

Appendix 4D Interim Report

Company details
Zoom2u Technologies Limited
ACN 636 364 246

1. Results for announcement to the market for the half year ended 31 December 2022

		31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenues from ordinary activities	down by 21% to	\$2,118	\$2,687
Loss from ordinary activities after tax attributable to the owners of Zoom2u Technologies Limited	up by 82% to	(\$3,217)	(\$1,768)
Loss for the year attributable to the owners of Zoom2u Technologies Limited	up by 82% to	(\$3,217)	(\$1,768)

Dividends

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

Comments

The loss after income tax expense for the Group for the half-year ended 31 December 2022 amounted to \$3,217,117 (31 December 2021: loss after income tax \$1,767,512).

Normalised EBITDA loss for the Group was \$2,756,413 (31 December 2021: loss after income tax \$1,322,341).

Locate2u, the Company's SaaS product for delivery and services businesses, recorded revenue for the half year ended 31 December 2022 of \$584,941, representing > 300% growth over the prior corresponding period (pcp) revenue of \$141,982. Locate2u now has over 565 customers (including Talcasoft customers).

Zoom2u GMV¹ of \$6,991,699 for the half year ended 31 December 2022 was ~36% lower than the pcp of \$10,908,217. The pcp was significantly and positively impacted by Covid related lockdowns in Sydney and Melbourne which saw a surge in on-line shopping orders and a consequent increase in demand for courier services. Zoom2u's GMV for calendar year 2022 was \$13,550,657, a decrease of ~9% relative to the pcp of \$14,929,607.

Refer to the attached Directors' report section for further explanation.

¹GMV - Gross Marketplace Value, representing the total price of all Deliveries completed through the Platform after cancellations, inclusive of fees paid by Customers to Zoom2u, but excludes any applicable GST

2. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.9	3.8

3. Control gained over entities

Not applicable.

4. Loss of control over entities

Not applicable.

5. Dividends

Current period

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

Previous period

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

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable - Two offshore subsidiaries are not operating and hence accounts have not been prepared.

9. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments Details of attachments (if any):

The Interim Report of Zoom2u Technologies Limited for the half-year ended 31 December 2022 is attached.

11. Signed



_____ Date: 22 February 2023

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Zoom2u Technologies Limited

ABN 23 636 364 246

**Interim report for the half-year period ended
31 December 2022**

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Directors' report For the half-year period ending 31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Zoom2u Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were directors of Zoom2u Technologies Limited during the whole of the financial half-year and up to the date of this report:

Drew Kelton
Steve Orenstein
Mike Rosenbaum
Michael Gayst
Kara-Lyn Nicholls

Principal activities

During the financial half-year, the principal continuing activities of the consolidated entity consisted of:

- a delivery technology platform connecting customers with drivers for fast delivery services; and
- a software as a service (SaaS) product for delivery and services businesses.

Review of operations

The loss after income tax expense for the consolidated entity for the half-year ended 31 December 2022 amounted to \$3,217,117 (31 December 2021: loss after income tax \$1,767,512).

A reconciliation of loss after income tax to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is set out below:

	Consolidated	
	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Loss after tax	(3,217,117)	(1,767,512)
Add: Finance costs	83,369	35,109
Add: Depreciation and amortisation	316,697	67,994
Less: Finance and interest income	(5,712)	(76,066)
EBITDA	(2,822,763)	(1,740,475)
Less: Other income	(11,075)	-
Add: Acquisition and Capital raising costs	77,425	418,134
Normalised EBITDA	(2,756,413)	(1,322,341)

The EBITDA for the consolidated entity for the half-year ended 31 December 2022 was a loss of \$2,822,763. This was impacted by costs associated with the acquisition of the Talcasoft business incurred during the half year of \$77,425. Excluding these costs, EBITDA for the half-year ended 31 December 2022 was a loss of \$2,756,413.

Zoom2u GMV¹ of \$6,991,699 for the half year ended 31 December 2022 was ~36% lower than the prior corresponding period (pcp) of \$10,908,217. The pcp was significantly and positively impacted by Covid related lockdowns in Sydney and Melbourne which saw a surge in on-line shopping orders and a consequent increase in demand for courier services. Zoom2u's GMV for calendar year 2022 was \$13,550,657, a decrease of ~9% relative to the pcp of \$14,929,607.

Group revenue for the half year ended 31 December 2022 was \$2,117,873, a ~21% decline on the pcp revenue of \$2,686,817. The decline was attributed to the lower revenue generated by the Zoom2u business which declined by ~40% from \$2,544,835 in the pcp to \$1,532,932. This was a consequence of:

- lower GMV as described above; and
- a lower overall take rate due to a higher proportion of work being arranged by the Freight Match business at lower margins and a lower take rate on small freight deliveries from the on boarding of a number of enterprise customers.

Locate2u, the Company's SaaS product for delivery and services businesses, recorded revenue for the half year ended 31 December 2022 of \$584,941, representing > 300% growth over the pcp revenue of \$141,982. Locate2u now has over 565 customers (including Talcasoft customers). The focus in recent months has been on upselling existing customers (eg upselling to the premium product or adding additional users) as opposed to signing new customers.

During the half year ended 31 December 2022 the Company made a number of changes to its operations to reduce costs, primarily through labor cost savings and reductions in marketing expenses.

A change in the Locate2u sales and marketing strategy for small businesses has been implemented with marketing moving to a more content based digital marketing and self-service sales model rather than utilising sales representatives responding to inbound leads. This has enabled a reduction in our digital marketing spend and enabled headcount reductions in the Locate2u sales team.

Headcount has been reduced from 115 as at 30 June 2022 to 98 as at 31 December 2022. By the end of January 2023 staff numbers had been reduced to 89. Reductions in headcount for Zoom2u were primarily focused on operations staff whilst for Locate2u the focus was on reducing the size of the sales team, with the remaining sales representatives now focusing on enterprise sales.

As at 31 December 2022 the Company was in a sound financial position with \$5,386,222 in cash (30 June 2022: \$4,259,091).

Significant changes in the state of affairs

On 26 October 2022, the Company terminated the secured uncommitted revolving loan facility with a credit limit of \$1,000,000 with Tradeplus24 Australia Pty Limited.

On 14 October 2022, the Company announced that it had entered into a conditional binding agreement to acquire the assets of Talcasoft, a logistics management software business, for total consideration of \$1,608,399 (excluding GST), comprising \$1,360,000 cash consideration and the issue of 2,666,667 ordinary shares. The acquisition was completed on 7 November 2022. The integration of the Talcasoft business has been successfully completed. The Talcasoft development team has started work on building the desired Talcasoft functionality into the Locate2u product.

The financial position of the consolidated entity was strengthened during the half year ended 31 December 2022 through the raising of \$5,956,500 in new equity and debt finance. The specific sources of finance were:

- a secured loan facility from PURE Asset Management which raised \$4,000,000;

¹ GMV - Gross Marketplace Value, representing the total price of all Deliveries completed through the Platform after cancellations, inclusive of fees paid by Customers to Zoom2u, but excludes any applicable GST

- A placement of an aggregate of 13,636,364 ordinary shares to institutional and wholesale investors and Directors at a price of \$0.11 per ordinary share which raised \$1,500,000; and
- A share purchase plan (SPP) in which existing shareholders subscribed for 4,149,964 ordinary shares, which raised \$456,500.

Other than the above, there were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial period

During the half year ended 31 December 2022, the Group secured a debt facility with PURE Asset Management (PURE). The facility provided \$4,000,000 of finance, which was fully drawn on 7 November 2022. Following 31 December 2022, a 'review event' was identified in relation to the EBITDA covenant in the debt facility (partly as a consequence of transaction costs and termination payments not factored into the forecast model that was used to set the EBITDA covenants for the debt facility). A 'review event' entitles PURE to increase the interest rate on the facility to 14.95%. A 'review event' is distinct from an 'event of default' under the debt facility and does not entitle PURE to demand repayment of the facility or enforce security. PURE remains supportive and as at the date of this report, PURE and Zoom2u are in discussions in relation to the potential waiver of this 'review event' and any required amendments to the debt facility.

There has been no other matter or circumstance that has arisen since 31 December 2022 that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations, or the group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 5. This report is made in accordance with a resolution of directors pursuant to section 306 (3) (a) of the Corporations Act 2001.

On behalf of the directors:



Steve Orenstein
Director

22 February 2023
Sydney

DECLARATION OF INDEPENDENCE BY ELYSIA ROTHWELL TO THE DIRECTORS OF ZOOM2U
TECHNOLOGIES LIMITED

As lead auditor for the review of Zoom2u Technologies Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Zoom2u Technologies Limited and the entities it controlled during the period.



Elysia Rothwell
Director

BDO Audit Pty Ltd

Sydney, 22 February 2023

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For the half-year period ending 31 December 2022

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General information

The financial statements cover Zoom2u Technologies Limited as a consolidated entity consisting of Zoom2u Technologies Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Zoom2u Technologies Limited's functional and presentation currency.

Zoom2u Technologies Limited is a publicly listed company, limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 4, 55 Miller Street,
Pymont NSW 2009

Principal place of business

Level 4, 55 Miller Street,
Pymont NSW 2009

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2023.

**Consolidated statement of profit or loss and other comprehensive income
For the half-year period ending 31 December 2022**

		Consolidated	
	Note	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Revenue	3	2,117,873	2,686,817
Finance income	4	5,712	76,065
Other income	4	11,075	1
Expenses			
Marketing expenses		(497,193)	(663,401)
Employee benefits expense		(2,970,004)	(2,300,693)
Other expenses	5	(1,484,514)	(1,463,198)
Depreciation and amortisation expense		(316,697)	(67,994)
Finance costs	6	(83,369)	(35,109)
Loss before income tax expense		(3,217,117)	(1,767,512)
Income tax expense		-	-
Loss after income tax expense for the half-year		(3,217,117)	(1,767,512)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the year		(3,217,117)	(1,767,512)
Loss attributable to Members of the Parent entity		(3,217,117)	(1,767,512)
Total comprehensive income attributable to Members of the Parent entity		(3,217,117)	(1,767,512)
		Cents	Cents
Earnings per share	18	(1.8)	(1.2)

**Consolidated statement of financial position
As at 31 December 2022**

		Consolidated	
	Note	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Assets			
Current assets			
Cash and cash equivalents		5,386,222	4,259,091
Trade and other receivables	7	744,988	589,758
Inventory		69,241	54,196
Other current assets	8	324,080	132,574
Total current assets		6,524,531	5,035,619
Non-current assets			
Property, plant and equipment	9	161,007	151,229
Right-of-use assets	10	-	23,522
Intangible assets	11	3,492,455	1,712,108
Total non-current assets		3,653,462	1,886,859
Total assets		10,177,993	6,922,478
Liabilities			
Current liabilities			
Trade and other payables	12	1,196,062	1,272,414
Borrowings	14	159,626	-
Lease liability		-	26,884
Other current liabilities	13	9,924	49,824
Employee benefits		183,979	181,841
Total current liabilities		1,549,591	1,530,963
Non-current liabilities			
Borrowings	14	3,328,794	-
Employee benefits		128,196	35,215
Total non-current liabilities		3,456,990	32,215
Total liabilities		5,006,581	1,566,178
Net assets		5,171,412	5,356,300
Equity			
Issued capital	15	20,811,967	18,697,593
Reserves	16	1,782,488	864,634
Accumulated losses		(17,423,043)	(14,205,927)
Total equity		5,171,412	5,356,300

**Consolidated statement of changes in equity
For the half year period ending 31 December 2022**

Consolidated	Issued capital (\$)	Accumulated losses (\$)	Reserves (\$)	Total equity (\$)
Balance at 1 July 2021	9,012,201	(9,302,289)	-	(290,088)
Loss after income tax expense for the half-year	-	(1,767,512)	-	(1,767,512)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(1,767,512)	-	(1,767,512)
Transactions with owners in their capacity as owners:				
Share based payments (see note 16)	-	-	431,112	431,112
Issue of ordinary shares, net of transaction costs (see note 15)	9,685,392	-	-	9,685,392
Balance at 31 December 2021	18,697,593	(11,069,802)	431,112	8,058,904
Consolidated	Issued capital (\$)	Accumulated losses (\$)	Reserves (\$)	Total equity (\$)
Balance at 1 July 2022	18,697,593	(14,205,927)	864,634	5,356,300
Loss after income tax expense for the half-year	-	(3,217,117)	-	(3,217,117)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(3,217,117)	-	(3,217,117)
Transactions with owners in their capacity as owners:				
Share based payments (see note 16)	-	-	364,981	364,981
Warrants reserve (see note 16)	-	-	552,873	552,873
Issue of ordinary shares, net of transaction costs (see note 15)	2,144,374	-	-	2,144,374
Balance at 31 December 2022	20,811,967	(17,423,043)	1,782,488	5,171,412

Consolidated statement of cash flows
For the half year period ending 31 December 2022

	Consolidated	
	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,158,907	2,398,626
Payments to suppliers and employees (inclusive of GST)	(4,824,923)	(4,421,937)
Interest received	5,712	-
Other income	11,075	-
Interest and other finance costs paid	(62,525)	(17,448)
	<hr/>	<hr/>
Net cash used in operating activities	(2,711,754)	(2,040,759)
	<hr/>	<hr/>
Cash flows from investing activities		
Payments for intangibles	(1,756,825)	(1,295,137)
Payments for property, plant and equipment	(33,141)	(42,285)
	<hr/>	<hr/>
Net cash used in investing activities	(1,789,966)	(1,337,422)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from share issue, net of transaction costs	1,821,041	7,448,921
Proceeds from borrowings, net of transaction costs	3,834,694	-
Repayment of lease liabilities	(26,884)	(39,330)
	<hr/>	<hr/>
Net cash from financing activities	5,628,851	7,409,591
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,127,131	4,031,410
Cash and cash equivalents at the beginning of the financial half-year	4,259,091	2,446,484
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	5,386,222	6,477,894
	<hr/>	<hr/>

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting', as appropriate for for-profit oriented entities applying Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2022 and any public pronouncement made by the Company during the interim reporting period in accordance with the continuous disclosure requirement of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Where necessary, the figures from the prior period have been reclassified to facilitate comparison.

New or amended Accounting Standards and Interpretations adopted

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

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

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity derives revenue from contracts with its clients through its two operating segments:

- Zoom2u and 2u Enterprises; and
- Locate2u.

Zoom2u and 2u Enterprises provide delivery and tracking services to customers via an internally developed platform which allows customers to arrange for the delivery of items which are allocated to the closest driver. Fees earned include a fixed booking fee charged to customers and a platform fee charged to drivers. This segment also includes other revenue from the Shred2u business, ad hoc web development services and bespoke distribution operations.

Locate2u derives revenue from clients paying a monthly subscription fee for access to the Locate2u SaaS product which allows clients to manage their own portfolio of drivers and optimise delivery routes. The recently acquired Talcasoft business is included in the Locate2u segment.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The CODM reviews revenue and net profit / (loss) before tax.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis. The CODM does not regularly review segment assets and segment liabilities. Refer to statement of financial position for assets and liabilities.

Notes to the financial statements
For the half year period ending 31 December 2022



Operating segment information

	Zoom2u and 2u Enterprises		Locate2u		Total	
	31 Dec 2022 (\$)	31 Dec 2021 (\$)	31 Dec 2022 (\$)	31 Dec 2021 (\$)	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Revenue from external customers	1,532,932	2,544,835	584,941	141,982	2,117,873	2,686,817
Segment result	64,972	1,011,121	(1,882,567)	(928,127)	(1,817,595)	82,994
Unallocated corporate expenses					(1,321,865)	(1,891,462)
Finance and other income / (costs)					(77,657)	40,956
Net loss before tax					(3,217,117)	(1,767,512)

Note 3. Revenue

Consolidated
31 Dec 2022 (\$) **31 Dec 2021 (\$)**

Revenue from contracts with customers

Sales of GPS units	123,870	14,582
Rendering of services	1,994,003	2,672,235
Total revenue	2,117,873	2,686,817

Disaggregation of revenue

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

Geographical regions

Australia	2,117,873	2,686,817
Total revenue	2,117,873	2,686,817

Timing of revenue recognition

At a point in time	123,870	14,582
Over time	1,994,003	2,672,235
Total revenue	2,117,873	2,686,817

Type of contract

Courier services	1,409,505	2,353,610
Shredding services	123,427	72,574
Software license fees	401,611	127,400
Sales of GPS units	123,870	14,582
Website development and other services	59,460	118,651
Total revenue	2,117,873	2,686,817

Notes to the financial statements
For the half year period ending 31 December 2022



Note 4. Finance and other income

	Consolidated	
	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Fair value gain on derivative financial instruments	-	76,064
Interest income	5,712	1
Total finance income	5,712	76,065
Gain on disposal of property, plant and equipment	11,075	-
Total other income	11,075	-

Note 5. Other expenses

	Consolidated	
	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Cost of sales - 2u Enterprises	93,292	26,054
Cost of sales - Locate2u	146,140	38,165
Cost of sales - Talcasoft	2,147	-
Merchant fees and credit checks	54,062	72,643
Consulting and professional fees	218,074	533,238
Office and related expenses	88,725	58,190
Telecommunications and internet expenses	89,125	106,944
Software and subscription expenses	353,498	209,268
Insurance	164,962	117,624
Sundry expenses	274,489	301,071
Total other expenses	1,484,514	1,463,198

Note 6. Finance costs

	Consolidated	
	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Interest and finance charges paid/payable on lease liabilities	-	1,546
Interest expense	83,369	33,563
Total finance costs	83,369	35,109

Note 7. Trade and other receivables

	Consolidated	
	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Trade receivables	784,545	592,998
Provision for expected credit losses	(12,200)	(10,000)
	772,345	582,998
GST (payable) / receivable	(27,357)	6,760
Total current trade and other receivables	744,988	589,758

Note 8. Other current assets

	Consolidated	
	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Prepayments	273,330	82,944
Accrued income	29,850	28,730
Other	20,900	20,900
Total other current assets	324,080	132,574

**Notes to the financial statements
For the half year period ending 31 December 2022**



Note 9. Property, plant and equipment

	Consolidated	
	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Motor vehicles		
At cost	30,401	32,092
Accumulated depreciation	(462)	(11,167)
	29,939	20,925
Office equipment		
At cost	45,230	45,230
Accumulated depreciation	(24,148)	(21,647)
	21,082	23,583
Computer equipment		
At cost	175,881	128,685
Accumulated depreciation	(65,895)	(21,964)
	109,986	106,721
Total property, plant and equipment	161,007	151,229

Note 10. Right-of-use assets

	Consolidated	
	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Right-of-use asset - At cost	211,693	211,693
Accumulated depreciation	(211,693)	(188,171)
Total right-of-use assets	-	23,522

The right-of-use asset related to the lease on the Company's head office at Pyrmont, New South Wales, which expired in November 2022. The premises are now being occupied on a month-to-month basis.

Note 11. Intangible assets

	Consolidated	
	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Goodwill - at cost	438,000	250,000
Accumulated impairment losses	-	-
Net carrying value	438,000	250,000
Customer list – at cost	757,500	450,000
Accumulated amortisation and impairment losses	(87,325)	(42,137)
Net carrying value	670,175	407,863
Software acquired – at cost	1,494,077	350,000
Accumulated amortisation and impairment losses	(160,130)	(39,326)
Net carrying value	1,333,947	310,674
Developed software – at cost	1,169,777	769,197
Accumulated amortisation and impairment losses	(181,976)	(81,449)
Net carrying value	987,801	687,748
Trademarks – at cost	69,830	59,828
Accumulated amortisation and impairment losses	(7,298)	(4,005)
Net carrying value	62,532	55,823
Total intangible assets	3,492,455	1,712,108

On 7 November 2022, the Company completed the acquisition of the Talcasoft transport management software business. The acquisition included all of the assets required to operate the Talcasoft business including the Intellectual Property in its software products and customer contracts. Refer to note 19 for additional detail.

Note 12. Trade and other payables

	Note	Consolidated	
		31 Dec 2022 (\$)	30 Jun 2022 (\$)
Trade payables		736,704	805,814
Accrued expenses		162,732	245,161
Deferred revenue		20,353	19,045
Phantom equity plan liability	(a)	31,384	46,451
Other payables		244,889	155,943
Total trade and other payables		1,196,062	1,272,414

(a) Phantom equity plan

The Company has established a Phantom equity plan (PEP) for staff who have not been allocated securities in the Company's ESOP (see note 17), including offshore staff. The purpose of the PEP is allow participants to obtain an indirect economic interest in the pursuit of the growth, development, profitability and financial success of the Company.

The PEP gives participants an opportunity to acquire notional shares (Phantom Shares) that tracks the value of underlying shares, as traded on the ASX.

The expense related to the PEP is included within employee benefit expense in the consolidated statement of profit or loss and other comprehensive income, with a corresponding liability to reflect the future cash-settled obligation.

As at 31 December 2022, 1,429,000 Phantom Shares had been granted to employees. The Phantom Shares were issued on 13 September 2021 and 31 January 2022.

Fair Value Measurement

The assessed fair value at issue date of Phantom Shares granted during the half year ended 31 December 2022 was approximately \$0.022 per Phantom Share.

The model inputs for valuing Phantom Shares as at 31 December 2022 included:

- Phantom Shares are granted for no consideration and vest based on conditions related to retention or performance conditions being achieved;
- An exercise price of \$0.20 per Phantom Share and a price cap of \$0.50 per Phantom Share;
- Phantom Shares being exercisable for a period of 36 months from the issue date, which was, for most participants, around 13 September 2021; and
- expected price volatility of the Company's shares of 80%. The expected price volatility is based on the historic volatility of a group of peer companies.

Note 13. Other current liabilities

	Consolidated	
	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Other current liabilities	9,924	49,824
Total Other current liabilities	9,924	49,824

Amount owed to the ATO in relation to the settlement of a historical dispute. The amount owing is being repaid to the ATO over a period agreed with the ATO.

Note 14. Borrowings

	Consolidated	
	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Borrowing - current		
Borrowings – Lease finance	7,043	-
Borrowings – Other	152,583	-
Total current borrowings	159,626	-
Borrowing – non-current		
Borrowings – Lease finance	26,129	-
PURE Asset Management loan facility	4,000,000	-
Fair value of attaching warrants ¹	(576,706)	-
Transaction costs ¹	(141,473)	-
	3,307,950	-
Amortisation of finance component	20,844	-
Total non-current borrowings	3,328,794	-

1. The fair value of long term borrowings provided by PURE Asset Management are based on cash flows discounted using an effective market discount rate available to the Group. The fair values of attaching warrants (\$576,706) and transaction costs (\$141,473) have been capitalised and are to be amortised over the life of the borrowings, which in effect discounts the face value of the borrowings of \$4,000,000. The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability. The loan has a term of 4 years and a fixed interest rate of 9.95% per annum.

Notes to the financial statements
For the half year period ending 31 December 2022



Note 15. Issued capital

	31 Dec 2022 (Shares)	30 Jun 2022 (Shares)	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Ordinary shares - fully paid	193,785,927	173,332,932	20,811,967	18,697,593

Movements in ordinary share capital		Date	Shares (Number)	Issue price (\$)	Total (\$)
Balance			173,332,932		18,697,593
Share capital issued	(a)	20 October 2022	12,000,000	0.11	1,320,000
Share capital issued	(b)	7 November 2022	2,666,667	0.11	293,333
Share capital issued	(c)	17 November 2022	4,149,964	0.11	456,500
Share capital issued	(d)	8 December 2022	1,636,364	0.11	180,000
Less: capital raising costs					(135,459)
Balance			193,785,927		20,811,967

- (a) On 20 October 2022, the Company issued 12,000,000 fully paid ordinary shares (at a price of A\$0.11 per share) to raise \$1,320,000 from an equity placement to institutional and wholesale investors.
- (b) On 7 November 2022, the Company issued 2,666,667 fully paid ordinary shares as part consideration for the acquisition of the Talcasoft business.
- (c) On 17 November 2022, the Company issued 4,149,964 fully paid ordinary shares (at a price of A\$0.11 per share) to participants in the Company's SPP raising \$456,500. The Company divided the value of each applicant's investment by the issue price of \$0.11 in order to determine the number of SPP shares that would be issued to each investor. If this calculation produced a fractional number, the number of SPP Shares issued was rounded down to the nearest whole SPP share.
- (d) On 8 December 2022, the Company issued 1,636,364 fully paid ordinary shares (at a price of A\$0.11 per share) raising \$180,000 to the Directors of the Company. Shareholder approval for the issue of these shares was obtained pursuant to ASX Listing Rule 10.11 at the Company's 2022 Annual General Meeting held on 30 November 2022.

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

Note 16 Reserves

	Note	31 Dec 2022 (\$)	30 Jun 2022 (\$)
Employee share option plan	(a)	1,053,456	693,067
New employee share option plan	(b)	9,979	5,387
Lead manager options	(c)	166,180	166,180
Warrants reserve	(d)	552,873	-
Total		1,782,488	864,634

The assessed fair value at issue date of share based payment securities has been determined using either a Black-Scholes Model, or a Monte Carlo simulation model that takes into account the exercise price, any price cap on the securities, the term of the securities, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the securities and the correlations and volatilities of a group of peer companies. The valuations determined has been adjusted to reflect the likelihood of vesting conditions being met.

(a) Employee Share Option Plan

The Company has established an umbrella equity based long term employee option plan (ESOP) to assist in the attraction, motivation, retention and reward of key management personnel, and other eligible employees. Under the rules of the ESOP, the Board has a discretion to offer options to acquire shares (Options) to senior management, Directors or other nominated key employees subject to service based conditions and/or performance hurdles. Once vested, the Options remain exercisable for a period of 60 months from the issue date. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable each Option is convertible into one ordinary share. The exercise price of Options is \$0.20 per share.

The expense related to the Employee Share Option Plan is included within employee benefit expense in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, 21,237,510 Options had been granted to eligible employees. These Options all had an issue date of 10 September 2021.

Fair Value Measurement

The assessed fair value at issue date of Options granted under the ESOP was approximately \$0.126 per option for options subject to service-based conditions and certain options subject to performance hurdles, whilst other options subject to performance hurdles were valued at \$0.102 per option.

The model inputs for Options granted under the ESOP included:

- Options are granted for no consideration and vest based on conditions related to Service Conditions and Performance Conditions as outlined in the Company's IPO prospectus;
- an exercise price of \$0.20 per Option;
- Options being exercisable for a period of 60 months from the issue date, which was 10 September 2021;
- expected price volatility of the Company's shares of 80%. The expected price volatility is based on the historic volatility of a group of peer companies; and
- a risk-free interest rate of 0.4%, consistent with the yield on a 10 year Commonwealth Government Bond at around the issue date.

(b) New Employee Share Option Plan

In general terms, the existing ESOP entitles participants to defer taxation in connection with options that have been granted until the shares the subject of the options are ultimately disposed of. This scheme takes advantage of the "start-up concession". The "start-up concession" is only available in connection with unlisted entities. Following the Company's listing on the ASX, it is not possible to have new participants to a scheme that takes advantage of this concession. The New Employee Option Plan is intended to take advantage of other concessions in the tax law and enable new participants to defer taxation until the time at which the options granted under the scheme are ultimately exercised.

Accordingly, the Company has established a New Employee Option Plan (New ESOP). Similarly, the purpose of the New ESOP is to provide eligible employees with an opportunity to acquire Options. By doing so, the Plan seeks to provide eligible employees with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company and its returns to Shareholders. The New ESOP is also intended to assist the Company to attract and retain skilled and experienced employees and provide them with an incentive to have a greater involvement with and focus on the longer-term goals of the Company.

As at 31 December 2022, 987,791 Options had been granted to eligible employees under the New ESOP. These Options were approved at the Company's Annual General meeting (AGM) on 30 November 2022 and had an issue date of 8 December 2022.

Fair Value Measurement

The assessed fair value at issue date of Options granted under the New ESOP was approximately \$0.039 per option for options subject to service-based conditions, whilst options subject to performance hurdles were valued at \$0.02 per option.

The model inputs for Options granted under the ESOP included:

- Options are granted for no consideration and vest based on conditions related to service conditions and performance conditions as outlined in the notice of meeting for the Company's 2022 Annual General Meeting;
- an exercise price of \$0.35 per Option;
- Options being exercisable for a period of 849 days from the issue date, being the date the options were approved at the Company's AGM being 30 November 2022 and 27 March 2025, which is the date on which vesting of these options will be complete;
- expected price volatility of the Company's shares of 80%. The expected price volatility is based on the historic volatility of a group of peer companies; and
- a risk-free interest rate of 3.53%, consistent with the yield on a 10 year Commonwealth Government Bond at around the issue date.

(c) Lead Manager Options

The Company has issued a total of 2,000,000 unlisted options to Foster Stockbroking Pty Ltd with an exercise price of \$0.30 per Share, equal to a 50% premium to the IPO price, and with an expiry date of 3 years from 10 September 2021 (Lead Manager Options). The Lead Manager Options vested on 10 September 2021.

As at 31 December 2021, 2,000,000 Lead Manager Options were on issue.

The expense related to the Lead Manager Options which occurred on the vesting date, was included within other expenses in the consolidated statement of profit or loss and other comprehensive income in the comparative period.

Fair Value Measurement

The assessed fair value at issue date of Lead Manager Options granted during the half year ended 31 December 2021 was approximately \$0.083 per Phantom Share.

The model inputs for Lead Manager Options granted during the half year ended 31 December 2021 included:

- Lead Manager Options were granted for no consideration and vested on 10 September 2021;
- an exercise price of \$0.30 per Option;
- Options being exercisable for a period of 36 months from the issue date, which was 10 September 2021;
- expected price volatility of the Company's shares of 80%. The expected price volatility is based on the historic volatility of a group of peer companies; and
- a risk-free interest rate of 0.2%, consistent with the yield on a 3 year Commonwealth Government Bond at around the issue date.

(d) Warrants Reserve

The proceeds received on issue of the PURE loan facility are allocated into a liability and equity component. The amount initially attributed to the debt component equals the discounted cashflows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently the debt component is accounted for as a financial liability measured at amortised cost until extinguished on maturity.

The remainder of the proceeds are allocated to the conversion option and is recognised in the "Warrant Reserve" within shareholders' equity, net of income tax.

Note 17. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2022 and 30 June 2022.

Note 18. Earnings per share

	Consolidated	
	31 Dec 2022 (\$)	31 Dec 2021 (\$)
Loss after income tax attributable to the owners of Zoom2u Technologies Ltd	(3,217,117)	(1,767,512)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	180,008,121	152,082,937
	Cents	Cents
Basic and diluted earnings per share	(1.8)	(1.2)

Note 19. Business combinations

TalcaSoft's technology platform - created specifically for the freight sector - enables customers to manage data to allocate transport jobs faster, calculate delivery charges to customers (job pricing), and organise workflow responsibilities.

On 14 October 2022, the Company (through its subsidiary, TalcaSoft Australia Pty Ltd) entered into a conditional business sale and purchase deed (SPA) for the acquisition of the TalcaSoft transport management

Notes to the financial statements
For the half year period ending 31 December 2022



software business from Saclat Pty Ltd, Saclat Pty Ltd as trustee for the Saclat Unit Trust, Blue Data Pty Ltd as trustee for the Saclat Family Trust and Blue Data Pty Ltd as trustee for the JAR Family Trust (Vendors). The acquisition completed on 7 November 2022.

Pursuant to the SPA, the Company acquired the assets associated with the Talcasoft transport management software business. The agreement included the acquisition of all of the assets required to operate the Talcasoft business including the Intellectual Property in its software products.

The business was acquired for total consideration transferred valued at \$1,608,939, being \$1,360,000 in cash less a completion adjustment of \$44,394 plus \$293,333 in Zoom2u shares (2,666,667 shares at a closing price on the issue date of \$0.11 per share).

The acquired business contributed revenues of \$111,157 to the consolidated entity for the period from 7 November 2022 to 31 December 2022.

The values identified below in relation to the acquisition of the Talcasoft business are final as at 31 December 2022.

	Fair value
	\$
Plant and equipment	10,000
Customer contracts	307,500
Software	1,144,077
Employee entitlements	<u>(40,638)</u>
Net identifiable assets acquired	1,420,939
Goodwill	<u>188,000</u>
Acquisition-date fair value of the total consideration transferred	<u><u>1,608,939</u></u>
Representing:	
Cash paid to vendors	1,360,000
Shares issued to vendors	293,333
Completion adjustment, cash received	<u>(44,394)</u>
Total consideration transferred	<u><u>1,608,939</u></u>

Note 20. Events after the reporting period

During the half year ended 31 December 2022, the Group secured a debt facility with PURE Asset Management (PURE). The facility provided \$4,000,000 of finance, which was fully drawn on 7 November 2022. Following 31 December 2022, a 'review event' was identified in relation to the EBITDA covenant in the debt facility (partly as a consequence of transaction costs and termination payments not factored into the forecast model that was used to set the EBITDA covenants for the debt facility). A 'review event' entitles PURE to increase the interest rate on the facility to 14.95%. A 'review event' is distinct from an 'event of default' under the debt facility and does not entitle PURE to demand repayment of the facility or enforce security. PURE remains supportive and as at the date of this report, PURE and Zoom2u are in discussions in relation to the potential waiver of this 'review event' and any required amendments to the debt facility.

There has been no other matter or circumstance that has arisen since 31 December 2022 that has significantly affected or may significantly affect the consolidated entity's operations, the results of those operations, or the group's state of affairs in future financial years.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting framework.
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Steve Orenstein

Director

22 February 2023

Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Zoom2u Technologies Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Zoom2u Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature of the BDO logo in blue ink.

A handwritten signature in blue ink that reads 'Elysia Rothwell'.

Elysia Rothwell
Director

Sydney, 22 February 2023

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