

**Spark Investment HoldCo Pty Ltd  
and its controlled entities**

**ABN 98 626 001 394**

General purpose (SDS) financial  
report for the year ended

30 June 2022

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## Directors' report

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The directors submit their report on Spark Investment HoldCo Pty Ltd (the "Company") and its controlled entities (collectively, the "Group") for the year ended 30 June 2022.

### Directors

The names of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Cameron Blanks

Evan Hattersley

Jonathan Sellar (Appointed: 1 April 2022)

Raymond Neill (Appointed: 1 April 2022)

Nerida Caesar (Resigned: 1 April 2022)

Simon Moutter (Resigned: 1 April 2022)

Werner Lieberherr (Resigned: 1 April 2022)

### Dividends

No dividends were paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend (2021: \$nil).

### Principal activity

The principal activity of the Group during the year was Smart Metering services.

There were no significant changes in the nature of this activity during the year.

### Operating results for the year

The net loss after tax of the Group for year ended 30 June 2022 was \$148,979,000 (2021: \$40,954,000).

### Significant changes in the state of affairs

During the year, the Group undertook a capital raising activity via an on market process. The result of the capital raise was on the 31 March 2022, Landis + Gyr Pty Ltd ceased to be a shareholder in the business and BIF IV Alpha Holdings LP ("Brookfield") were introduced as a share holder via the issuance of new shares and purchase of existing shares in the business. Additionally, the Group entered into the following significant transactions, which are noted in the consolidated financial statements:

- Acquiring shares in Greensync Pty Ltd.
- Acquisition of Powerstream Australian Pty Ltd.
- A further investment in Aetheros Inc of \$6.6m and Smart Earth Technologies LLC (SET) of \$3m.
- The divestment of the groups shareholding in CrescoNet and its subsidiaries.
- Acquisition and disposal of WinConnect Pty Ltd and subsidiaries as part of the capital raise process

There were no other significant changes in the state of affairs of the Group during the year.

### Significant events after the reporting period

The Group completed the acquisition of a metering portfolio from Contact Energy in New Zealand on 1 October 2022, consideration paid was \$3.5m NZD.

There were no other significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

## Directors' report (continued)

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### Likely developments and expected results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

### Environmental regulation and performance

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

### Share options

As at the date of this report, there were 17,021,087 unissued ordinary shares under options in the Company. These options have a weighted average exercise price of \$3.92. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

### Indemnification and insurance of directors and officers

The Company has agreed to indemnify all the directors and executive officers for any breach of law, with the exclusions of:

- (a) Matters arising out of Debt or Equity Offerings
- (b) Claims by past or present shareholders
- (c) Claims attributable to third party professional services
- (d) Matters attributable to Social Engineering and Impersonation fraud

### Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young (Australia), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young (Australia) during or since the financial year.

### Proceedings on behalf of the Group

No person has applied for leave of Court 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 Group for all or any part of those proceedings.

### Rounding

The amounts contained in the financial report were rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports). The Company is an entity to which this legislative instrument applies.

## Directors' report (continued)

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### Auditor's independence

The directors have received a declaration from the auditor of Spark Investment HoldCo Pty Ltd and its controlled entities. This has been included on page 4.

Signed in accordance with a resolution of the directors.



Cameron Blanks  
Director  
28/10/ 2022

**Auditor's independence declaration**

{The Auditor's declaration will be provided by your Auditor.}

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Notes	2022 \$000	2021 \$000
Revenue from contracts with customers	7	119,903	104,988
Gain on derivative financial instruments		90,190	4,258
Employee benefits expense	8.1	(119,704)	(36,438)
Depreciation and amortisation expenses		(64,933)	(47,859)
Administrative expenses	8.2	(26,898)	(17,470)
Loss on disposal of investment	4	(39,018)	-
Third party services		(46,781)	(4,485)
IT costs		(20,820)	(14,074)
Finance costs	8.3	(23,023)	(22,663)
<b>Loss before tax from continuing operations</b>		<b>(131,084)</b>	<b>(33,743)</b>
Income tax (expense)/benefit	9	(1,871)	4,884
<b>Loss for the year from continuing operations</b>		<b>(132,955)</b>	<b>(28,859)</b>
<b>Discontinued operations</b>			
Loss after tax for the year from discontinued operations	4	(16,024)	(12,095)
<b>Loss for the year</b>		<b>(148,979)</b>	<b>(40,954)</b>
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		2,039	(1,782)
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b>		<b>2,039</b>	<b>(1,782)</b>
<b>Total comprehensive loss for the year</b>		<b>(146,940)</b>	<b>(42,736)</b>

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

## Consolidated statement of financial position

As at 30 June 2022

		2022	2021
		\$000	\$000
	Notes		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	33,211	15,591
Trade and other receivables	11	24,952	17,328
Inventories	12	51,894	30,982
Prepayments		8,120	4,521
<b>Total current assets</b>		<u>118,177</u>	<u>68,422</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	378,052	267,237
Intangible assets	14	535,690	576,036
Contract assets	15	398,309	-
Right-of-use assets	16	864	2,606
Deferred tax assets	9	13,183	-
Derivative financial instruments	21	108,073	-
Other assets		27,248	28
<b>Total non-current assets</b>		<u>1,461,419</u>	<u>845,907</u>
<b>Total assets</b>		<u><b>1,579,596</b></u>	<u><b>914,329</b></u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	17	33,553	21,346
Interest-bearing loans and borrowings	18	55,691	17,225
Provisions	19	-	16,103
Employee benefit liabilities	20	8,303	8,607
Income tax payable		6,243	3,295
<b>Total current liabilities</b>		<u>103,790</u>	<u>66,576</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	18	930,190	634,248
Derivative financial instruments		-	13,134
Provisions	19	202	11,236
Employee benefit liabilities	20	14,590	-
Lease liabilities		958	2,755
Deferred tax liabilities	9	11,753	1,262
<b>Total non-current liabilities</b>		<u>957,693</u>	<u>662,635</u>
<b>Total liabilities</b>		<u><b>1,061,483</b></u>	<u><b>729,211</b></u>
<b>Equity</b>			
Issued capital	22	829,920	288,704
Accumulated losses		(260,267)	(111,288)
Reserve	22	(51,540)	7,702
<b>Total equity</b>		<u><b>518,113</b></u>	<u><b>185,118</b></u>
<b>Total liabilities and equity</b>		<u><b>1,579,596</b></u>	<u><b>914,329</b></u>

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



## Consolidated statement of changes in equity

For the year ended 30 June 2022

	Issued capital (Note 22)	Retained earnings	Share-based payment reserve (Note 23)	Foreign currency translation reserve (Note 22)	Total equity
	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2021</b>	<b>288,704</b>	<b>(111,288)</b>	<b>11,058</b>	<b>(3,356)</b>	<b>185,118</b>
Loss for the year	-	(148,979)	-	-	(148,979)
Other comprehensive income	-	-	-	2,039	2,039
Total comprehensive (loss)/income for the year	-	(148,979)	-	2,039	(146,940)
Issue of share capital (Note 22)	486,694	-	-	-	486,694
Converted notes (Note 22)	54,522	-	-	-	54,522
Modification of share-based payments (Note 23)	-	-	(75,092)	-	(75,092)
Equity settled share-based payments expense - continued (Note 23)	-	-	12,907	-	12,907
Equity settled share-based payments expense - discontinued (Note 23)	-	-	904	-	904
<b>At 30 June 2022</b>	<b>829,920</b>	<b>(260,267)</b>	<b>(50,223)</b>	<b>(1,317)</b>	<b>518,113</b>

## Consolidated statement of changes in equity (continued)

For the year ended 30 June 2022

	Issued capital (Note 22) \$000	Retained earnings \$000	Share-based payment reserve (Note 22) \$000	Foreign currency translation reserve (Note 22) \$000	Total equity \$000
At 1 July 2020	283,115	(70,334)	-	(1,589)	211,192
Loss for the year	-	(40,954)	-	-	(40,954)
Other comprehensive loss	-	-	-	(1,767)	(1,767)
Total comprehensive loss for the year	-	(40,954)	-	(1,767)	(42,721)
Issue of share capital (Note 22)	5,589	-	-	-	5,589
Modification of share-based payments (Note 23)	-	-	11,058	-	11,058
<b>At 30 June 2021</b>	<b><u>288,704</u></b>	<b><u>(111,288)</u></b>	<b><u>11,058</u></b>	<b><u>(3,356)</u></b>	<b><u>185,118</u></b>

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

## Consolidated statement of cash flows

For the year ended 30 June 2022

	Notes	2022 \$000	2021 \$000
<b>Operating activities</b>			
Loss before interest and tax		(106,936)	(24,586)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		71,353	49,646
Share-based payment expense	8.1	73,702	5,200
Derivatives gains/loss		(90,190)	4,252
Fair value changes		3,929	-
Loss on disposal - business		39,018	-
SBP payments		(121,297)	-
Stamp duty paid		(1,124)	-
Income tax paid		(1,671)	-
Changes in working capital			
Increase in trade and other receivables		(3,229)	(3,340)
Increase in trade and other payables		10,270	327
Decrease in inventories		(23,673)	(3,494)
(Increase)/decrease in net GST receivable		(1,545)	166
(Increase)/decrease in employee entitlements		(17)	2,264
Decrease in other payables		(3,471)	(14,021)
Interest on loans		(23,023)	(22,445)
<b>Net cash flows used in operating activities</b>		<b>(177,904)</b>	<b>(6,031)</b>
<b>Investing activities</b>			
Meter and installations capital		(123,632)	(97,268)
Asset acquisition		(12,415)	(6,519)
IT capital		(15,376)	(2,692)
Other property, plant and equipment capital		(31,861)	-
Investment in subsidiary		(47,151)	-
Business acquisition		(368,624)	(19,952)
Equity contributions		486,693	-
Intangible customer contracts		17,665	(16,264)
<b>Net cash flows used in investing activities</b>		<b>(94,701)</b>	<b>(142,695)</b>
<b>Financing activities</b>			
Facility drawdowns		417,928	160,174
Loan repayments		(70,407)	(13,900)
Debt arranging fees		(22,946)	(4,438)
Equity contribution		-	4,762
Hedge fees		(30,896)	-
<b>Net cash flows from financing activities</b>		<b>293,679</b>	<b>146,598</b>
Net increase/(decrease) in cash and cash equivalent		21,074	(2,128)
Cash and cash equivalents at 1 July		15,591	11,158
Cash and cash equivalents at 1 July - disposed entities		(3,454)	-
<b>Cash and cash equivalents at 30 June</b>	<b>10</b>	<b>33,211</b>	<b>9,030</b>

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

## Notes to the consolidated financial statements

### For the year ended 30 June 2022

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#### 1. Corporate information

The consolidated financial statements of Spark Investment HoldCo Pty Ltd (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 28/10/ 2022.

Spark Investment HoldCo Pty Ltd and its controlled entities is a for-profit company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business of the Company is Level 31, 126-130 Phillip Street, Sydney NSW, 2000.

Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on other related party relationships of the Group is provided in Note 24 and 25.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation

The consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standards - Simplified Disclosures*. The Group is a for-profit, private sector entity which is not publicly accountable for the purposes of preparing these consolidated financial statements.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to recognise changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

These consolidated financial statements, for the year ended 30 June 2022 are the first financial statements the Group has prepared in accordance with the *Australian Accounting Standards - Simplified Disclosures*. The adoption of the *Australian Accounting Standards - Simplified Disclosures* has no significant impact on the consolidated financial statements.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand (\$000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

##### 2.2 Changes in accounting policies and disclosures

###### New and amended standards and interpretations

The new and amended Australian Accounting Standards and Interpretations that apply for the first time in 2022 do not materially impact the consolidated financial statements of the Group.

###### Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 30 June 2022. The directors have not early adopted any of these new or amended standards or interpretations. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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### 2. Significant accounting policies (continued)

#### 2.4 Summary of significant accounting policies

##### a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the Group loses control of a subsidiary, AASB 10 further specifies that the Group is required to:

- Derecognise the assets (including any goodwill) and liabilities of the former subsidiary at their carrying amounts at the date when control is lost
- Recognise the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control
- Recognise any investment retained in the former subsidiary at its fair value at the date when control is lost
- Recognise any resulting difference as a gain or loss in profit or loss attributable to the Group

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### b) Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Additional disclosures are provided in Note 4. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

##### c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

##### d) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### d) Foreign currencies (continued)

###### (i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

###### (ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

##### e) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash defined above.

##### f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost are assigned to inventory on hand on a weighted average basis. Inventories primarily consist of meter assets, associated communications modules and aerials contribute to a finished meter asset upon installation.

##### g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.



## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### g) Financial instruments (continued)

###### (i) Financial assets

###### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in Note 2.4(q) *Revenue from contracts with customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

###### Subsequent measurement

###### *Trade and other receivables*

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### g) Financial instruments (continued)

###### (i) Financial assets (continued)

###### *Derecognition (continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

###### (ii) Financial liabilities

###### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

###### **Subsequent measurement**

###### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

###### ***Trade and other payables***

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

###### ***Financial liabilities at amortised cost (loans and borrowings)***

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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### 2. Significant accounting policies (continued)

#### g) Financial instruments (continued)

##### (ii) Financial liabilities (continued)

##### Subsequent measurement (continued)

##### Financial liabilities at amortised cost (loans and borrowings) (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

##### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### h) Derivative financial instruments and hedge accounting

##### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

#### i) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### j) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Land and buildings	5 to 10 years (land not depreciated)
Meters and installations	12 years
Other property, plant and equipment	5 to 10 years

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

#### j) Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A summary of the policies applied to the Group's intangible assets is, as follows:

	Customer contracts	Intangible software
<b>Useful lives</b>	Finite (3 to 17 years)	Finite (5 years)
<b>Amortisation method used</b>	Amortised on a straight-line basis over the period of the contract	Amortised on a straight-line basis over the period of the software
<b>Internally generated or acquired</b>	Acquired	Acquired

#### l) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 2. Significant accounting policies (continued)

#### l) Leases (continued)

##### (i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	2 years
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If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4(i) *Impairment of non-financial assets*.

##### (ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

##### (iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of xx months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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### 2. Significant accounting policies (continued)

#### n) Provisions

##### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

##### *Earn out provisions*

The Group has two earn out obligations, relating to contingent consideration paid as part of business combinations. The determination of the acquisition date fair value of these balances and the ongoing remeasurement of the associated liability is a matter of judgment. The Group measures the acquisition date assets and remeasures the earn out liability using discounted cash flows represented the Group's best estimate of the future amounts payable, based on projected meter installations and revenue growth.

##### *Wages and salaries*

Liabilities for wages and salaries which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### *Long service leave and annual leave*

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

#### o) Issued capital

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

#### p) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

##### *Equity-settled transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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### 2. Significant accounting policies (continued)

#### p) Share-based payments (continued)

##### *Equity-settled transactions (continued)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

##### **Cash-settled transactions**

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using an appropriate valuation model (Black-Scholes or binomial option pricing model depending on the terms and conditions of the grant). The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

##### **Modification of equity settled share-based payments to cash-settled**

At the date of modification, a liability is recognised based on the fair value of the cash-settled award as at that date and the extent to which the vesting period has expired. The corresponding debit is taken to equity only to the extent of the fair value of the original equity-settled award as at the date of modification. Any incremental fair value of the cash-settled award over the equity-settled award as at the modification date is expensed immediately on modification to the extent that the vesting period has expired. The remainder of any incremental value is expensed over the period from the date of modification to the date of settlement.

##### **Component settled by issuance of equity instrument of fully owned subsidiary**

Where the Group award equity shares in subsidiary to employees of subsidiary in exchange for services to subsidiary, in the consolidated financial statements of the Group, the transaction is classified as an equity-settled transaction, because it is settled in an equity instrument of the group. Accordingly modified options are thus continued to be treated as equity settled share-based options in the consolidated financial statements with reference to the grant date fair value.



## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### q) Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

For Intellihub contracts the primary service obligations are as follows:

- Installation of meters
- Delivery of meter data to regulator
- Maintain the asset

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

##### *Contract assets*

Contract assets are recognised at fair value which are related to revenue earned from ongoing meter installation services. These are amortised on systematic basis that is consistent with providing metering services to the customer as a reduction in revenue.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in Note 15.

##### r) Taxes

##### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### r) Taxes (continued)

###### *Deferred tax (continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

###### **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows 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 part of operating cash flows.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### s) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Valuation Committee determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operation. The Valuation Committee is comprised of the head of the investment properties segment, heads of the Group's internal mergers and acquisition team, the head of the risk management department, chief finance officers and the managers of each property.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the Valuation Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Valuation Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

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#### 2. Significant accounting policies (continued)

##### s) Fair value measurement (continued)

At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Valuation Committee presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

##### t) Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

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### 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### Goodwill and other indefinite life intangible assets

The Group tests for impairment annually, or more frequently if events or changes in circumstances indicate impairment. The recoverable amounts of cash generating units are determined based on value-in-use calculations using a discounted cash flow methodology. These calculations require significant judgment and are sensitive to a number of key assumptions, including estimated discount rates based on the current cost of capital, forecast revenue growth, fixed and variable operating cost, costs of hardware and installation and long term growth rates of the estimated future cash flows.

#### Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 23.

#### Estimation of useful lives of assets

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

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 4. Discontinued operations

On 1 April 2022, the Group divested 100% of its shares in CrescoNet Limited, the UK domiciled holding company for the CrescoNet group, and all respective subsidiaries.

The loss has been recognised on the Group's consolidated statement of profit or loss and other comprehensive income for the period. Prior to disposal, Equity was issued in CrescoNet Limited to management via a share based payment settlement, which has also been recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the period.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

	<u>2022</u>
	<u>\$000</u>
Revenue from contracts with customers	12,680
Expenses	<u>(28,892)</u>
Operating income	(16,212)
Finance costs	1
<b>(Loss) before tax from a discontinued operations</b>	<u><u>(16,211)</u></u>
Income tax expense	187
<b>(Loss) for the year from discontinued operations</b>	<u><u>(16,024)</u></u>

The major classes of assets and liabilities were, as follows:

	<u>2022</u>
	<u>\$000</u>
<b>Assets</b>	
Cash and cash equivalents	28,359
Trade and other receivables	5,250
Inventories	4,446
Prepayments	259
Property, plant and equipment	1,213
Intangibles software assets	16,719
Goodwill	33,606
Deferred tax asset	913
<b>Assets disposed</b>	<u>90,765</u>
<b>Liabilities</b>	
Trade and other payables	1,932
Other payables	1,312
Earn out	14,717
<b>Liabilities directly associated with assets disposed</b>	<u>17,961</u>
<b>Net assets directly associated with disposal group</b>	<u><u>72,804</u></u>
Proceeds received, per Share Sale Agreement	33,786
<b>Loss on disposal</b>	<u><u>(39,018)</u></u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 5. Business combinations

#### Acquisitions in 2022

##### *Acquisition of Greensync Pty Ltd*

Acquisition of GreenSync Pty Ltd ("GreenSync") In January 2022, CrescoNet completed the acquisition of GreenSync for a cash payment of \$14m. The Company acquired was assessed to be a business as it holds software platform that enable electricity grids to support renewables, skilled employees and processes. Accordingly, this has been treated as a business combination under AASB 3, as on the acquisition date (determined to be 28 January 2022). As GreenSync was newly formed business, the day 1 balance sheet mainly included the recognition of an intangible software asset of \$13.5m and working capital of \$0.5m.

The purchase of Greensync Holdings Pty Ltd was performed through Acquisco Pty Ltd, a fully incorporated company within the Group. The Group assessed the provisional fair value from the acquisitions as follows, and the investment was divested shortly after.

	Fair value recognised on acquisition \$000
<b>Assets</b>	
Cash and cash equivalents	389
Trade receivables	799
Other current assets	181
Property, plant and equipment	35
Intangible assets (Note 14)	13,597
<b>Total assets</b>	<b>15,001</b>
<b>Liabilities</b>	
Other payables	(242)
Employee benefit liabilities (Note 16)	(406)
Contract liabilities (Note 7)	(353)
Deferred tax liability (Note 9)	-
<b>Total liabilities</b>	<b>(1,001)</b>
<b>Total identifiable net assets at fair value</b>	<b>14,000</b>
<b>Purchase consideration transferred</b>	<b>14,000</b>

##### *Acquisition of Powerstream Australian Pty Ltd*

On 1 March 2022, the CrescoNet Group acquired 31.8% of the shares in Powerstream Australian Pty Ltd for a total consideration of \$2.5m. The acquisition allowed the group to invest in parallel hardware technologies to continue to build out its adjacent service offerings to customers. The investment is accounted for as an investment in associate using equity method and were subsequently disposed.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 5. Business combinations (continued)

#### Acquisitions in 2021

##### *Acquisition of Smart Earth Technologies Ltd*

On 25 June 2021 the Group acquired 100% of Smart Earth Technologies LLC (SET) through a Share and Acquisition Agreement. The acquisition allowed the Group to diversify their portfolio and enter the water and gas meter markets, access to a customer base of a profitable business and the ability to leverage product suite into the Australian and New Zealand markets.

The purchase of SET was performed through CrescoNet LLC, a fully incorporated company within the Group. As part of the terms of the sale and purchase agreements, the Group invested an additional \$3.2m of working capital into the Group in addition to settlement, which is reflected in the cash balances at the end of the period.

Under the terms of the agreement, CrescoNet LLC paid \$19.9m (US\$15m) in cash to acquire 100% of the business. The consideration also included an earn out component of up to \$14.7m (US\$13.5m), payable contingent on the implementation of the specified IT billings system and on the ability of the Company to achieve revenue targets for 31 December 2023.

The Group has determined the fair value of the contingent consideration (earn-out) through a discounted cash flow assessment, based on the Group's best estimate of the future revenue and operational performance at the date of the acquisition. The cash flows have been discounted at a rate of 9% over the expected pay-out period of 3 years.

Due to the proximity of the transaction to year end the accounting is provisional at 30 June 2021. In line with the accounting standards, the Group has 12 months from the acquisition date to finalise the accounting for the transaction. The provisional fair value of identified assets and liabilities as at the date of acquisition are presented below and there were no changes on finalisation:

	Fair value recognised on acquisition \$000
<b>Assets</b>	
Cash and cash equivalents	47
Trade receivables	1,163
Inventories	979
Property, plant and equipment	75
<b>Total assets</b>	<b>2,264</b>
<b>Liabilities</b>	
Other payables	(766)
Employee benefit liabilities	(243)
Loan payable	(692)
<b>Total liabilities</b>	<b>(1,701)</b>
<b>Total identifiable net assets at fair value</b>	<b>563</b>
Goodwill arising on acquisition	33,446
<b>Purchase consideration transferred</b>	<b>34,009</b>



## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 5. Business combinations (continued)

#### Acquisitions in 2021 (continued)

	2021
	\$000
Acquisition date fair value of consideration	
Contingent consideration – Present value of earn out	14,057
Cash consideration	19,952
Net cash flow on acquisition	<u>34,009</u>

### 6. Asset acquisition

#### *WINConnect Pty Ltd*

On 31 March 2022 the Group entered into an Asset Sale Agreement with WINConnect Pty Ltd for the purchase of existing metering assets. The total consideration for the assets, which were fair valued was \$11m AUD, attributed to PPE. The Group has determined that this acquisition does not meet the definition of a business combination and accordingly, no goodwill has been recognised on this transaction.

#### *Origin Energy Electricity Limited*

On 20 December 2021 the Group entered into an Asset Sale Agreement with Origin Energy Electricity Limited for the purchase of existing metering assets. The total consideration for the assets, which included an adjustment for remediation works, was \$4.446m AUD, attributed to PPE. The settlement of the transaction occurred on 31 March 2022 as part of the equity raise completion process.

#### *ActewAGL*

On 16 December 2021, the Group entered into an Asset Sale Agreement and amended Metering Services Agreement with ActewAGL to acquire existing assets and future deployments. The Group has determined that this acquisition does not meet the definition of a business combination and accordingly, no goodwill has been recognised on this transaction.

A summary of the fair value of the assets and liabilities acquired are as follows:

	2022
	\$000
<b>Assets</b>	
Property, plant and equipment	9,069
Inventories	1,350
Customer contracts	11,431
<b>Total assets</b>	<u>21,850</u>
<b>Liabilities</b>	
<b>Total liabilities</b>	<u>-</u>
<b>Total identifiable net assets at fair value</b>	<u>21,850</u>
<b>Purchase consideration transferred</b>	<u>21,850</u>

#### *Nova Energy*

On 1 June 2021, the Group entered into an agreement with Nova Energy in New Zealand to acquire existing assets and a future deployment contract. The Group has determined that this acquisition does not meet the definition of a business combination and accordingly, no goodwill has been recognised on this transaction.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 6. Asset acquisition (continued)

#### Nova Energy (continued)

A summary of the fair value of the assets and liabilities acquired are as follows:

	<u>2021</u>
	<u>\$000</u>
<b>Assets</b>	
Property, plant and equipment	4,653
Inventories	2,050
Customer contracts	6,519
<b>Total assets</b>	<u><u>13,222</u></u>
<b>Liabilities</b>	
Employee benefit liabilities	(4)
<b>Total liabilities</b>	<u><u>(4)</u></u>
<b>Total identifiable net assets at fair value</b>	<u><u>13,218</u></u>
<b>Purchase consideration transferred</b>	<u><u>13,218</u></u>

### 7. Revenue from contracts with customers

#### Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<u>2022</u>	<u>2021</u>
	<u>\$000</u>	<u>\$000</u>
<b>Type of services</b>		
Metering services	115,175	101,241
Field recoveries	4,728	3,747
<b>Total revenue from contracts with customers</b>	<u><u>119,903</u></u>	<u><u>104,988</u></u>
<b>Geographical markets</b>		
Australia	59,497	47,115
New Zealand	60,406	57,873
<b>Total revenue from contracts with customers</b>	<u><u>119,903</u></u>	<u><u>104,988</u></u>
<b>Timing of revenue recognition</b>		
Services transferred over time	119,903	104,988
<b>Total revenue from contracts with customers</b>	<u><u>119,903</u></u>	<u><u>104,988</u></u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 8. Expenses

#### 8.1 Employee benefits expense

	2022	2021
	\$000	\$000
Employee costs	46,002	30,580
Share-based payment expense (Note 23)	73,702	5,858
	<u>119,704</u>	<u>36,438</u>

#### 8.2 Administrative expenses

	2022	2021
	\$000	\$000
Broker commissions	1,843	1,669
Earn out expense	1,177	1,120
Insurance	828	718
Meter rentals	3,646	3,489
Property related costs	400	391
Repairs and maintenance	4,729	4,281
Other	14,275	5,802
	<u>26,898</u>	<u>17,470</u>

Other expenses includes travel expenses, fuel, materials and insignificant miscellaneous expenses.

#### 8.3 Finance costs

	2022	2021
	\$000	\$000
Interest expenses	<u>23,023</u>	<u>22,663</u>

### 9. Income tax

The major components of income tax expense/(benefit) for the years ended 30 June 2022 and 2021 are:

	2022	2021
	\$000	\$000
<b>Current income tax:</b>		
Current income tax expense	4,897	3,295
<b>Deferred tax:</b>		
Deferred tax	(3,026)	(8,179)
<b>Income tax expense/(benefit) reported in the statement of profit or loss</b>	<u>1,871</u>	<u>(4,884)</u>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 9. Income tax (continued)

Reconciliation of tax expense/(benefit) and the accounting loss multiplied by Australia's domestic tax rate for 2021 and 2022:

	2022	2021
	\$000	\$000
Accounting loss before income tax	(131,084)	(45,838)
At Australia's statutory income tax rate of 28% (2021: 28%)	(39,325)	(12,835)
Adjustments in respect of current income tax of previous years	-	2,481
Share-based payments	22,111	-
Adjustment on tax rate of different jurisdiction	(441)	-
Loss on disposal of Cresconet	11,705	-
Others	4,846	898
Underprovision of current tax	2,998	-
Other	(23)	4,572
<b>Income tax expense reported in the statement of profit or loss</b>	<b>1,871</b>	<b>(4,884)</b>

#### Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Losses	82,686	44,081	39,334	17,345
Employee benefit liabilities	2,459	2,478	(7)	671
Make good provisions	61	61	-	-
Transaction costs	7,173	810	6,363	(683)
Derivative financial instruments	(25,066)	2,763	(27,830)	(2,802)
Customer contract	(29,861)	(30,645)	460	2,180
Meter assets	(35,869)	(20,800)	(15,154)	(9,310)
Intangible software assets	(271)	(736)	467	327
Property, plant and equipment	92	234	(140)	-
Leases	278	1,246	(967)	47
Right-of-use assets	(252)	(754)	500	404
<b>Deferred tax benefit</b>			<b>3,026</b>	<b>8,179</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>1,430</b>	<b>(1,262)</b>		

#### Franking credits

The Group has no franking credits available for use in the subsequent reporting periods.

#### 10. Cash and cash equivalents

	2022	2021
	\$000	\$000
Cash at bank	33,211	15,591

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 11. Trade and other receivables

	2022	2021
	\$000	\$000
Trade receivables	11,198	8,115
Other receivables	12,104	9,121
GST receivable	1,650	92
	<u>24,952</u>	<u>17,328</u>

### 12. Inventories

	2022	2021
	\$000	\$000
Meter hardware	31,771	20,979
Communication modules	17,536	12,341
Other	6,423	3,178
Provision for obsolete stock	(3,836)	(5,516)
	<u>51,894</u>	<u>30,982</u>

During 2022, \$nil (2021: \$nil) was recognised as an expense for inventories carried at net realisable value.

### 13. Property, plant and equipment

	Land and buildings \$000	Meters and installations \$000	Other property, plant and equipment \$000	Total \$000
<b>Cost</b>				
At 1 July 2021	4,777	422,702	17,261	444,740
Additions	200	123,679	2,098	125,977
Asset acquisitions (Note 5 and 6)	-	24,515	34	24,549
Disposals	-	-	(2,492)	(2,492)
Foreign exchange differences	(10)	(2,588)	81	(2,517)
<b>At 30 June 2022</b>	<u>4,967</u>	<u>568,308</u>	<u>16,982</u>	<u>590,257</u>
<b>Accumulated depreciation</b>				
At 1 July 2021	3,639	160,274	13,590	177,503
Depreciation charge for the year	533	33,499	670	34,702
<b>At 30 June 2022</b>	<u>4,172</u>	<u>193,773</u>	<u>14,260</u>	<u>212,205</u>
<b>Net book value</b>				
At 30 June 2022	<u>795</u>	<u>374,535</u>	<u>2,722</u>	<u>378,052</u>
At 30 June 2021	<u>1,138</u>	<u>262,428</u>	<u>3,671</u>	<u>267,237</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

## 14. Intangible assets

	Goodwill \$000	Software \$000	Customer contracts \$000	Total \$000
<b>Cost</b>				
At 1 July 2021	418,824	98,762	131,129	648,715
Additions	-	15,736	-	15,736
Disposal (Note 4)	(33,606)	(16,719)	-	(50,325)
Acquisitions (Note 5)	-	13,597	11,431	25,028
Foreign exchange	(4,455)	61	(1,267)	(5,661)
<b>At 30 June 2022</b>	<b>380,763</b>	<b>111,437</b>	<b>141,293</b>	<b>633,493</b>
<b>Accumulated amortisation</b>				
At 1 July 2021	-	52,514	20,165	72,679
Amortisation	-	15,287	9,837	25,124
<b>At 30 June 2022</b>	<b>-</b>	<b>67,801</b>	<b>30,002</b>	<b>97,803</b>
<b>Net book value</b>				
At 30 June 2022	380,763	43,636	111,291	535,690
At 30 June 2021	418,824	46,248	110,964	576,036

## Carrying amount of goodwill to each of the CGU's

	2022 \$000	2021 \$000
Australia	236,161	236,161
New Zealand	144,602	149,217
SET (US)	-	33,446
	<b>380,763</b>	<b>418,824</b>

The Group performed its annual impairment test in June 2022 on the Australia and New Zealand CGU's on a value in use basis. The following factors were considered for each CGU:

<b>Contracted Revenues:</b>	Volumes growth from committed contracts and market share
<b>Retailer Churn:</b>	Combination of historical and forecasted rates of movement
<b>Fixed and Variable operating costs:</b>	Projected costs at scale, contractual commitments and inflation assumptions
<b>Meter Hardware and Installation:</b>	Based on productivity assumptions and asset mix (i.e. Meter type) assumptions
<b>Discount Rate:</b>	A range of 7%-8% has been applied to cash flows, consistent with business valuation methodology for acquisitions
<b>Growth Rate:</b>	A range of 2%-3% has been applied to cash flows, consistent with business valuation methodology for acquisitions

The Group's analysis of both discounted cash flows and a multiple of future earnings show no evidence of impairment for the goodwill assets. Foreign Exchange movements explain the movement in goodwill value in the New Zealand business unit.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 14. Intangible assets (continued)

##### *Carrying amount of goodwill to each of the CGU's (continued)*

The recoverable amount calculation uses a discounted cash flow method by calculating the net present value of future cash flows over a 6 year period (i.e. FY23 to FY28) for Australia, a 5 year period (FY23 - FY27) for New Zealand. The longer period in Australia was justified as the business is in a capital-intensive deployment phase through to the end of 2027 and therefore significant deployment of meters (and cash outflows) are anticipated during this period. The business is then expected to enter a steady operating state and achieve stabilised profits and growth from FY28 onwards.

##### *Impairment sensitivity disclosures*

The value in use estimate is particularly sensitive to the achievement of long term growth rates, discount rates and the forecast performance. The Group has performed sensitivity analysis as part of its impairment testing to ensure that the results of its testing are reasonable. Key assumptions and sensitivity analysis on the inputs used in the VIU model is as follows:

- Increase in the discount rate by 2% would not result in any impairment to the CGU's.
- Decreasing the Terminal growth rate by 0.5% would not result in any impairment, except when combined with a 1.5% and 1.0% decrease in discount rate on the and New Zealand operating unit, respectively.

#### 15. Contract assets

	<b>Customer contract \$000</b>
<b>Cost</b>	
At 1 July	-
Additions	404,729
<b>At 30 June 2022</b>	<b><u>404,729</u></b>
<b>Accumulated amortisation</b>	
Amortisation charge for the year	6,420
<b>At 30 June 2022</b>	<b><u>6,420</u></b>
<b>At 30 June 2022</b>	<b><u>398,309</u></b>
	<b>2022</b>
	<b>\$000</b>
<b>Transaction</b>	
Acquisition of WINConnect by Group	368,600
Net WinConnect liabilities paid by Spark	57,000
Meter assets purchased (Note 6)	(11,000)
Disposal of WINConnect to Origin Energy Electricity Limited on 1 April 2022	(104,600)
<b>Discount on sale to Origin Energy Electricity Limited</b>	<b><u>310,000</u></b>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 15. Contract assets (continued)

On 31 March 2022, Group acquired 100% acquisition of PCI Top Co ("WINConnect") and next day sold WINConnect business to one of the Group's key customers, retaining only specific electricity assets as described in Note 6. The net impact of this transaction is a loss on disposal of \$310m. Group has concluded that the discount on the transaction price, in substance, represents the incremental cost associated to modify the existing agreement with the customer. In addition, Group has paid one-off payment of \$67.5m in cash. The amendment in the contract with customer is expecting to bring incremental fair value to the Group through increased revenue of \$377.5m by increasing the committed meter deployments.

In addition to above, the Group has made the payment to customers of \$27.7million and recognised contract assets the amounts. Consistently these amounts are amortised on systematic basis that is consistent with the services provided to the customers.

#### 16. Leases

##### Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations. Leases of land and buildings generally have lease terms between 1 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	<b>Land and building</b>
	<b>\$000</b>
<b>At 1 July 2020</b>	<b>4,010</b>
Additions	147
Depreciation expense	(1,407)
Other revaluation	(144)
<b>At 30 June 2021</b>	<b>2,606</b>
Depreciation expense	(1,373)
Other revaluation	(369)
<b>At 30 June 2022</b>	<b>864</b>



## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 16. Leases (continued)

##### Group as a lessee (continued)

Presented below is a maturity analysis of future lease payments:

	2022	2021
	\$000	\$000
Within one year	1,293	1,284
After one year but not more than five years	2,097	2,211
More than five years	228	-
	<u>3,618</u>	<u>3,495</u>

The amount of expense relating to short-term leases and leases of low-value assets recognised in profit or loss during the year ended 30 June 2022 was \$18,149 (2021: \$65,525).

#### 17. Trade and other payables

	2022	2021
	\$000	\$000
<b>Current</b>		
Trade payables	9,796	11,465
Related party payables (Note 25)	261	2,824
Other payables	23,496	7,057
	<u>33,553</u>	<u>21,346</u>

#### 18. Interest bearing loans and borrowings

	Interest rate	Maturity	2022	2021
			\$000	\$000
	%			
<b>Current</b>				
Working capital facility	BBSY + 1.6%	November 2026	25,285	17,225
Facility A	BBSY + 1.6%	November 2026	30,406	-
<b>Total current interest-bearing loans and borrowings</b>			<u>55,691</u>	<u>17,225</u>
<b>Non-current</b>				
Facility A	BBSY + 1.6%	November 2026	140,700	261,261
Facility B	BBSY + 1.6%	November 2026	577,956	326,127
Working capital facility	BBSY + 1.6%	November 2026	231,569	-
Debt arranging fees			(20,035)	(8,353)
SBA loan			-	691
Convertible notes			-	54,522
<b>Total non-current interest-bearing loans and borrowings</b>			<u>930,190</u>	<u>634,248</u>
<b>Total interest-bearing loans and borrowings</b>			<u>985,881</u>	<u>651,473</u>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 18. Interest bearing loans and borrowings (continued)

Detailed breakdown of debt balances as at 30 June 2022:

	Interest expense	Undrawn	Drawn
	\$000	\$000	\$000
Working capital facility	-	386,071	231,569
Facility A	-	-	182,513
Facility B	23,023	-	577,956
Facility D	-	24,715	25,285
Total	<u>23,023</u>	<u>410,786</u>	<u>1,017,323</u>
		2022	2021
		\$000	\$000
Debt arranging fees		38,151	15,443
Amortisation charge for 2019		(1,693)	(1,693)
Amortisation charge for 2020		(2,382)	(2,382)
Amortisation charge for 2021		(3,015)	(3,015)
Amortisation charge for 2022		(11,026)	-
Total		<u>20,035</u>	<u>8,353</u>

#### Terms and conditions

The facilities are governed by a Syndicated Facility Agreement, which contains conditions of use and required financial metrics to enable ongoing debt utilisation.

The Group also has issued Bank Guarantees on its leased premises in Australia and relating to a key customer contract. The total value of the guarantees at 30 June 2022 was \$10.5m (2021: 5.7m).

#### 19. Provisions

	2022	2021
	\$000	\$000
<b>Current</b>		
Earn out provisions	-	<u>16,103</u>
<b>Non-current</b>		
Make good provision	202	202
Earn out provisions	-	11,034
	<u>202</u>	<u>11,236</u>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 19. Provisions (continued)

	Earn out provisions	Make good provisions	Total
	\$000	\$000	\$000
At 1 July 2021	27,137	202	27,339
Revaluations	1,177	-	1,177
Utilised	(14,258)	-	(14,258)
Paid/settled	(14,717)	-	(14,717)
Foreign exchange differences	661	-	661
<b>At 30 June 2022</b>	<b>-</b>	<b>202</b>	<b>202</b>

The terms of the 2018 Share and Asset Sale Agreement between Intellihub Australia Pty Ltd and Landis + Gyr Pty Ltd provides for an earn out payment on the basis that volume hurdles are exceeded in the 5 year period post acquisition. The full value of the liability was recognised and paid during the year.

#### 20. Employee benefit liabilities

	2022	2021
	\$000	\$000
<b>Current</b>		
Annual leave	2,974	2,884
Short-term incentives	4,338	4,906
Long service leave	991	817
	<b>8,303</b>	<b>8,607</b>
<b>Non-current</b>		
Share based payment liability	<b>14,590</b>	<b>-</b>

#### 21. Derivative financial instruments

The Group is required under its Syndicated Facility Agreement to implement floating rate derivatives for all drawn capex debt. The Group has implemented fair value accounting on the derivatives positions and as at 30 June 2022, hold a liability of \$nil (2021: 17.4m) for mark to market losses.

An unrealised gain of \$121m (2021: gain of \$4.2m) has been recognised in the consolidated statement of profit or loss and other comprehensive income during the period, which is netted off against the expenses associated with cancelling prior contracts and the implementation of new hedges of \$31.0m. The calculation is driven by movements in the yield curve and credit risk over the life of the agreement, which terminates in June 2023.

	Notional amount	2022	2021
	\$000	\$000	\$000
Facility A and B (AUD)	90,000	-	(8,091)
Facility A (NZD)	217,955	-	(1,118)
Facility B (NZD)	11,522	-	(3,925)
Facility A, B and C (AUD)	971,301	83,556	-
Facility A, B and C (NZD)	271,869	24,517	-
	<b>1,562,647</b>	<b>108,073</b>	<b>(13,134)</b>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 22. Issued capital and reserves

	2022	2021
	\$000	\$000
425,568 ordinary shares issued and fully paid (2021: 288,704)	<u>829,920</u>	<u>288,704</u>

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds on winding up the Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### Ordinary shares issued and fully paid

	Thousands	\$000
At 1 July 2020	283,115	283,115
Issue of share capital	5,589	5,589
At 30 June 2021	<u>288,704</u>	<u>288,704</u>
Issue of share capital	82,342	486,694
Converted notes	54,522	54,522
At 30 June 2022	<u>425,568</u>	<u>829,920</u>

#### Other capital reserves

	Share-based payment	Foreign currency translation reserve	Total
	\$000	\$000	\$000
At 1 July 2021	63,091	(3,356)	59,735
Increase foreign currency translation reserve	-	2,039	2,039
Modification of share-based payments	(75,092)	-	(75,092)
Equity settled share-based payments - continued operations	12,907	-	12,907
Equity settled share-based payments - discontinued operations	904	-	904
At 30 June 2022	<u>1,810</u>	<u>(1,317)</u>	<u>493</u>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 23. Share-based payments

The expense recognised for share-based payment award during the year is shown in the following table:

	<u>2022</u>	<u>2021</u>
	<u>\$000</u>	<u>\$000</u>
Expense arising from equity-settled share-based payment transactions	12,907	11,081
Expense arising from cash-settled share-based payment transactions	60,795	-
<b>Total expense arising from share-based payment transactions - continued operations</b>	<b>73,702</b>	<b>11,081</b>
Expense arising from equity-settled share-based payment transactions - discontinued operations	906	-
<b>Total expense arising from share-based payment transactions</b>	<b>74,608</b>	<b>11,081</b>

During the year, the Board has modified the equity settled share-based payment by removing the liquidity event as vesting condition and settling the award in cash upon 1 April 2022. Accordingly, the classification of equity settled share-based payments has changed to cash-settled. At the date of the modification, the Group has recognised fair value increase of the original award of \$75.1 million directly in equity in accordance with the Note 2(p) as follows:

	<u>2022</u>	<u>2021</u>
	<u>\$000</u>	<u>\$000</u>
Modification of share-based payment transaction	75,092	11,081

#### Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding SARs):

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>Number</u>	<u>WAEP</u>	<u>Number</u>	<u>WAEP</u>
<b>Outstanding at 1 July</b>	65,342,136	\$0.64	-	-
Issued during the year	7,914,745	\$2.61	65,342,136	\$0.64
Exercised during the year	(31,421,350)	\$3.92	-	-
Disposed during the year	(24,814,444)	\$0.19	-	-
<b>Outstanding at 30 June</b>	<b>17,021,087</b>	<b>\$3.76</b>	<b>65,342,136</b>	<b>\$0.64</b>
Exercisable at 30 June	-	-	-	-

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 24. Group information

##### Subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activities	Country of incorporation	% equity interest	
			2022	2021
<b>Company</b>				
Spark Investment HoldCo Pty Ltd	Metering Services	Australia	100%	100%
Aetheros Inc*	Metering Services	United States	-%	100%
<b>Banking Group</b>				
Spark Investment MidCo Pty Ltd	Metering Services	Australia	100%	100%
Intellihub Holdings Pty Ltd	Metering Services	Australia	100%	100%
Intellihub Australia Pty Ltd	Metering Services	Australia	100%	100%
Intellihub Metering Pty Ltd	Metering Services	Australia	100%	100%
Intellihub Assets Pty Ltd	Metering Services	Australia	100%	100%
Intellihub Ventures Pty Ltd	Metering Services	Australia	100%	100%
Intellihub IP Holdings Pty Ltd	Metering Services	Australia	100%	100%
Intellihub Pty Ltd	Metering Services	Australia	100%	100%
Intellihub Limited	Metering Services	New Zealand	100%	100%
Intellihub NZ Limited**	Metering Services	New Zealand	-%	100%
		United Kingdom	-%	100%
CrescoNet Limited*	Metering Services	United States	-%	100%
CrescoNet LLC*	Metering Services	United States	-%	100%
Smart Earth Technologies*	Metering Services	United States	-%	100%
Spark A HoldCo Pty Ltd	Metering Services	Australia	100%	-%
PCI Topco Pty Ltd	Metering Services	Australia	100%	-%
PCI HoldCo Pty Ltd	Metering Services	Australia	100%	-%
PCI Mildco Pty Ltd	Metering Services	Australia	100%	-%
PCI BidCo Pty Ltd	Metering Services	Australia	100%	-%
Intellihub Newco 2 Pty Ltd	Metering Services	Australia	100%	-%

\* The Company divested its control over this entity.

\*\* The Company entered into amalgamation with this entity.

#### 25. Related party disclosures

##### Transaction with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Purchases from related parties	Amounts owed to related parties*
		\$	\$
Other related party	2022	19,669,000	261,000
	2021	36,430,000	2,824,000

\* The amounts are classified as trade payables (see Note 17).

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2022

#### 25. Related party disclosures (continued)

	<u>2022</u>
	<u>\$000</u>
Business acquisitions to related parties	368,624
Business divestments to related parties	33,786

#### *Terms and conditions of transactions with related parties*

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2022, the Group recognised provision for expected credit losses of \$nil relating to amounts owed by related parties (2021: \$nil).

#### **Compensation of key management personnel of the Group**

Compensation expense of key management personnel amounted to \$1,639,833 during the year ended 30 June 2022 (2021: \$1,748,814).

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

#### 26. Commitments and contingencies

##### **Commitments**

There are no commitments as at the reporting period which would have a material effect on the Group's consolidated financial statements as at 30 June 2022 (2021: none).

##### **Contingent assets and liabilities**

The Group had no contingent assets or contingent liabilities as at 30 June 2022 (2022: \$nil).

#### 27. Events after the reporting period

The Group completed the acquisition of a metering portfolio from Contact Energy in New Zealand on 1 October 2022, consideration paid was \$3.5m NZD.

There have been no other significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

#### 28. Auditor's remuneration

The auditor of Spark Investment HoldCo Pty Ltd and its controlled entities is Ernst & Young (Australia).

	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>		
An audit or review of the financial report of the entity and any other entity in the consolidated group	385	358
Taxation services	156	-
Other non-audit services*	5,640	439
	<u>6,181</u>	<u>797</u>

\*Ernst & Young was engaged to produce Due Diligence reports for the Group's capital raising process in 2022.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2022

### 29. Information relating to Spark Investment HoldCo Pty Ltd (Parent)

	<u>2022</u>	<u>2021</u>
	<u>\$000</u>	<u>\$000</u>
Current assets	18,907	703
Assets	748,723	329,239
Current liabilities	11	97
Liabilities	6,954	42,218
Issued capital	829,920	288,704
Accumulated losses	(37,422)	(7,555)
Reserve	(50,729)	5,872
	<u>741,769</u>	<u>287,021</u>
Profit/(loss) of the Parent entity	11,728	(6,197)
Total comprehensive profit/(loss) of the Parent entity	11,728	(6,197)

#### Commitments

The Company had no capital commitments as at 30 June 2022 (2021: \$nil).

#### Contingencies

The Company had no contingent assets or contingent liabilities as at 30 June 2022 (2021: \$nil).



## Directors' declaration

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In accordance with a resolution of the directors of Spark Investment HoldCo Pty Ltd and its controlled entities, I state that:

In the opinion of the directors:

- (a) the consolidated financial statements and notes of Spark Investment HoldCo Pty Ltd and its controlled entities for the financial year ended 30 June 2022 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated Group's financial position as at 30 June 2022 and its performance for the year ended on that date; and
  - (ii) complying with *Australian Accounting Standards - Simplified Disclosures* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Cameron Blanks  
Director  
28/10 2022

## Independent auditor's report

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{The Auditor's report will be provided by your Auditor.}