 December 2021

4. On 5 November 2021 the Group undertook a 5-1 Share split.

5. TSR is calculated as the movement in the listed Share price during the financial year plus dividends. Listed Share price not available for FY19, FY20 and FY21 (as the Company was not listed on the Australian Securities exchange until 16 December 2021) and accordingly no TSR calculated.

6. Adjusted EBITDA is calculated by excluding Finance, Write-off of investment, M&A, Restructure and IPO related costs.



Directors' Report (continued)

Executive KMP Remuneration Summary FY23

EXECUTIVE KMP	Total Fixed Remuneration \$	Other Benefits \$	FY23 STI \$ ¹	FY23 Share Based Payments \$ ²	TOTAL \$
Matt Forman	312,007	23,526	-	196,044	531,577
Leanne Wolski	277,440	-	-	70,220	347,660
Lisa Young ¹	39,772	-	-	-	39,772
Total	629,219	23,526	-	266,264	919,009

1. Ms. Young's remuneration is pro rata to her commencement date of 15 May 2023. She is not eligible for an STI or LTI in FY23 due to the timing of her appointment.

2. Share Based payments includes amortisation of Options issued prior to the IPO

Executive KMP Remuneration Summary FY22

EXECUTIVE KMP	Total Fixed Remuneration \$	Other Benefits \$	FY22 STI \$	FY22 Share Based Payments \$	TOTAL \$
Matt Forman	292,104	24,643	62,500	110,764	490,011
Leanne Wolski	253,757	-	57,078	70,220	381,055
Total	545,861	24,643	119,578	180,984	871,066

2. EXECUTIVE KMP REMUNERATION

The Company aims to reward Executives based on their position, individual responsibilities and the value they add to the Company. The remuneration mix is comprised of both fixed and variable elements, with the at risk component providing upside to the Executive that aligns them with shareholder interests. The Executive Remuneration and reward framework has three components as outlined in 1.1. The combination of these comprises the Executive's Total Remuneration.

2.1 Fixed Remuneration

Fixed Remuneration is reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and market comparable remuneration levels. Fixed Remuneration is paid as cash to Executives with superannuation paid to the nominated superannuation account.

2.2 Short Term Incentive

The Company currently provides the Executive team with cash based Short Term Incentives (STIs) which become payable upon satisfaction of specified performance criteria set by the Board on an annual basis. Each eligible team member is subject to the performance assessment criteria as outlined in the annual STI Targets.



Directors' Report (continued)

FY23 STI Outcomes

In FY23, no STI outcomes were achieved, resulting in 0% of the STI awarded to KMP - the Board did not apply discretion to the outcome as the outcomes reflect the performance of the business. Further detail on the FY23 STI Plan is provided below.

FY23 Short Term Incentive (STI) Plan

In FY23, the STI Plan was based on awarding cash remuneration for primarily delivering financial outcomes reported in the audited financial accounts assessed against targets established at the beginning of the year. Executives are eligible to earn an STI payment as a percentage of Base Salary as follows.

Executive KMP	Eligible STI %
CEO	25%
Other Executive KMP	25%

The STI targets for FY23 are outlined below:

HURDLE

≥80% Employee Engagement Score

KEY PERFORMANCE INDICATORS

	Weighting	CEO	Weighting	CFO ¹
Corporate	60%	Annual Group ARR target	40%	Annual Group ARR target
	40%	Year-end free cash flow target	-	-
Personal	-	NA	60%	Individual KPI's ²

1 Ms. Young was appointed 15 May 2023 and is not eligible for STI in FY23.

2. These include KPIs with respect to financial reporting and ERP system implementation

2.3 Long Term Incentive (LTI)

The LTI plan is designed to align KMP with shareholder objectives and expectations and outcomes. The LTI plan plays an important part in retaining key Executives.

Pre IPO

The Company implemented a Share Option plan in June 2020 (Share Option Plan), under which Directors and key employees identified by the Board were offered participation under the Share Option Plan in the form of Options.

Equity awarded at time of listing on the ASX

XPON adopted a long-term incentive plan upon its listing on the ASX, the Omnibus Incentive Plan ("OIP"). Key employees identified by the Board were offered participation under the OIP in the form of Options.

An Option confers a right to acquire a Share during the exercise period, subject to the satisfaction of vesting conditions, the payment of the exercise price for the Option (including through a cashless exercise facility) set out in the offer, and otherwise in the manner required by the Board and specified by the offer.



Directors' Report (continued)

Vesting of the Options is subject to the satisfaction of service-based conditions and/or performance hurdles which, when satisfied, allow participants to receive Shares or vested options or rights which are exercisable over Shares. Details of Options awarded at the time of listing are outlined in the Prospectus.

Executive KMP issued Options under the OIP may not dispose of an Option or Share issued on exercise of an Option until the earlier of three (3) years after the issue of the Options, the employee resigns or is made redundant.

The Board will no longer issue securities under the OIP pending approval of the new Employee Incentive Securities Plan ("EISP") at the October 2023 Annual General Meeting.

Share Appreciation Rights (SARs)

During FY23 the Board determined to award SARs under the terms of the OIP. SARs are rights to receive an award from the Company which may be satisfied by the issue and/or transfer of Shares (equity settlement), cash payment (cash settlement), or a combination of both, as determined by the Board, subject to the satisfaction and/or waiver of vesting conditions.

Each SAR confers an entitlement to receive one Share, subject to meeting certain conditions. The award is calculated by reference to an increase in the Share price from a base price as determined by the Board prior to the grant of the SAR, and the 60-trading day volume-weighted average price per Share traded on ASX immediately preceding the time that the performance hurdles and/or other conditions are satisfied and/or waived.

There were no SARs granted in prior years and no SARs had vested as of 30 June 2023. Further detail on the SAR arrangements for FY23 are provided below.

At the 24 October 2022 Annual General Meeting, shareholders approved the grant of a total of 2,569,038 SARs to the CEO (1,585,835 SARs) and Non-Executive Directors (983,203 SARs) under XPON's OIP. SARs were to be offered to Non-Executive Directors as a way of preserving cash. The Non-Executive Directors decided not to take up the proposed SARs offer and the remuneration benefit was forgone. Details of what was approved by Shareholders is as follows:

	Number of SARs	Value of SARs	Value of SARs foregone by NEDs in FY23
Chair - Phil Aris	468,267	\$47,295	\$47,295
NED - Tim Ebbeck	286,163	\$28,903	\$28,903
NED - Jodie Leonard ¹	228,773	\$23,106	\$23,106
CEO – Matt Forman	1,585,835	\$160,169	-

1. Ms. Leonard was appointed on 12 September 2022 and her award was proposed on a pro rata basis

The performance conditions attached to the CEO Share Appreciation Rights for FY23 are as follows:

CAGR ARR	% SARs Vest
<30%	Nil vesting
30%	50%
40%	75%
45%	100%

Straight line vesting applies between the scales.



Directors' Report (continued)

A summary of the CEO's key FY23 LTI plan terms and conditions follows:

Number of SARs awarded	LTI \$ value / deemed value of SARs
Value of Award at Time of Grant	\$0.1077, based on a Monte Carlo Simulation valuation
Grant Price	Nil Consideration
Share Price at time of Grant	\$0.16
Share Price at time of Exercise	60-trading day VWAP up to but not including the exercise date
Base Price (A)	Grant date Share price being 60-trading day VWAP up to but not including grant date
Exercise date Share Price (B)	Exercise date Share price being 60-trading day VWAP up to but not including the date on which the SARs are exercised
Performance Period	1 July 2022 to 30 June 2024
Exercise period	From the Vesting Date to the date which is 5 years from the date the SARs are granted.
SAR value (C)	SAR value at exercise x number of vested = (B – A) x Vested SARs = SAR value to be settled in cash or Shares
Cash or Share settlement	The Board has the discretion on vesting of SARs to award in part or whole in cash.
Share-settled SARs	If SARs value is settled in Shares, the number of Shares will be determined as: # of Shares = (C) / (B)
Cash-settled SARs	If the SAR value is settled in cash, cash will be equal to (B-A) x Vested SARs
Expiry date	The SARs expire on the fifth anniversary of grant date
Vesting Dates and vesting conditions	Vesting Date is the date on which the Board determines the level of vesting of the SARs. The SARs will vest at the determination of the Board after release of audited financial results for FY24 on satisfaction of the following conditions: <ul style="list-style-type: none"> ▪ Must be employed at time of vesting. ▪ CAGR targets are met; and ▪ Achieve operating cashflow breakeven for the full year FY24.
Plan Rules	The OIP rules apply
Participant	Employee or nominated entity
Dividend and Voting rights	Dividends will not be paid on SARs, and they do not have voting rights.
Holding Lock	Will be applied to any Shares issued upon exercise of the proposed SARs by the CEO prior to 30 June 2025.
Malus	In the event of fraud, dishonesty, breach of obligations, or in the opinion of the Board vesting of the SARs would result in an inappropriate benefit, the Board may make a determination, including the forfeiture of unvested SARs, to ensure that no unfair benefit is obtained.
Board Discretion	The Board maintains absolute discretion to deal with unvested SARs on cessation of employment
Change in Control	Notwithstanding the terms of the OIP, In the event of a takeover, scheme or arrangement or other transaction that may result in a person or entity becoming entitled to exercise control over the Company, the Board has absolute discretion to determine the extent to which unvested SARs may vest or lapse, or whether any resulting Shares which are subject to a restriction period should become unrestricted.



Restrictions on disposal	In the event the vested SARs are exercised prior to 30 June 2025, the Shares acquired on exercise will be restricted from sale for the period from the date of acquisition to 30 June 2025 inclusive. A holding lock will be imposed on any such Shares to facilitate the restriction on disposal.
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2.4 Service Agreements

All Executive KMP are employed on service agreements that detail their remuneration arrangements. The agreements are open ended, although the service agreements may be terminated with the provision of specified notice. Below is a summary of the termination provisions for Executive KMP.

Executive KMP	Roles	Period of notice from XPON	Period of notice from employee	Termination payments ¹
Matt Forman	Chief Executive Officer	12 months	6 months	12 months
Leanne Wolski	Chief Financial Officer	6 months	6 months	6 months
Lisa Young	Chief Financial Officer	4 months	4 months	4 months

1. Termination payments are based on base salary, excluding superannuation for Mr. Forman and base salary, including superannuation for Ms. Wolski and Ms. Young

2.5 FY24 Remuneration Changes

In FY24, a number of changes will be made to the remuneration structures.

- Given the early stage of the Company's development, and to more simply align incentives to the Company's short term performance, a combined STI and LTI incentive plan will be implemented.
- The combined incentive plan focusses on the delivery of key business objectives including Net Billings, Gross Margin and EBITDA.
- The combined incentive plan will provide Executives with the ability to earn both a cash and deferred equity component.
- The new EISP will be taken to the October 2023 Annual General Meeting for approval and if approved, the OIP will be retired from 30 June 2023. Equity will no longer be awarded under the OIP.
- The new EIS simplifies administration, meets all updated regulatory requirements and ensures the Company has the flexibility to award a broader set of equity instruments than allowed for in the existing plan.

3. GOVERNANCE

3.1 The Role of the Board

Ultimately, the Board is responsible for the Company's remuneration policies and practices. The role of the Board is to ensure that appropriate and effective remuneration packages and policies are in place to attract and retain high quality Executives and Non-Executives Directors, and to motivate Executives to create value for our shareholders.

When reviewing performance and determining incentive outcomes, the Board ensures that performance outcomes align with market-reported results, execution of approved strategy and shareholder outcomes. To achieve this alignment, the Board retains discretion over final performance and incentive outcomes and recognises that there are limited cases where adjustments should be sought.

The Board also monitors compliance with Board approved remuneration policies and practices and stays abreast of remuneration trends and the general external environment.



Directors' Report (continued)

3.2 Role of the Nomination and Remuneration Committee (NRC)

The Nomination and Remunerations Committee's role is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and Executives, and to ensure the remuneration policies and practices are appropriate and aligned to Company performance and shareholder expectations.

Under its delegation of authority, the NRC is empowered by the Board to engage external consultants and other professional advisors if necessary to carry out its duties. The NRC ensures the CEO is not present at any discussions relating to the determination of his own remuneration.

Independent Remuneration Advisors

From time to time, the NRC may receive advice from independent remuneration consultants on benchmarks for Non-Executive Director and Executive remuneration arrangements. Benchmarks consider similar organisations in the Australian technology industry and other companies where it competes for talent. If advisors are engaged, they report directly to the Chair of the NRC. The agreement for the provision of remuneration consulting services is executed by the Chair of the NRC under delegated authority on behalf of the Board.

4. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

4.1 Remuneration policy and structure

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee and may consider independent benchmark information to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of his own remuneration. Given the early stage of the Company and in order to preserve cash, Non-Executive Directors are eligible to receive equity as part of their remuneration. Non-Executive Directors can only be awarded equity if approved by shareholders at a General Meeting.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 24 October 2022, where the shareholders approved a maximum annual aggregate remuneration of \$500,000. For the financial year ended 30 June 2023, the fees payable to the current Non-Executive Directors (whether in cash or securities) did not exceed \$500,000 in aggregate.

	2023 Fixed remuneration including superannuation	2022 Fixed remuneration including superannuation
Chair ¹	\$94,590	\$90,000
Non-Executive Directors ²	\$57,805	\$55,000

1. Difference between Chair remuneration above and table on page 24 is rounding for superannuation.

2. Remuneration to Ms. Leonard was on a pro rata basis commensurate with 12 September 2022 appointment date.



Directors' Report (continued)

Any Non-Executive Director who devotes special attention to the business of the Group or who perform services which, in the opinion of the Nomination and Remuneration Committee, are outside the scope of ordinary duties of a Director, may be remunerated for the services by the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. No additional fees were paid to Non-Executive Directors in FY23.

Prior to listing, Non-Executive Directors were able to take part in the Company's Long Term Incentive Plan as part of their remuneration. Non-Executive Directors were awarded Options to ensure alignment with the Company goals in the initial phase of the Companies listing. As part of the IPO process, Options issued to Directors were subject to service conditions and the amount was not sufficiently material to influence independence.

4.2 *Non-Executive Director Minimum Shareholder Requirements*

On 22 September 2022, the Directors approved a Minimum Shareholder Requirement Policy (MSR) that within 3 years requires Directors to hold Shares in the Company equivalent to the value of 1 year's Director fees. All Non-Executive Directors have independently purchased Shares meeting the Company's minimum shareholder requirements, well in advance of the 3-year target. The Non-Executive Directors' investments in the Company further aligns them with the interest of all shareholders.

5. DETAILS OF REMUNERATION

The KMP of the Company consisted of the following Non-Executive Directors of XPON Technology Group Limited for the full year unless specified:

- Mr Phil Aris
- Mr Timothy Ebbeck
- Ms Jodie Leonard (appointed 12 September 2022)

And the following Executive KMP:

- Mr Matt Forman
- Ms Leanne Wolski
- Ms Lisa Young (appointed 15 May 2023)

5.1 *Amounts of remuneration*

Details of the remuneration of KMP of the Group are set out in the following tables.



Directors' Report (continued)

2023 KMP Remuneration Details

	Short Term Benefits				Post-employment benefits	Long-term benefits	Share Based Payments					
	Cash base salary and fees \$	Cash bonus / STI \$	Annual leave \$ ²	Other benefits \$ ¹	Super-annuation \$	Long service leave \$ ²	LTI Options ⁵ \$	LTI Performance Options \$	Share Appreciation Rights \$ ⁶	Total \$	Performance related (incl SARs) % ⁷	Performance related (excl SARs) % ⁷
Name												
NED remuneration ⁵												
Phil Aris	94,583	-	-	-	-	-	21,529	-	50,432	166,544	43%	13%
Tim Ebbeck	57,805	-	-	-	-	-	10,243	-	30,820	98,868	42%	10%
Jodie Leonard ³	46,484	-	-	-	-	-	-	-	24,656	71,140	35%	-
Total NED remuneration	198,872	-	-	-	-	-	31,772	-	105,908	336,552	41%	9%
Executive KMP												
Matt Forman	262,750	-	9,083	23,526	32,976	7,198	96,822	13,942	85,280	531,577	37%	n/a
Leanne Wolski	239,954	-	7,329	-	30,157	-	70,220	-	-	347,660	20%	n/a
Lisa Young ⁴	35,993	-	2,959	-	3,779	-	-	-	-	42,731	-	-
Total Executive KMP	538,697	-	19,371	23,526	66,912	7,198	167,042	13,942	85,280	921,968	29%	n/a
Total KMP remuneration expensed	737,569	-	19,371	23,526	66,912	7,198	198,814	13,942	191,188	1,258,520	32%	n/a

1. Other benefits include motor vehicle expenses for Matt Forman.

2. Movements for the year ending 2023.

3. Jodie Leonard commenced on 12 September 2022.

4. Lisa Young commenced on 15 May 2023.

5. NED cash salary and fees include superannuation and NED LTI Options reflect amortisation of Options issued prior to the IPO

6. Share Appreciation Rights for NEDs were foregone during FY23, however the accounting standards require the recognition of the remaining value in the Financial Statements of the SAR expense.

7. Calculated as cash bonus/STI and Share based payments (including or excluding SARs as indicated) over total remuneration.



Directors' Report (continued)

2022 KMP Remuneration Details

	Short Term Benefits				Post-employment benefits	Long-term benefits	Share Based Payments			Performance related % ⁵
	Cash base salary and fees \$	Cash bonus / STI \$	Annual leave \$ ³	Other benefits \$ ¹	Super-annuation \$	Long service leave \$ ³	LTI Options \$	LTI Performance Options \$	Total \$	
Name										
NED remuneration ⁶										
Phil Aris ²	102,031	-	-	-	-	-	21,529	-	123,560	17%
Tim Ebbeck ⁴	50,417	-	-	-	-	-	10,243	-	60,660	17%
Jodie Leonard	-	-	-	-	-	-	-	-	-	-
Total NED remuneration	152,448	-	-	-	-	-	31,772	-	184,220	17%
Executive KMP										
Matt Forman	250,000	62,500	13,109	24,643	24,481	4,514	96,822	13,942	490,011	35%
Leanne Wolski	228,310	57,078	2,616	-	22,831	-	70,220	-	381,055	33%
Lisa Young	-	-	-	-	-	-	-	-	-	-
Total Executive KMPs	478,310	119,578	15,725	24,643	47,312	4,514	167,042	13,942	871,066	35%
Total KMP remuneration expensed	630,758	119,578	15,725	24,643	47,312	4,514	198,814	13,942	1,055,286	31%

1. Other benefits include motor vehicle expenses for Matt Forman.

2. Included in Phil Aris cash base salary and fees is a one-off amount of \$12,031 additional fees for additional services related to the IPO and is also inclusive of superannuation.

3. Movements for the year ending 2022.

4. Tim Ebbeck commenced 20 July 2021. Cash base salary and fees are inclusive of superannuation.

5. Calculated as cash bonus/STI and Share based payments over total remuneration

6. NED cash salary and fees include superannuation and NED LTI options reflect amortisation of options issued prior to the IPO



Directors' Report (continued)

5.2 At Risk Remuneration Summary

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

	Fixed remuneration ¹		At risk - STI		At risk - LTI ³		
					2023		
Name	2023	2022	2023	2022	Incl SARs	Excl SARs	2022
Non-Executive Directors							
Phil Aris	57%	83%	0%	-	43%	13%	17%
Tim Ebbeck	58%	83%	0%	-	42%	10%	17%
Jodie Leonard	65%	-	0%	-	35%	0%	-
Executive KMP							
Matt Forman	63%	63%	0%	13%	37%	n/a	24%
Leanne Wolski	80%	66%	0%	15%	20%	n/a	19%
Lisa Young ²	100%	-	-	-	-	-	-

1. Fixed remuneration includes base salary, super and other benefits

2. Ms. Young was not eligible to earn an STI or LTI in FY23 due to timing of her appointment.

3. Share Appreciation Rights for NEDs were foregone during FY23, however the accounting standards require the recognition of the remaining value in the Financial Statements of the SAR expense.

5.3 Cash Bonus

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus not achieved	
	2023	2022	2023	2022
Executive KMP				
Matt Forman	0%	100%	100%	0%
Leanne Wolski	0%	100%	100%	0%
Lisa Young ¹	-	-	-	-

1. Ms. Young is not eligible to earn an STI or LTI in FY23 due to timing of her appointment.

5.4 Share-based compensation

5.4.1 Issue of Shares

There were no Shares issued to KMP as part of compensation during the year ended 30 June 2023.



Directors' Report (continued)

5.4.2 Shares under Option

Unissued Ordinary Shares of XPON and Controlled Entities under Option to KMP at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number Issued Under Option	Number Options Forfeited as at 30 June 2023	Number Options Vested as at 30 June 2023	Balance under Option Unvested
30-June-2020	01-Jul-2030	\$0.11	4,143,190	-	-	4,143,190
01-Jul-2021	02-Jul-2031	\$0.11	3,972,220	-	250,000	3,722,220
08-Nov-2021	09-Nov-2031	\$0.20	375,000	-	-	375,000
			8,490,410	-	250,000	8,240,410

No Option holder has any right under the Options to participate in any other Share issue of the Company or any other entity.

5.4.3 Issue of Options

There were no Options issued to KMP as part of compensation during the year ended 30 June 2023.

2023 Ordinary Option holdings of KMP

Name	Balance 1 July 2022	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Balance 30 June 2023	Vested during the reporting period	Vested and exercisable 30 June 2023	Vested but not exercisable 30 June 2023
Non-Executive Directors								
Phil Aris	972,220	-	-	-	972,220	-	-	-
Tim Ebbeck	375,000	-	-	-	375,000	-	-	-
Jodie Leonard	-	-	-	-	-	-	-	-
Executive KMP								
Matt Forman	3,472,220	-	-	-	3,472,220	-	-	-
Leanne Wolski	3,170,970	-	-	-	3,170,970	-	-	-
Lisa Young	-	-	-	-	-	-	-	-
Total	7,990,410	-	-	-	7,990,410	-	-	-



Directors' Report (continued)

Name	Date of Grant	Date of Expiry	Date of Vesting	Number Granted	Share price at grant date	Fair value at grant date	Exercise price	Fair value at grant date
Non-Executive Directors								
Phil Aris	30-Jun-2020	01-Jul-2030	01-Jul-2023	972,220	\$0.11	\$0.07	\$0.11	\$64,647
Tim Ebbeck	08-Nov-2021	09-Nov-2031	08-Nov-2024	375,000	\$0.20	\$0.12	\$0.20	\$46,390
Executive KMP								
Matt Forman	01-Jul-2021	02-Jul-2031	01-Jul-2023	3,472,220	\$0.11	\$0.06	\$0.11	\$193,644
Leanne Wolski	30-Jun-2020	01-Jul-2030	01-Jul-2023	3,170,970	\$0.11	\$0.07	\$0.11	\$210,851

2023 Performance Incentive Options holdings of KMP

Name	Balance 1 July 2022	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Balance 30 June 2023	Vested during the reporting period	Vested and exercisable 30 June 2023	Vested but not exercisable 30 June 2023
Executive KMP								
Matt Forman	500,000	-	-	-	500,000	250,000	250,000	-
Leanne Wolski	-	-	-	-	-	-	-	-

Name	Date of Grant	Date of Expiry	Date of Vesting	Number Granted	Share price at grant date	Fair value at grant date	Exercise price	Fair value at grant date
Executive KMP								
Matt Forman	01-Jul-2021	02-Jul-2031	01-Jul-2023	500,000	\$0.11	\$0.06	\$0.11	\$27,885

The vesting conditions for Performance Incentive Options that vested in FY23 are:

Participant	Options	Vesting Conditions ¹
Matt Forman	250,000	Vested upon XPON achieving a minimum ARR of AU\$10 million as at the end of each calendar month for a consecutive period of 12 months



Directors' Report (continued)

The vesting conditions for the remaining performance incentive Options are:

Participant	Options	Vesting Conditions ¹
Matt Forman	250,000	Vests upon the XPON achieving a minimum ARR of AU\$15 million as at the end of each calendar month for a consecutive period of 12 months

1. Non-AAS or IFRS financial measures - Annualised Recurring Revenue (ARR) represents monthly contracted recurring revenue multiplied by 12. An annualised measure of the revenue that XPON expects to earn from its customers on a repeatable basis. This metric shows the impact of new customer contracts less any churn from customers leaving or downgrading their contracts.

5.4.4 Issue of Share Appreciation Rights

The following Share Appreciation Rights were granted to KMP when approved by shareholders at the November 2022 AGM:

2023 Share Appreciation Rights (SARs) holdings granted to KMP

Name	Balance 1 July 2022	Approved by Shareholders to be granted during the reporting period	Granted during the reporting period	Cancelled during the reporting period	Balance 30 June 2023	Vested during the reporting period	Vested and exercisable 30 June 2023	Vested but not exercisable 30 June 2023
Non-Executive Directors								
Phil Aris ²	-	468,267	-	(468,267)	-	-	-	-
Tim Ebbeck ²	-	286,263	-	(286,263)	-	-	-	-
Jodie Leonard ^{1 2}	-	228,773	-	(228,773)	-	-	-	-
Executive KMP								
Matt Forman	-	1,585,835	1,585,835	-	1,585,835	-	-	-
Total	-	2,569,138	1,585,835	-	1,585,835	-	-	-

1. Ms. Leonard was appointed on 12 September 2022 and her award was proposed on a pro rata basis

2. Share Appreciation Rights for NEDs were foregone during FY23, however the accounting standards require the recognition in the Financial Statements of the SAR expense in relation to the value of the SARs.

There were no SARs granted in prior years and no SARs had vested as of 30 June 2023.

The Board has determined that for the purpose of calculating the number of SARs to be granted, the SAR value is \$0.1077, based on a Monte Carlo Simulation (MCS) valuation methodology.



Directors' Report (continued)

5.4.5 Movement in Ordinary Shares

The number of Shares in the Company held (directly or indirectly) during the financial year by each Non-Executive Directors and Executive KMP or their related parties (their close family members or any entity they, or their close family members, control, jointly control or significantly influence) are set out below:

2023 Movement in Shares

Name	Balance at start of year	Received as part of remuneration	Purchased on market	Disposal of shares ²	Balance at 30 June 2023	Mandatory restriction 24 months from quotation ¹
Non-Executive Directors						
Phil Aris	3,021,516	-	-	-	3,021,516	2,354,850
Tim Ebbeck	200,000	-	400,000	-	600,000	-
Jodie Leonard	-	-	504,615	-	504,615	-
Executive KMP						
Matt Forman	111,232,607	-	-	(6,944,287)	104,288,320	104,288,320
Leanne Wolski	-	-	-	-	-	-
Lisa Young	-	-	-	-	-	-
Total	114,454,123	-	904,615	(6,944,287)	108,414,451	106,643,170

1. Shares subject to a 24-month mandatory escrow from the date of quotation of the Company's Shares on ASX include Shares held by entities controlled by the Directors, being Matt Forman and Phil Aris, and associates of Matt Forman who is classified as a promoter for the purposes of the Listing Rules.

2. The 6,944,287 Shares that were disposed during FY2023 were held by Legal Toolbox Pty Ltd as trustee for the Smidge Digital Unit Trust. The trustee of the Black Oak Super Fund (of which Matt Forman is a beneficiary) holds an interest in 2.78% of the units in the Smidge Digital Unit Trust (the trustee of which is Legal Toolbox Pty Ltd), and therefore has an indirect interest in Shares held by the trustee of the Smidge Digital Unit Trust. Matt Forman does not hold an interest in Legal Toolbox Pty Ltd (the trustee entity) and does not control the investment decisions of Legal Toolbox Pty Ltd with respect to the Smidge Digital Unit Trust.

5.5 Additional disclosures relating to KMP

5.5.1 Loans to KMP and their related parties

There were no loans to KMP during the year.

5.5.2 Other transactions with KMP

Other related parties include close family members of KMP and entities that are controlled or significantly influenced by those KMP or their close family members.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.



Directors' Report (continued)

The following transactions occurred with KMP and their related parties:

	2023	2022
	\$	\$
KMP related parties		
Belinda Forman – Remuneration	108,793	43,633
Inaware Pty Ltd – Purchases	-	76,597

This concludes the remuneration report, which has been audited.

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

Signed in accordance with a resolution of the Board of Directors:

Phil Aris
Chairman and Non-Executive Director

Matt Forman
Group Managing Director and CEO

22 August 2023



Auditor's independence declaration



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DECLARATION OF INDEPENDENCE BY L G MYLONAS TO THE DIRECTORS OF XPON TECHNOLOGIES GROUP LIMITED

As lead auditor of XPON Technologies Group Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of XPON Technologies Group Limited and the entities it controlled during the period.

L G Mylonas
Director

BDO Audit Pty Ltd

Brisbane, 22 August 2023

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



Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	5	15,070,156	13,310,449
Cost of sales		(4,626,992)	(4,717,302)
Gross profit		10,443,164	8,593,147
Other income	5	277,125	112,852
Superannuation expense		(767,338)	(542,528)
Employee expenses		(11,919,544)	(7,764,195)
Depreciation and Amortisation		(422,565)	(481,179)
Contractor expenses		(710,040)	(1,384,602)
Other expenses	6	(2,904,704)	(1,488,248)
Finance expenses		(12,309)	(42,703)
Sales and Marketing expense		(1,117,357)	(1,025,860)
IT and Facilities expense		(1,325,906)	(692,565)
IPO transaction related costs		-	(1,862,332)
Loss before income tax benefit		(8,459,474)	(6,578,213)
Income tax (expense)/benefit	7	(145,052)	276,921
Loss after income tax benefit for the year		(8,604,526)	(6,301,292)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Exchange differences on translating foreign controlled entities		18,400	(6,173)
Other comprehensive income for the year, net of tax		18,400	(6,173)
Total comprehensive income for the year		(8,586,126)	(6,307,465)
		Cents	Cents
Earnings per Share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per Share	26	(2.83)	(2.32)
Diluted earnings per Share	26	(2.83)	(2.32)

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



Consolidated statement of financial position

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and Cash Equivalents	8	4,415,166	8,236,634
Trade and Other Receivables	9	4,295,955	4,822,966
Contract assets	10	499,316	-
Prepayments		313,999	258,629
Other assets		37,886	-
Total current assets		9,562,322	13,318,229
Non-current assets			
Property, plant and equipment	11	113,009	208,046
Right-of-use assets	14	-	530,101
Intangible Assets	12	4,217,046	4,416,911
Deferred tax assets	22	585,532	730,584
Other assets	13	143,594	54,779
Total non-current assets		5,059,181	5,940,421
Total assets		14,621,503	19,258,650
LIABILITIES			
Current liabilities			
Trade and Other Payables	15	8,935,230	5,432,116
Borrowings	16	20,283	22,957
Lease liabilities	14	-	112,193
Employee benefits	17	520,507	480,807
Contract Liabilities	10	946,467	702,965
Total current liabilities		10,422,487	6,751,038
Non-current liabilities			
Borrowings	16	36,644	48,429
Lease liabilities	14	-	457,818
Employee benefits	17	79,611	154,012
Total non-current liabilities		116,255	660,259
Total liabilities		10,538,742	7,411,297
Net assets		4,082,761	11,847,353
EQUITY			
Issued Capital	18	21,796,430	21,796,430
Reserves	19	1,784,984	1,208,554
Accumulated losses		(19,498,653)	(11,157,631)
Total equity		4,082,761	11,847,353

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



Consolidated statement of changes in equity

For the year ended 30 June 2023

	Ordinary Shares \$	Foreign Currency Translation Reserve \$	General Reserve \$	Employee Option Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	8,060,230	35,979	490,931	358,451	(4,856,339)	4,089,252
Loss after income tax benefit for the year	-	-	-	-	(6,301,292)	(6,301,292)
Other comprehensive income for the year, net of tax	-	(6,173)	-	-	-	(6,173)
Total comprehensive income for the year	-	(6,173)	-	-	(6,301,292)	(6,307,465)
Transactions with owners in their capacity as owners:						
Shares issued during the year note 18	14,142,545	-	-	-	-	14,142,545
Share based payment transactions note 23	-	-	-	662,701	-	662,701
Transfers from general reserve to equity on milestone event (refer to note 19)	333,335	-	(333,335)	-	-	-
Transaction costs (refer to note 18)	(986,240)	-	-	-	-	(986,240)
Deferred tax on transaction costs note 22	246,560	-	-	-	-	246,560
Balance at 30 June 2022	21,796,430	29,806	157,596	1,021,152	(11,157,631)	11,847,353
	Ordinary Shares \$	Foreign Currency Translation Reserve \$	General Reserve \$	Employee Option Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	21,796,430	29,806	157,596	1,021,152	(11,157,631)	11,847,353
Loss after income tax benefit for the year	-	-	-	-	(8,604,526)	(8,604,526)
Other comprehensive income for the year, net of tax	-	18,400	-	-	-	18,400
Total comprehensive income for the year	-	18,400	-	-	(8,604,526)	(8,586,126)
Transactions with owners in their capacity as owners:						
Share based payment transactions note 23	-	-	-	821,534	-	821,534
Transfers from general reserve to retained earnings (refer to note 19)	-	-	(157,596)	-	157,596	-
Transfers from Employee Option reserve to retained earnings (refer to note 19)	-	-	-	(105,908)	105,908	-
Balance at 30 June 2023	21,796,430	48,206	-	1,736,778	(19,498,653)	4,082,761

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



Consolidated statement of cash flows

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		16,848,369	12,280,515
Payments to suppliers and employees (inclusive of GST)		(20,722,054)	(17,716,055)
Finance costs		6,232	68,835
Government grants and tax incentives		216,943	(26,234)
Net cash used in operating activities	30	(3,650,510)	(5,392,939)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for intangible asset		-	(41,993)
Purchase of property, plant and equipment		(76,932)	(163,434)
Payment of deferred consideration on Internetrix acquisition		-	(378,228)
Net cash used in investing activities		(76,932)	(583,655)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of Shares	18	-	12,500,000
Proceeds from borrowings		-	1,110,000
Repayment of borrowings		(14,459)	(20,659)
Payment of lease liabilities		(49,001)	(105,734)
Transaction costs related to issues of equity securities or convertible debt securities		-	(986,241)
Net cash (used in)/from financing activities		(63,460)	12,497,366
Net (decrease)/increase in cash and cash equivalents		(3,790,902)	6,520,772
Cash and cash equivalents at the beginning of the financial year		8,236,634	1,722,035
Effects of exchange rate changes on cash and cash equivalents		(30,566)	(6,173)
Cash and cash equivalents at the end of the financial year	8	4,415,166	8,236,634

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



Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 1. General information

The financial report covers XPON Technologies Group Limited ('the Company') and Controlled Entities ('the Group'). XPON Technologies Group Limited ('the Parent' or 'the Parent Entity') is a for-profit Company limited by Shares, incorporated and domiciled in Australia.

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 22 August 2023.

Comparatives are consistent with prior years, unless otherwise stated.

Note 2. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the Corporations Act 2001.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Note 3. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.



Notes to the Financial Statements (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Basis for consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2023 and the results of all subsidiaries for the period then ended.

Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All controlled entities have a June financial year end.

A list of controlled entities is contained in note 27 to the financial statements.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is the Groups' functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency (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.



Notes to the Financial Statements (continued)

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 translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in FX gains or losses in the P&L.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in the consolidated statement of profit and loss and other comprehensive income as FX gains or losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

The Group often enters into customer contracts to supply a bundle of products and services. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.



Notes to the Financial Statements (continued)

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position.

Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Licenses, managed services and project services

Licences typically provide the customer with a right of access to IP and the performance obligation is satisfied over time.

Managed or project services provide clients with design, implementation and support services.

Often the Group also provides a significant service of integrating licenses with managed or project services to deliver a working solution such that, in the context of the actual contract, there is a single performance obligation to provide that solution. The Group has assessed that control of these solutions transfers to the customer over time. This is because each solution is unique to the customer (has no alternative use) and the terms of the contract state that the Group is entitled to a right to payment for the work completed to date.

Where a performance obligation is satisfied over time an appropriate method is selected for measuring progress towards complete satisfaction of the performance obligation. Performance is measured using an input method or an output method as deemed appropriate by management.

Revenue for these performance obligations is recognised as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. Costs incurred are considered to be proportionate to the entity's performance, so the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

The Group also provides managed or project services independent of licenses. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised over time where the Group is entitled to payment for its performance to date throughout the contract period (including a profit margin that, in percentage terms, is equal to or more than the final expected profit margin).

Revenue for over-time contracts is determined based on the actual labour hours spent relative to the total expected labour hours and costs are expensed as incurred. Amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as accounts receivable if only the passage of time is required before payment of these amounts will be due or as contract assets if payment is conditional on future performance.



Notes to the Financial Statements (continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

Usage fees and commissions

Revenue is recognised in the amount to which the Group has a right to invoice based on either actual usage or sales. The Group acts as an agent in these transactions and only recognises revenue on a net basis.

Statement of financial position balances relating to revenue recognition

Contract assets and contract liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, the Group presents the contract as a contract asset, unless the Group's rights to that amount of consideration are unconditional, in which case the Group recognises a receivable. When an amount of consideration is received from a customer prior to the Group transferring a good or service to the customer, the Group recognises this as a contract liability.

Other income

Other income is recognised when it is received or when the right to receive payment is established. The revenue is measured at the transaction price agreed under the contract.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Dividend income is recognised when the dividend is declared.

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.



Notes to the Financial Statements (continued)

(i) Deferred tax assets and liabilities

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

The Group has implemented the tax consolidation legislation. The head entity, XPON Technologies Group Limited, and the controlled entities in the tax consolidated group, account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, the Group also recognises the current tax liabilities or assets and the deferred tax assets arising from the temporary differences (but not on losses) from controlled entities in the tax consolidated group.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.



Notes to the Financial Statements (continued)

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Property, plant and equipment

Each class of property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation method

Property, plant and equipment, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Computer Equipment	20 - 50%
Furniture, Fixtures and Fittings	20 - 50%
Office Equipment	5 - 20%
Leasehold improvements	2.5%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).



Notes to the Financial Statements (continued)

(i) Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 90 days past due has seen a significant increase in credit risk.



Notes to the Financial Statements (continued)

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach permitted by AASB 9 which uses an estimation of lifetime expected credit losses. Refer to Note 9 for further details on measurement of expected credit loss.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

(ii) Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.



Notes to the Financial Statements (continued)

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

Intangible assets

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 1 to 5 years.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between three and five years.

Customer contracts

The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives. Customer contracts have an estimated useful life of between three and five years.



Notes to the Financial Statements (continued)

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of non-financial assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.



Notes to the Financial Statements (continued)

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months without an option to extend) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Other long-term employee benefit obligations

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

Share based payments

Share-based compensation benefits, including Share Appreciation Rights and Share Options, are provided to employees under the XPON OIP, and prior to listing under the Share Option Plan.

Employee Options

The fair value of Options granted under the Share Option Plan and the XPON OIP are recognised as a Share based payment expense (within employee benefits) with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the Options granted:

- including any market performance conditions (e.g. the Group's Share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sale growth targets and remaining an employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (e.g. requirements for employees to save or hold Shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of Options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.



Notes to the Financial Statements (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Contributed equity

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Shares or Options or Share Appreciation Rights are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per Share

Basic earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of XPON, 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.

Adoption of new and revised accounting standards

The Group has adopted all accounting standards which became effective for the first time at 1 July 2022 - the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 4. Critical Accounting Estimates and Judgements

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - trade receivables and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The use of forward-looking data and setting a lifetime expected loss allowance incorporates the use of judgment. Refer to note 21 for further information on assessment performed.

Key estimates - Goodwill

In accordance with AASB 136 Impairment of Assets, the Group is required to estimate the recoverable amount of goodwill at each reporting period.



Notes to the Financial Statements (continued)

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The net present value calculations use cash flow projections based on the annual Board approved budget and adjusted cash flow forecasts for six years.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections.

Further details are provided in note 12 to the consolidated financial statements.

Key estimates - Revenue recognition

In accordance with AASB 15, the Group recognises revenue on a basis that reflects the transfer of promised services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those services. A significant revenue stream of the Group is providing licenses, managed services and project services to the customers, in which revenue for these performance obligations is recognised over time using the cost-to-cost method to estimate progress towards completion.

Key judgements - taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions. Deferred tax assets have only been recognised to the extent that it is highly probable that deferred tax assets will be recoverable in the foreseeable future.

Different jurisdictions

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group is required to recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. There are currently no matters of this nature that have been identified or suspected, and as such, there has been no impact to the income tax and deferred tax provisions.



Notes to the Financial Statements (continued)

Key judgements – going concern

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

For the financial year ended 30 June 2023, the Group generated total revenue and other income of \$15,347,281 (2022: \$13,423,301), reported a consolidated loss after tax of \$8,604,526 (2022: loss of \$6,301,292) and reported operating cash outflows of \$3,650,510 (2022: operating cash outflows of \$5,392,929). As at 30 June 2023, the Group had cash and cash equivalents of \$4,415,166 (2022: \$8,236,634) and net current liabilities of \$860,165 (2022: net current assets of \$6,567,191).

Notwithstanding these conditions, the Directors believe that it is reasonably foreseeable that the Group will continue as a going concern, after considering the following factors:

- Removing the non-cash contract liability balance of \$946,467 from the net current liability positions results in a net current asset balance of \$86,302. Coupled with the cash and cash equivalent reserves at 30 June 2023, the Directors believe these factors indicate the Group's current obligations can be satisfied as required;
- The forecasts prepared by the Directors, covering no less than 12 months from the date of approval of these financial statements, indicate that the Group is expecting further sales growth and increased profitability, driven by its intellectual property; and
- Should revenue growth not grow as forecast, the Group has the ability to cut back expenditures to preserve cash reserves to ensure obligations can be met or liabilities discharged as they fall due.

Key to these forecasts are relevant assumptions regarding revenue growth (i.e. new and expanded customers), increasing gross profit margin and improved EBITDA through economies of scale of overhead expenses opposed to revenue growth.

Based on these forecasts and assumptions, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.



Notes to the Financial Statements (continued)

Note 5. Revenue from contracts with customers and Other Income

Disaggregation of revenue

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

	2023 \$	2022 \$
Major services line		
Licences	5,556,000	3,765,158
Managed services	7,902,672	7,182,980
Project services	106,188	974,199
Usage Fees	1,505,296	1,388,112
	15,070,156	13,310,449
Geographical regions		
Australia	9,081,580	8,227,782
United Kingdom	5,988,576	5,082,667
	15,070,156	13,310,449
Timing of revenue recognition		
Services transferred over time	15,070,156	13,310,449
	2023 \$	2022 \$
Other Income		
- R&D refund	216,943	67,866
- Other income	60,182	44,986
	277,125	112,852

Note 6. Other expenses

	2023 \$	2022 \$
People & Culture and Recruitment expenses	545,956	347,427
Insurance, Travel and Motor Vehicle expenses	658,950	227,063
Consulting and Accounting Expenses	663,063	509,673
Other expenses	1,036,735	404,085
	2,904,704	1,488,248



Notes to the Financial Statements (continued)

Note 7. Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2023 \$	2022 \$
Current tax expense		
- Current Tax	-	141,979
- Deferred Tax	145,052	(418,900)
	145,052	(276,921)

b) Reconciliation of income tax to accounting profit:

	2023 \$	2022 \$
Loss before income tax (expense)	(8,459,474)	(6,578,213)
Tax at the statutory tax rate of 25% (2022: 25%)	(2,114,869)	(1,644,553)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share Options expensed during year	189,614	165,675
- non-deductible expenses	5,730	12,635
- Impact of change in tax rate	-	4,754
- unrecognised losses	2,112,955	878,314
- previously unrecognised tax losses recouped to reduce current tax	(17,523)	(19,510)
- differences in overseas tax rates	10,237	-
- under-provision in previous years	13,146	325,764
- non-assessable income	(54,238)	-
Income tax expense/(benefit)	145,052	(276,921)

Note 8. Cash and Cash Equivalents

	2023 \$	2022 \$
Cash at bank and in hand	4,415,166	8,236,634

Note 9. Trade and Other Receivables

	2023 \$	2022 \$
Trade receivables	4,371,668	4,946,649
Other receivables	51,802	26,317
Less: Allowance for expected credit losses	(127,515)	(150,000)
Total current trade and other receivables	4,295,955	4,822,966



Notes to the Financial Statements (continued)

The carrying value of trade and other receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable in the financial statements.

(a) Impairment of trade receivables

The loss allowance provision as at 30 June 2023 is determined as follows:

	2023 \$	2022 \$
Balance at beginning of the year	150,000	-
Additional impairment loss recognised	332,607	150,000
Amounts written off as uncollectible	(355,092)	-
	127,515	150,000

The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles (using a provision matrix) of sales over a period of 3 years before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information including macroeconomic factors that affect the ability of the customers to settle the receivables. Additional details on the provision matrix and expected credit loss provision are provided in note 21.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the trade receivables are over 1 year past due, whichever occurs first.

(b) Collateral held as security

The Group does not hold any collateral over any receivables balances.

Note 10. Contract Assets and Contract Liabilities

(a) Contract assets

	2023 \$	2022 \$
Licenses	252,203	-
Managed services	247,113	-
	499,316	-

The contract assets balance represents where the Group has provided services ahead of the agreed payment schedules for customer service contracts.



Notes to the Financial Statements (continued)

(b) Contract liabilities

	2023 \$	2022 \$
Licenses	877,613	472,711
Managed services	42,850	45,600
Project services	26,004	184,654
	946,467	702,965

The balance of contract liabilities at the beginning of the period was fully recognised as revenue during the year due to the short-term nature and performance obligation satisfied.

The balance of contract liability is for clients that pay in advance of services being delivered. The movement of contractor liability relates to the timing of contract renewals as well as new clients paying up front as per payment terms.

Note 11. Property, plant and equipment

	2023 \$	2022 \$
Furniture, Fixtures and Fittings - At cost	159,655	159,655
Furniture, Fixtures and Fittings - Accumulated depreciation	(159,655)	(113,423)
Total furniture, Fixtures and Fittings	-	46,232
Office equipment - At cost	65,352	60,037
Office equipment - Accumulated depreciation	(57,008)	(41,743)
Total office equipment	8,344	18,294
Computer equipment - At cost	264,198	174,634
Computer equipment - Accumulated depreciation	(167,613)	(64,330)
Total computer equipment	96,585	110,304
Leasehold Improvements - At cost	76,371	76,371
Leasehold Improvements - Accumulated depreciation	(68,291)	(43,155)
Total leasehold improvements	8,080	33,216
Total property, plant and equipment	113,009	208,046



Notes to the Financial Statements (continued)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements \$	Furniture, Fixtures and Fittings \$	Office Equipment \$	Computer Equipment \$	Total \$
Year ended 30 June 2023					
Balance at the beginning of year	33,216	46,232	18,294	110,304	208,046
Additions	-	-	5,316	71,616	76,932
Depreciation expense	(25,136)	(46,232)	(15,266)	(90,276)	(176,910)
Exchange rate difference	-	-	-	4,941	4,941
Balance at the end of the year	8,080	-	8,344	96,585	113,009
	Leasehold Improvements \$	Furniture, Fixtures and Fittings \$	Office Equipment \$	Computer Equipment \$	Total \$
Year ended 30 June 2022					
Balance at the beginning of year	50,219	48,582	29,779	23,333	151,913
Additions	-	-	16,572	126,094	142,666
Depreciation expense	(17,003)	(2,350)	(28,057)	(51,913)	(99,323)
Exchange rate difference	-	-	-	12,790	12,790
Balance at the end of the year	33,216	46,232	18,294	110,304	208,046

Note 12. Intangible Assets

	2023 \$	2022 \$
Goodwill - at cost	3,478,447	3,478,447
Patents, Trademarks and other intangibles - at cost	40,539	37,556
Patents, Trademarks and other intangibles - Accumulated amortisation	(12,542)	(11,548)
Net carrying value	27,997	26,008
Software - at cost	313,117	321,042
Software - Accumulated amortisation	(298,523)	(271,879)
Net carrying value	14,594	49,163
Customer contracts - at cost	1,171,000	1,171,000
Customer contracts - Accumulated amortisation	(474,992)	(307,707)
Net carrying value	696,008	863,293
Total Intangible assets	4,217,046	4,416,911



Notes to the Financial Statements (continued)

	Patents, Trademarks and other intangibles \$	Customer Contracts \$	Goodwill \$	Software \$	Total \$
Year ended 30 June 2023					
Balance at the beginning of the year	26,008	863,293	3,478,447	49,163	4,416,911
Additions/(Write-off)	2,983	-	-	(7,925)	(4,942)
Amortisation	(994)	(167,285)	-	(26,644)	(194,923)
Balance at the end of the year	27,997	696,008	3,478,447	14,594	4,217,046

	Patents, Trademarks and other intangibles \$	Customer Contracts \$	Goodwill \$	Software \$	Total \$
Year ended 30 June 2022					
Balance at the beginning of the year	24,507	1,062,143	3,478,447	68,382	4,633,479
Additions/(Write-off)	5,585	-	-	40,490	46,075
Amortisation	(4,084)	(198,850)	-	(59,709)	(262,643)
Balance at the end of the year	26,008	863,293	3,478,447	49,163	4,416,911

Recoverable amount testing for goodwill and indefinite life intangibles

For the purpose of impairment testing, goodwill and indefinite life intangibles are allocated to cash-generating units as below:

One CGU exists for the Group. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The cross selling of products/services effectively means that a client of one individual entity within the Group is also a client of all entities within the Group. The selling of products/services drives the cash inflows and therefore the smallest identifiable group of assets that generates cash is the Group itself. The Group only has one operating segment as illustrated by the structure of the board papers which drives how management monitors the Group's operations and makes decisions about continuing or disposing of the Group's assets and operations.

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 and 2022 reporting periods, the recoverable amount was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections, based on financial budgets approved by management, covering a six-year period. The Group have used a period greater than five years for its forecasts, as it is in the commercialisation and growth phase, and a six year forecast more appropriately reflects the forecasting and future growth of the Group. The recoverable amount of the CGU based on value in use is \$30,700,000.



Notes to the Financial Statements (continued)

The following table sets out key assumptions for goodwill held by the Group:

	2023	2022
Revenue (% annual growth rate)	18.7%	28.6%
Long term growth rate (%)	2%	2%
Pre tax discount rate (%)	24.4%	24.7%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue	Average annual growth rate over the six-year forecast period, based on past performance.
Long term growth rate	The long term growth rate applied to cash flows beyond the six year projection period has been determined based on past performance and management's expectation for the future.
Pre-tax discount rates	Reflects specific risks relating to the CGU and the countries in which the Group operate.

Sensitivity to changes in key assumptions:

A 20% decrease in revenue and a 2.5% increase in the pre-tax discount rate would lead to an impairment to goodwill.

Note 13. Other assets

	2023 \$	2022 \$
Deposits	143,594	54,779



Notes to the Financial Statements (continued)

Note 14. Lease liabilities

In the prior year ended 30 June 2022 the Group had leases over two office spaces. In the 2023 financial year both of these lease agreements were terminated and accordingly the right-of-use asset balance is \$nil as at 30 June 2023. The Group now rents office space on a short-term basis.

Right-of-use assets

	Office Leases \$	Total \$
Year ended 30 June 2023		
Balance at beginning of year	530,101	530,101
Lease amortisation	(50,732)	(50,732)
Lease termination	(479,369)	(479,369)
Balance at end of year	-	-
	Office Leases \$	Total \$
Year ended 30 June 2022		
Balance at beginning of year	649,314	649,314
Lease amortisation	(119,213)	(119,213)
Balance at end of year	530,101	530,101

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	<1 year	1-5 years	>5 years	Total undiscounted lease liabilities	Lease liabilities included in the Statement of Financial Position
2023					
Lease liabilities	-	-	-	-	-
2022					
Lease liabilities	133,901	495,732	-	629,633	570,011

Note 15. Trade and Other Payables

	2023 \$	2022 \$
Trade payables	7,168,467	3,810,572
Accruals and other payables	1,530,750	1,322,698
GST payable	236,013	298,846
Total Trade and Other Payables	8,935,230	5,432,116



Notes to the Financial Statements (continued)

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Note 16. Borrowings

	2023 \$	2022 \$
CURRENT		
Loans payable	20,283	22,957
NON-CURRENT		
Loans payable	36,644	48,429
Total borrowings	56,927	71,386

Summary of borrowings

The Group has a £29,886 (\$56,927) loan with National Westminster Bank plc at a fixed interest rate of 2.5% for a term of 6 years.

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

The bank debt is unsecured as part of the Bounce Back Loan scheme ("BBLs") created by the UK Government in response to Covid-19.

Note 17. Employees benefit

	2023 \$	2022 \$
Current liabilities		
Provision for employee benefits	520,507	480,807
Non-current liabilities		
Provision for employee benefits	79,611	154,012

Note 18. Issued Capital

	2023 \$	2022 \$
303,608,169 (30 June 2022: 303,608,169) Ordinary Shares	22,536,110	22,536,110
Share issue costs (net of deferred tax)	(739,680)	(739,680)
Total	21,796,430	21,796,430



Notes to the Financial Statements (continued)

(a) Ordinary Shares

	2023 \$	2022 \$	2023 No.	2022 No.
At the beginning of the reporting period	21,796,430	8,060,230	303,608,169	45,975,029
<i>Shares issued during the year - Ordinary Shares</i>				
4 November 2021 (\$0.55 per Share)* (see note 19 (b) below)	-	333,335	-	604,058
5 November 2021 5-for-1 Share split	-	-	-	186,316,352
3 December 2021 (\$0.20 per Share)	-	1,642,545	-	8,212,730
13 December 2021 (\$0.20 per Share)	-	12,500,000	-	62,500,000
Capital raising costs	-	(986,240)	-	-
Deferred tax on Capital raising costs	-	246,560	-	-
	21,796,430	21,796,430	303,608,169	303,608,169

The holders of Ordinary Shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of Ordinary Shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its Shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk.

The Board monitors a range of financial metrics including return on capital employed and gearing ratios.

Note 19. Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

	2023 \$	2022 \$
Foreign currency translation reserve	48,206	29,806



Notes to the Financial Statements (continued)

b) General reserve

The general reserve records funds set aside for future business acquisition payments, which are to be settled via Share issue.

	2023 \$	2022 \$
General reserve		
Opening balance	157,596	490,931
Transfer deferred consideration from general reserve to retained earnings ¹	(157,596)	-
Transfer from general reserve to equity on milestone event	-	(333,335)
Total General reserve	-	157,596

¹ The acquisition of Internetrix Holdings Pty Ltd on 5 June 2021 included a provision for deferred consideration on the second anniversary of completion, subject to claims and warranties. The deferred consideration will not be paid and accordingly has been transferred from the general reserve to retained earnings.

(c) Share based payment reserve

This reserve records the cumulative value of employee service received for the issue of Share based payment instruments. When the instrument is exercised the amount in the Share based payment reserve is transferred to Share capital.

	2023 \$	2022 \$
Employee Option reserve		
Opening balance	1,021,152	358,451
Share based payment expense	821,534	662,701
Transfer Share Appreciation Rights expenses for Non-Executive Directors to retained earnings (note 23)	(105,908)	-
Total Employee Option reserve	1,736,778	1,021,152

Note 20. Contracted Commitments

No contracted commitments exist as at 30 June 2023 (30 June 2022: Nil, apart from lease commitments).

Note 21. Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

- Liquidity risk
- Credit risk
- Market risk
- Currency risk



Notes to the Financial Statements (continued)

Risk management is carried out by senior finance Executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Financial instruments

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Lease liabilities
- Borrowings

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors and overseen by the Audit and Risk Management Committee. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.



Notes to the Financial Statements (continued)

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

The table below reflects the undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis - Non-derivative

	Less than 6 months		6 to 12 months		1 to 5 years		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade payables	7,168,467	3,810,572	-	-	-	-	7,168,467	3,810,572
GST payable	236,013	298,846	-	-	-	-	236,013	298,846
Borrowings	10,854	11,479	10,727	11,479	37,968	48,428	59,549	71,386
Lease liabilities	-	66,951	-	66,951	-	495,731	-	629,633
	7,415,334	4,187,848	10,727	78,430	37,968	544,159	7,464,029	4,810,437

Liquidity risk

The timing of expected outflows is not expected to be materially different from contracted cashflows. The borrowings are expected to be settled according to payment schedule.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to outstanding receivables.

The credit risk for liquid funds and other short-term financial assets is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and contract assets.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of



Notes to the Financial Statements (continued)

credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepaid basis until creditworthiness can be re-established.

The Board receives monthly reports summarising the turnover, trade receivables balance and aging profile of each of the key customers individually and the Group's other customers analysed by industry sector.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in Australia and the United Kingdom given the location of its operations in those regions.

Credit Risk - Trade and Other Receivables

As at 30 June 2023, the maximum exposure to credit risk for trade and other receivables (including contract assets) by geographic region was as follows:

	2023 \$	2022 \$
United Kingdom	998,591	1,756,676
Australia	3,796,680	3,066,290
Total	4,795,271	4,822,966

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on the payment profiles of sales over a period of 3 years before 30 June 2023 and the corresponding historical credit losses experienced within this period.



Notes to the Financial Statements (continued)

On that basis, the ageing analysis and loss allowance of receivables is as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
Not overdue	0%	0%	4,098,567	2,886,286	-	-
1-30 days overdue	0%	0%	497,981	489,906	-	-
31-90 days overdue	64.16%	10.37%	198,723	1,446,774	127,515	150,000
			4,795,271	4,822,966	127,515	150,000
					2023 \$	2022 \$
Opening balance					150,000	-
Additional provisions recognised					332,607	150,000
Receivables written off during the year as uncollectable					(355,092)	-
Closing balance					127,515	150,000

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Pounds.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.



Notes to the Financial Statements (continued)

Major foreign currency denominated financial assets and liabilities, translated into Australian Dollars at the closing rate, are as follows:

	AUD \$	GBP \$	USD \$	Total AUD \$
2023				
Nominal amounts				
Cash and cash equivalents	3,889,325	316,771	209,070	4,415,166
Trade and other receivables	3,289,410	443,376	563,169	4,295,955
Trade and other payables	(7,832,156)	(415,369)	(687,705)	(8,935,230)
Short-term exposure	(653,421)	344,778	84,534	(224,109)
2022				
Nominal amounts				
Cash and cash equivalents	7,652,584	383,884	200,166	8,236,634
Trade and other receivables	2,865,263	1,756,676	201,027	4,822,966
Trade and other payables	(2,747,347)	(2,306,558)	(378,211)	(5,432,116)
Short-term exposure	7,770,500	(165,998)	22,982	7,627,484

Market risk - Foreign currency sensitivity table

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the GBP – Australian Dollar exchange rate and USD – Australian Dollar exchange rate. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a +/- 10% change of the Australian Dollar / GBP exchange rate for the year ended 30 June 2023 (30 June 2022: 2%). A +/- 10% change is considered for the Australian Dollar / USD exchange rate (30 June 2022: 2%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The average monthly rate across the financial year is 0.56 GBP and 0.67 USD.

The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.



Notes to the Financial Statements (continued)

If the Australian Dollar had strengthened and weakened against the GBP and USD by 10% (30 June 2022: 2%) and 10% (30 June 2022: 2%) respectively then this would have had the following impact:

	2023		2022	
	+10%	-10%	+2%	-2%
GBP				
Net results	(15,510)	18,956	(1,530)	1,593
Equity	15,510	(18,956)	1,530	(1,593)
USD				
Net results	(110,696)	135,295	(13,754)	14,315
Equity	110,696	(135,295)	13,754	(14,315)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Note 22. Tax assets and liabilities

(a) Deferred Tax Assets

	Opening Balance \$	Charged to Profit or Loss \$	Closing Balance \$
Deferred tax assets			
Provisions - employee benefits	165,479	22,410	187,889
Accruals	231,303	(63,781)	167,522
Leases	9,978	(9,978)	-
IPO Transaction costs	572,803	(142,627)	430,176
Others	4,133	(3,310)	823
Deferred Tax Liabilities Offset	(253,112)	52,234	(200,878)
Balance at 30 June	730,584	(145,052)	585,532



Notes to the Financial Statements (continued)

(b) Deferred Tax Liabilities

	Opening Balance \$	Charged to Profit or Loss \$	Closing Balance \$
Deferred tax liabilities			
Depreciation	33,984	(17,079)	16,905
Customer Lists	218,264	(44,262)	174,002
Others	864	9,107	9,971
Deferred Tax Assets Offset	(253,112)	52,234	(200,878)
Balance at 30 June	-	-	-

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	2023 \$	2022 \$
Tax losses	3,574,229	1,464,382

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein.

Note 23. Share based payments

Share based payment expense recognised during the year is disclosed below and included within the 'Employee benefits expense' category within the consolidated statement of profit or loss and other comprehensive income.

Share based payment expense recognised during the year:

	2023 \$	2022 \$
Share Options issued to employees	630,346	662,701
Share Appreciation Rights	191,188	-
Total Share based payment expense	821,534	662,701

(a) Employee Options

The Group implemented a Share option plan in June 2020, which was replaced in November 2021 by the OIP, under which Directors and key employees identified by the Board were offered participation.

Options awarded are subject to the satisfaction of service-based conditions and/or performance hurdles which, when satisfied, will allow participants to receive Shares or vested Options or Rights which are exercisable over Shares.



Notes to the Financial Statements (continued)

There were nil (30 June 2022: 14,194,370) Options and performance rights issued under the OIP during the year. No Options have exercised or lapsed during the current and comparative financial year. The unlisted Options outstanding as at 30 June 2023 and their movement during the year were as follows:

Grant Date	Vesting Date	Exercise price	At the beginning of the reporting period	Forfeited / Expired during the year	Closing balance at 30 June 2023
30-Jun-20	01-Jul-23	\$0.11	16,129,305	(250,000)	15,879,305
01-Jul-21	01-Jul-23	\$0.11	3,972,220	-	3,972,220
31-May-21	31-May-24	\$0.13	461,540	-	461,540
12-Jun-21	01-Jul-24	\$0.13	461,540	-	461,540
27-Sep-21	12-Oct-24	\$0.20	1,500,000	-	1,500,000
30-Sep-21	01-Jul-23	\$0.11	4,924,070	-	4,924,070
08-Nov-21	08-Nov-24	\$0.20	375,000	-	375,000
			27,823,675	(250,000)	27,573,675

The unlisted Options that vested and were exercisable as at 30 June 2023 were as follows:

Grant Date	Expiry Date	Exercise price	Balance at 30 June 2023
30-Jun-20	01-Jul-30	\$0.11	250,000
01-Jul-21	02-Jul-31	\$0.11	250,000
			500,000



Notes to the Financial Statements (continued)

Valuation Model –unlisted Options

The participant Options vest only upon the meeting of the service commitment with the company over the vesting period and incentive hurdles where applicable. A summary of the vesting conditions are:

Grant Date	With performance conditions	Without performance target	Vesting Conditions	Balance of Options Granted
30-Jun-20	-	6,087,635	Three year service period	6,087,635
30-Jun-20	-	2,083,335	Three year service period	2,083,335
30-Jun-20	250,000	2,500,000	i) 125,000 Options vest based on achieving a minimum of \$2 million ARR consecutively for 12 months. ii) 125,000 Options vest based on achieving a minimum of \$3 million ARR consecutively for 12 months.	2,750,000
30-Jun-20	125,000	2,083,335	i) 62,500 Options vest based on achieving a minimum of \$2 million of Wondaris ARR consecutively for 12 months. ii) 62,500 Options vest based on achieving a minimum of \$3 million of Wondaris ARR consecutively for 12 months.	2,208,335
30-Jun-20	125,000	2,625,000	i) 62,500 Options vest based on achieving a minimum of \$5 million of Total ARR consecutively for 12 months. ii) 62,500 Options vest based on achieving a minimum of \$2 million of Holoscribe Software License ARR consecutively for 12 months.	2,750,000
31-May-21	-	461,540	Service period	461,540
12-Jun-21	-	461,540	Service period	461,540
01-Jul-21	500,000	3,472,220	i) 250,000 Options vest based on achieving a minimum of \$10 million of ARR consecutively for 12 months. ii) 250,000 Options vest based on achieving a minimum of \$15 million of ARR consecutively for 12 months.	3,972,220
27-Sep-21	-	1,500,000	Service Period	1,500,000
30-Sep-21	250,000	4,674,070	i) 125,000 Options vest based on achieving a minimum of \$5 million of XPON Digital Limited ARR consecutively for 12 months. ii) 125,000 Options vest based on achieving a minimum of \$7 million of XPON Digital Limited ARR consecutively for 12 months.	4,924,070
08-Nov-21	-	375,000	No performance conditions	375,000
	1,250,000	26,323,675		27,573,675

The fair value of Options were determined at grant date, using a Black-Scholes Option valuation model that takes into account the Share price at grant date, exercise price, expected volatility (determined by reference to historical volatility of the Share price of similar companies), Option life and the risk-free rate.



Notes to the Financial Statements (continued)

Grant Date	Vesting Date	Number Issue	Share price at grant date	Exercise price	Expected volatility	Risk-free rate	Fair value at grant date
30-Jun-20	01-Jul-23	15,879,305	\$0.11	\$0.11	100%	0.27%	\$0.07
01-Jul-21	01-Jul-23	3,972,220	\$0.11	\$0.11	100%	0.06%	\$0.06
31-May-21	31-May-24	461,540	\$0.11	\$0.13	100%	0.06%	\$0.06
12-Jun-21	01-Jul-24	461,540	\$0.11	\$0.13	100%	0.06%	\$0.06
27-Sep-21	12-Oct-24	1,500,000	\$0.11	\$0.20	100%	0.24%	\$0.05
30-Sep-21	01-Jul-23	4,924,070	\$0.11	\$0.11	100%	0.26%	\$0.05
08-Nov-21	08-Nov-24	375,000	\$0.20	\$0.20	100%	0.87%	\$0.12
		27,573,675					

(b) Share Appreciation Rights

During the 2022 annual general meeting, shareholders approved the grant of 2,569,038 Share Appreciation Rights (SARs) to the CEO and Non-Executive Directors under XPON's OIP.

The Board has determined that for the purpose of calculating the number of SARs to be granted, the SAR value is \$0.1077, based on a Monte Carlo Simulation (MCS) valuation methodology.

Input No	Input description	Values at Valuation Date
i.	Underlying Share price	\$0.160
ii.	Exercise price	60-day VWAP prior to exercise
iii.	Term	5 yrs
iv.	Risk-free rate	3.792%
v.	Dividend yield	nil
vi.	Volatility (rounded)	80%
vii.	Base Price	\$0.159

SARs are rights to receive an award from the Company which may be satisfied by the issue and/or transfer of Shares (equity settlement), cash payment (cash settlement), or a combination of both, as determined by the Board, subject to the satisfaction and/or waiver of vesting conditions.

The award is calculated by reference to an increase in the Share price from a base price as determined by the Board prior to the grant of the SAR, and the 60 trading day volume-weighted average price per Share traded on ASX immediately preceding the time that the performance hurdles and/or other conditions are satisfied and/or waived.

Each SAR confers an entitlement to receive a Share subject to meeting certain conditions which are disclosed below. Furthermore, a holding lock will be applied to the CEO for any Shares issued upon exercise of the proposed SARs prior to 30 June 2025.



Notes to the Financial Statements (continued)

There were no SARs granted in prior years and no SARs vested as at 30 June 2023.

The performance conditions attached to the Share Appreciation Rights were as follows:

Grant date	With performance conditions	Without performance target	Vesting Conditions	Total SARs Granted								
24-Oct-22	-	983,203	One year service condition	983,203								
<div>The SARs will vest at the determination of the Board after release of audited financial results for FY24 on satisfaction of the following Vesting Conditions:</div> <div><div>- Remains employed at the Vesting Date; and</div><div>- Achievement of Compound Annual Growth Rate (CAGR) of Annualised Recurring Revenue (ARR) per the Vesting Scale below:</div></div> <table><tr><th>CAGR ARR</th><th>SARs Vesting</th></tr><tr><td>30%</td><td>50%</td></tr><tr><td>40%</td><td>75%</td></tr><tr><td>45%</td><td>100%</td></tr></table>					CAGR ARR	SARs Vesting	30%	50%	40%	75%	45%	100%
CAGR ARR	SARs Vesting											
30%	50%											
40%	75%											
45%	100%											
24-Oct-22	1,585,835	-	Pro-rata linear vesting between the scales.	1,585,835								
	1,585,835	983,203		2,569,038								

SARs for Non-Executive Directors were foregone in FY23 therefore the accounting standards require the recognition of the remaining value in the Financial Statements of the SAR expense. As detailed in Note 19(c), the value of the foregone SARs was transferred from the Share based payment reserve to retained earnings given this portion of the reserve is no longer required.

Note 24. Key Management Personnel ("KMP") Remuneration

KMP remuneration included within employee expenses for the year is shown below:

	2023 \$	2022 \$
Short-term employee benefits	780,466	790,704
Post-employment benefits	66,912	47,312
Long-term employment benefits	7,198	4,514
Share-based payments	403,944	212,756
Total KMP Remuneration	1,258,520	1,055,286



Notes to the Financial Statements (continued)

Note 25. Auditors' Remuneration

	2023 \$	2022 \$
Remuneration of the auditor, BDO Audit Pty Ltd, for:		
– audit and review of financial statements	143,000	110,000
Remuneration for other services, BDO Audit Pty Ltd, for:		
– independent limited assurance report as part of the Group's IPO	-	67,500
Remuneration for other services, BDO Services Pty Ltd, for:		
– taxation compliance services	27,500	43,500
Total	170,500	221,000

Note 26. Earnings per Share

	2023 \$	2022 \$
Loss after income tax	(8,604,526)	(6,301,292)
	Number	Number
Weighted average number of Ordinary Shares used in calculating basic earnings per Share	303,608,169	271,061,486
Weighted average number of Ordinary Shares used in calculating diluted earnings per Share	303,608,169	271,061,486
	Cents	Cents
Basic earnings per Share	(2.83)	(2.32)
Diluted earnings per Share	(2.83)	(2.32)

Share Options are considered to be potential Ordinary Shares but were anti-dilutive in nature for the 30 June 2023 financial year and were not included in the calculation of diluted earnings per Share. These Options could potentially dilute basic earnings per Share in the future.



Notes to the Financial Statements (continued)

Note 27. Interests in subsidiaries

Composition of the Group

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Maverick Data Group Pty Ltd	Australia	100.00%	100.00%
Datisan Pty Ltd	Australia	100.00%	100.00%
Holoscribe Australia Pty Ltd	Australia	100.00%	100.00%
Wondaris Pty Ltd	Australia	100.00%	100.00%
Xpon Digital Limited	United Kingdom	100.00%	100.00%
Holoscribe Limited	United Kingdom	100.00%	100.00%
Internetrix Pty Ltd	Australia	100.00%	100.00%
Internet Solutions Australia Pty Ltd ¹	Australia	-	100.00%
The Representative Office of XPON Technologies Group Limited in Hanoi City	Vietnam	100.00%	-

1. Internet Solutions Australia Pty Ltd was deregistered on 24 January 2023.

The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Note 28. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022: None).

Note 29. Related party

(a) The Group's main related parties are as follows:

The ultimate parent entity, which exercises control over the Group, is XPON Technologies Group Limited which is incorporated in Australia.

Remuneration of KMP - refer to note 24.

Subsidiaries - refer to note 27

Other related parties include close family members of KMP and entities that are controlled or significantly influenced by those KMP or their close family members.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.



Notes to the Financial Statements (continued)

The following transactions occurred with related parties:

	2023 \$	2022 \$
KMP related parties		
Belinda Forman – Remuneration	108,793	43,633
Inaware Pty Ltd – Purchases	-	76,597

Note 30. Cash Flow Information

(a) Reconciliation of loss after income tax benefit to net cash from operating activities

	2023 \$	2022 \$
Loss after income tax benefit for the year	(8,604,526)	(6,301,292)
Adjustments for:		
Depreciation and amortisation	422,565	481,179
Share-based payments	821,534	662,701
Expenses on convertible note conversion	-	514,117
Finance costs	10,532	44,653
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	527,011	(1,789,404)
Decrease/(increase) in deferred tax assets	145,052	(418,970)
Increase in trade and other payables	3,610,034	1,779,785
Increase in deferred tax liabilities	-	70
(Decrease)/increase in other provisions	(12,701)	134,443
Decrease in other liabilities	(570,011)	(500,221)
Net cash used in operating activities	(3,650,510)	(5,392,939)

(b) Major non-cash financing and investing activities

	2023 \$	2022 \$
Non-cash issue of Shares	-	(333,335)
Conversion of convertible note to equity	-	1,100,000
	-	766,665



Notes to the Financial Statements (continued)

c) Net debt reconciliation

	Borrowings	Leases	Convertibles Notes	Total
Net debt as at 30 June 2021	(92,045)	(675,745)	-	(767,790)
New Convertible notes	-	-	1,110,000	1,110,000
Financing cash flows	20,659	105,734	-	126,393
Conversion of convertible note to equity	-	-	(1,110,000)	(1,110,000)
Interest expenses	(2,301)	(26,234)	-	(28,535)
Interest payments (presented as operating cash flows)	2,301	26,234	-	28,535
Net debt as at 30 June 2022	(71,386)	(570,011)	-	(641,397)
Financing cash flows	14,459	49,001	-	63,460
Interest expenses	1,580	8,952	-	10,532
Interest payments (presented as operating cash flows)	(1,580)	(8,952)	-	(10,532)
Lease termination	-	521,010	-	521,010
Net debt as at 30 June 2023	(56,927)	-	-	(56,927)

Note 31. Events Occurring After the Reporting Date

Aside from the following, no matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years:

- On 13 July 2023, a tranche totalling 23,400,595 Options over XPN Ordinary Shares issued to Executives under the Company's Share Option Plan, vested. The Options were issued prior to the IPO and a summary of the Option terms is set out in the Prospectus. All 23,400,595 Options are entitled to be exercised immediately upon vesting and will convert to Ordinary Shares at an exercise price of \$0.11.



Notes to the Financial Statements (continued)

Note 32. Parent entity information

The following information has been extracted from the books and records of the parent, XPON Technologies Group Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, XPON Technologies Group Limited has been prepared on the same basis as the financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	2023 \$	2022 \$
Statement of Financial Position		
Assets		
Current assets	1,481,447	5,448,631
Non-current assets	4,145,303	10,006,515
Total Assets	5,626,750	15,455,146
Liabilities		
Current liabilities	1,503,885	3,388,194
Non-current liabilities	40,104	219,599
	1,543,989	3,607,793
Equity		
Issued capital	21,796,430	21,796,430
Accumulated losses	(19,499,413)	(10,970,229)
Reserves	1,785,744	1,021,152
Total Equity	4,082,761	11,847,353
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	(8,792,688)	(8,800,503)

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022.

Note 33. Segment Reporting

Identification of reportable operating segments

The Group has determined that it only has one operating segment. The operating segment identified is based on the internal reports that are received and used by the chief operating decision makers in assessing performance and determining the allocation of resources. All significant operating decisions are based upon the analysis of the Group as one segment.

The financial results from the segment are equivalent to the financial statements of the Group as a whole.



Notes to the Financial Statements (continued)

Note 34. Statutory Information

The registered office and principal place of business of the company is:

XPON Technologies Group Limited
Suite GR-111/310 Edward St,
Brisbane City, QLD, 4000

Directors' Declaration

30 June 2023

The Directors of the Company declare that:

1. The financial statements and notes for the year ended 30 June 2023 are in accordance with the Corporations Act 2001 and:
 - comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - give a true and fair view of the financial position and performance of the consolidated group;
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

This declaration is made in accordance with a resolution of the Board of Directors.



Phil Aris
Chairman and Non-Executive Director



Matt Forman
Group Managing Director and CEO

22 August 2023

Independent Auditor's Report

to the members of XPON Technologies Group Limited and Controlled Entities



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INDEPENDENT AUDITOR'S REPORT

To the members of XPON Technologies Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of XPON Technologies Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report (continued)



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and measurement

Key audit matter	How the matter was addressed in our audit
<p>The Group generates revenue from multiple streams, including: licences, managed services, project services and usage fees.</p> <p>Managed services and project services may be sold bundled with licences as one performance obligation, or separate to licences as distinct performance obligations. This is important under the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> and the way that these performance obligations are recognised.</p> <p>The Group's disclosures about revenue recognition are included in Note 3, which detail the accounting policies applied under the requirements of AASB 15 <i>Revenue from Contracts with Customers</i>.</p> <p>The assessment of the Group's revenue recognition was significant to our audit due to the significance of revenue to the financial report, and the complex nature of accounting for the appropriate timing of revenue related to the various revenue streams under the requirements of AASB 15 <i>Revenue from Contracts with Customers</i>.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none">• Assessing the revenue recognition policy for compliance with AASB 15 <i>Revenue from Contracts with Customers</i>.• Selecting significant customer contracts, and reconciling the contract from inception to reporting, alongside the revenue recognition under AASB 15.• Selecting a sample of revenue transactions by stream, agreeing to supporting invoices, signed customer contracts and proof of delivery where available.• Obtaining and evaluating credit notes issued post year-end.• Analytical review procedures on all significant revenue streams on a disaggregated balance against expected trends and prior year levels.• Selecting a sample of receipts and invoices from the clients' income in advance schedule and recalculating appropriate deferred portion of revenue.• Assessing the adequacy of the Group's revenue recognition disclosures within the financial statements.

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Independent Auditor's Report (continued)



Carrying value of Goodwill - impairment assessment

Key audit matter	How the matter was addressed in our audit
<p>The Group's disclosures on Goodwill impairment are included in Note 12, detailing the allocation of Goodwill to the Group's cash-generating unit ('CGU'), setting out the key assumptions for value-in-use calculations and the impact possible changes in these assumptions would have.</p> <p>This annual impairment test is significant to our audit given the material balance of Goodwill as at 30 June 2023, and its importance to the financial statements.</p> <p>In addition, management's assessment process is complex and highly judgemental, based on assumptions, specifically forecast future cash flows, growth rates and discount rates, which are affected by expected future market and economic conditions.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the value-in-use model, and critically evaluating management's methodologies and their key assumptions. • Assessing management's allocation of Goodwill, and assets and liabilities, including corporate assets to the CGU. • Evaluating the inputs used in the value-in-use calculations, including growth rates, discount rates and underlying cash flows applied by management. • Involving our internal specialists to assess the discount rates and terminal growth rates against comparable market information. • Assessing the disclosures related to the Goodwill and impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

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Independent Auditor's Report (continued)



Going concern

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The group has incurred losses and negative operating cash flows. In note 4 of the financial report, the Directors have documented their considerations regarding their conclusion that the going concern basis is the appropriate basis of accounting.</p> <p>Our assessment of the going concern basis was considered a key audit matter due to the judgements and assumptions made by the Directors. The ability of the Group to continue as a going concern is supported by the cash flow forecasts prepared by the Directors. These forecasts include the Directors' assumptions regarding the timing of future cash flows and operating results which are by their nature uncertain.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining and evaluating management's assessment of the group's ability to continue as a going concern. • Evaluating management's cash-flow forecasts and challenging management's assumptions applied around future sales, gross margin, operating costs, and resulting cash flows. • Analysing the impact of reasonable possible changes in cash flow forecasts and their timing by applying sensitivities to key inputs includes future sales, gross margin and operating costs. • Checking the calculation to ensure the accuracy of the underlying financial data. • Assessing the accuracy of the forecasts by comparing previous forecasts with the Group's actual results and compared post year-end results to budget.

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Independent Auditor's Report (continued)



Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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Independent Auditor's Report (continued)



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 31 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of XPON Technologies Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'L G Mylonas', is written over a light grey rectangular background. The signature is written in a cursive style.

L G Mylonas
Director

Brisbane, 22 August 2023

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