SOCO Corporation Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	SOCO Corporation Ltd
ABN:	61 660 362 201
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	7.1%	to	9,966,272
Loss from ordinary activities after tax	down	442.4%	to	(876,314)
Loss for the half-year	down	442.4%	to	(876,314)

Dividends

	Amount per security Cents	Franked amount per security Cents
Fully franked final dividend for the year ended 30 June 2023	0.50	0.50

Comments

On 1 November 2023, SOCO completed the acquisition of AxSym Technology Pty Ltd ('AxSym'). AxSym is performing well and ahead of expectations. One-off acquisition costs associated with the purchase totalled $541,608 (before tax).

With the inclusion of AxSym for November and December, revenue for the half-year ended 31 December 2023 was $9,966,272, up 7.1% from $9,302,363 in the previous corresponding period, but down 14.5% when AxSym revenues of $2,010,150 are excluded.

Operating EBITDA of $124,059 (prior to significant items) was down 92.2% on the previous financial year of $1,590,449.

After depreciation and amortisation, interest, and significant items are deducted, the statutory net loss after tax for the financial year was $876,314.

The softer than expected sales in 1H24 meant lower staff utilisation levels which directly impacted Operating EBITDA during the period. This was due to a number of factors including delays on some client project starts, some clients scaling back spending on projects, and the Company not converting certain opportunities into formal contracts.

The Company is expecting an improved second half to the financial year with a number of new projects scheduled to start in Q3, along with some project starts that were delayed from 1HY24. As such it is expected that 2H24 will deliver revenue and Operating EBITDA improvements on 1H24.

The Company has a cash balance of $2,747,568 at 31 December 2023, as well as a strong cash conversion cycle. In addition, a $3,000,000 undrawn debt facility has been established.

The directors consider Operating Earnings Before Interest and Tax ('EBIT') to reflect the core earnings of the Group. Operating EBIT is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items. The Group's reconciliation of its statutory net profit after tax ('NPAT') for the current and previous year to Operating EBIT is as follows:

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	31 Dec 2023 $	31 Dec 2022 $
Revenue	9,966,272	9,302,363
Operating EBITDA[2]	124,059	1,590,449
Depreciation and amortisation	(241,138)	(144,943)
Operating EBIT[1]	(117,079)	1,445,506
Net interest expense	(19,335)	(3,257)
Net (loss)/profit before income tax and significant items	(136,414)	1,442,249
Significant items:		
IPO expense	-	(889,788)
Acquisition cost	(541,608)	-
Public company cost	(219,560)	(56,671)
Share-based remuneration	(85,402)	(82,640)
Net (loss)/profit before income tax expense	(982,984)	413,150
Income tax benefit/(expense)	106,670	(157,216)
Net (loss)/profit after income tax expense	(876,314)	255,934

(1) Operating EBIT is a non-IFRS metric and is calculated as net profit/(loss) before interest, IPO expense, acquisition cost, public company cost, share-based remuneration, and taxes. These measures, which are unaudited, are important to management as an additional way to evaluate the Group's performance.

(2) Operating EBITDA is Operating EBIT before depreciation and amortisation.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1.62)	4.10

Calculated as follows:

	31 Dec 2023 $	31 Dec 2022 $
Net assets	7,759,418	5,184,110
Less: Intangibles	(9,989,195)	(6,982)
Net tangible assets	(2,229,777)	5,177,128

	31 Dec 2023 Number of shares	31 Dec 2022 Number of shares
Total shares issued at period end	137,977,135	126,265,000

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4. Control gained over entities

Name of entities (or group of entities)	AxSym Technology Pty Ltd
Date control gained	1 November 2023

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	68,483
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Fully franked final dividend for the year ended 30 June 2023	0.50	0.50

Previous period

	Amount per security Cents	Franked amount per security Cents
Fully franked dividend to Founding Shareholders	3.12	3.12

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

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10. 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.

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11. Attachments

Details of attachments (if any):

The Interim Report of SOCO Corporation Ltd for the half-year ended 31 December 2023 is attached.

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12. Signed



Signed _____ Date: 23 February 2024

Stephen Parks
Chief Financial Officer and Company Secretary
Brisbane

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SOCO Corporation Ltd

ABN 61 660 362 201

Interim Report - 31 December 2023

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SOCO Corporation Ltd
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31 December 2023

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SOCO Corporation Ltd (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 2023.

Directors
The following persons were Directors of SOCO Corporation Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Thomas Stianos - Chair
Khatiza Brown
Sebastian Rizzo
Thomas Rock

Principal activities
During the financial half-year the principal activities of the Group was as an IT consultancy business, specialising in the delivery of cloud solutions, business applications and integration projects with a focus on Microsoft solutions.

Dividends
Dividends paid during the financial half-year were as follows:

	31 Dec 2023 $	31 Dec 2022 $
Final dividend for the year ended 30 June 2023 of 0.5 cents per ordinary share, fully franked	636,312	-
Franked ordinary dividend of 3.12 cents per share to Founding Shareholders	-	3,125,273
	636,312	3,125,273

Review of operations
On 1 November 2023, SOCO completed the acquisition of AxSym Technology Pty Ltd ('AxSym'). AxSym is performing well and ahead of expectations. One-off acquisition costs associated with the purchase totalled $541,608 (before tax).

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Significant items:		
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(2) Operating EBITDA is Operating EBIT before depreciation and amortisation.

Funding and Liquidity

The Group has net current liabilities of $199,243. Included in current liabilities are contract liabilities of $380,413 being services that have been prepaid as at 31 December 2023 and which are expected to be performed over the next six months. In addition, the Group has an undrawn debt facility of $3,000,000 at 31 December 2023 which it is expected to be utilised to fund the current liability for contingent consideration of $1,415,675 relating to the acquisition of AxSym Technology Pty Ltd.

Based on its cash reserves, undrawn finance facilities and expected ongoing earnings, the Group is comfortable it has sufficient funding capacity to continue to grow the business organically and meet all its obligations.

Business risks

SOCO Corporation Ltd ('SOCO') is subject to risks that are specific to the Group and risks that are of a general nature. All these risks may threaten both the current and future operating and financial performance of the Group. A number of these risks are beyond the control and influence of the Directors and management of SOCO, but the Group has mitigation strategies in place to manage the impact of these risks should they occur. The material risks and how they are managed are presented below.

Competition

The Group believes it has a competitive business model however there is a risk that existing competitors or new entrants may emerge in the market. These competitors may disrupt the market with increased marketing activities, and more competitive pricing. The ability to attract new clients will in part depend on SOCO's reputation along with its ability to communicate the value and security that it offers. As a people business, SOCO seeks to maintain competitive advantage by creating an exceptional employment experience for the SOCO team. In addition, the Group has widened its footprint to include offices in Sydney, Melbourne and Perth.

Ability to attract and retain key personnel

The Group's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments and achieve forecast revenues. Additionally, increases in recruitment and salary costs may adversely impact upon the financial performance of the Group. The Group seeks to attract and retain key talent through maintaining a rewarding and flexible workplace as evidenced by SOCO achieving a Great Place to Work score of 97% in June 2023.

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Law and regulatory compliance
The Group is required to maintain compliance with all applicable laws and regulations. These include requirements related to various Australian employment laws and policies, such as the Fair Work Act 2009 (Cth). Failure to comply with such laws and regulations could result in regulatory action or other claims which could have an adverse impact on SOCO's reputation, financial performance and profitability. SOCO has management processes and quality assurance processes in place to manage compliance with applicable laws and regulations.

Reliance on Microsoft platform
SOCO is focused on the Microsoft platform. If this ecosystem is compromised, Microsoft's reputation is negatively impacted, or if the Federal Government were to change or distance its investment with Microsoft's technology platform, this could negatively affect SOCO's financial results. SOCO would seek to mitigate this through assessing other platforms that may evolve as a result and leverage its reputation with existing clients.

General economic conditions
SOCO's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions could have an adverse impact on the Group's operating and financial performance. The Group has a strong balance sheet and maintains a conservative cash position to support the Group if required.

Significant changes in the state of affairs
On 24 October 2023, the Group announced that it had entered into a binding agreement for the acquisition of 100% of the issued shares in Axsym Technology Pty Ltd ('AxSym'). AxSym is a Canberra-based information technology consultancy with a federal government focus, with clients including Defence, Foreign Affairs and National Security agencies. AxSym also brings success in the New South Wales state government sector, delivering services to the NSW Rural Fire Service. The purchase price includes $4,251,010 in cash, funded from the Company's available cash on hand, and $2,678,688 in SOCO ordinary shares with 10,714,753 shares issued at 25.0 cents per share. In addition, contingent consideration of up to $3,393,000 ($1,696,500 relating to FY24 performance and $1,696,500 relating to FY25 performance) is payable in cash, subject to AxSym achieving agreed EBITDA targets based on audited EBITDA results for FY24 and FY25.

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

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



Thomas Stianos
Chair

23 February 2024
Brisbane

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DECLARATION OF INDEPENDENCE BY R J LIDDELL TO THE DIRECTORS OF SOCO CORPORATION LTD

As lead auditor for the review of SOCO Corporation Ltd for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of SOCO Corporation Ltd and the entities it controlled during the period.

R J Liddell

Director

BDO Audit Pty Ltd

Brisbane, 23 February 2024

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

SOCO Corporation Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	31 Dec 2023 $	31 Dec 2022 $
Revenue			
Revenue from contracts with customers		9,966,272	9,302,363
Cost of providing services		(7,744,154)	(5,810,905)
Gross margin		2,222,118	3,491,458
Other revenue			
Interest revenue calculated using the effective interest method		57,496	745
Expenses			
Depreciation and amortisation expense	5	(241,138)	(144,943)
Loss on disposal of assets		(3,918)	-
Selling and marketing expense		(222,108)	(167,989)
Occupancy expense		(90,324)	(51,159)
General and administrative expense		(2,086,671)	(1,821,172)
Acquisition costs	10	(541,608)	-
Initial Public Offer costs		-	(889,788)
Finance costs	5	(76,831)	(4,002)
(Loss)/profit before income tax benefit/(expense)		(982,984)	413,150
Income tax benefit/(expense)		106,670	(157,216)
(Loss)/profit after income tax benefit/(expense) for the half-year		(876,314)	255,934
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(876,314)	255,934
		Cents	**Cents**
Basic earnings per share	11	(0.67)	0.26
Diluted earnings per share	11	(0.67)	0.26

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

SOCO Corporation Ltd
Consolidated statement of financial position
As at 31 December 2023

	Note	31 Dec 2023 $	30 Jun 2023 $
Assets			
Current assets			
Cash and cash equivalents		2,747,568	6,488,826
Trade and other receivables		2,255,889	1,728,700
Other assets		272,221	355,978
Total current assets		5,275,678	8,573,504
Non-current assets			
Property, plant and equipment		227,517	240,889
Right-of-use assets		25,608	102,432
Intangibles	6	9,989,195	6,982
Deferred tax		-	413,164
Total non-current assets		10,242,320	763,467
Total assets		15,517,998	9,336,971
Liabilities			
Current liabilities			
Trade and other payables		2,519,047	1,205,492
Contract liabilities		380,413	333,599
Lease liabilities		27,086	106,091
Income tax		409,785	316,291
Employee benefits		722,915	657,360
Contingent consideration	10	1,415,675	-
Total current liabilities		5,474,921	2,618,833
Non-current liabilities			
Trade and other payables		45,930	-
Deferred tax		705,739	-
Employee benefits		349,304	228,770
Contingent consideration	9	1,182,686	-
Total non-current liabilities		2,283,659	228,770
Total liabilities		7,758,580	2,847,603
Net assets		7,759,418	6,489,368
Equity			
Issued capital	7	8,014,872	5,245,411
Reserves		252,636	239,421
Retained profits/(accumulated losses)		(508,090)	1,004,536
Total equity		7,759,418	6,489,368

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

SOCO Corporation Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	96	-	2,647,586	2,647,682
Profit after income tax expense for the half-year	-	-	255,934	255,934
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	255,934	255,934
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	5,239,565	-	-	5,239,565
Share-based payments (note 12)	-	166,203	-	166,203
Dividends paid (note 8)	-	-	(3,125,273)	(3,125,273)
Balance at 31 December 2022	5,239,661	166,203	(221,753)	5,184,111

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2023	5,245,411	239,421	1,004,536	6,489,368
Loss after income tax benefit for the half-year	-	-	(876,314)	(876,314)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(876,314)	(876,314)
Transactions with owners in their capacity as owners:				
Issue of ordinary shares as consideration for a business combination, net of transaction costs (note 7)	2,664,775	-	-	2,664,775
Share-based payments (note 12)	-	85,402	-	85,402
Exercise of options (note 7)	41,885	(9,386)	-	32,499
Exercise of performance rights (note 7)	62,801	(62,801)	-	-
Dividends paid (note 8)	-	-	(636,312)	(636,312)
Balance at 31 December 2023	8,014,872	252,636	(508,090)	7,759,418

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

SOCO Corporation Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	31 Dec 2023 $	31 Dec 2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		11,377,083	9,831,099
Payments to suppliers and employees (inclusive of GST)		(10,736,526)	(9,111,337)
		640,557	719,762
Interest received		57,496	745
Interest and other finance costs paid		(76,831)	(4,002)
Income taxes paid		(341,729)	(492,375)
Net cash from operating activities		279,493	224,130
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	10	(3,315,876)	-
Payments for property, plant and equipment		(13,304)	(73,419)
Proceeds from release of security deposits		5,160	-
Net cash used in investing activities		(3,324,020)	(73,419)
Cash flows from financing activities			
Proceeds from issue of shares	7	32,499	5,000,000
Share issue transaction costs		(13,913)	(393,893)
Dividends paid	8	(636,312)	(2,706,725)
Repayment of lease liabilities		(79,005)	(70,417)
Net cash (used in)/from financing activities		(696,731)	1,828,965
Net (decrease)/increase in cash and cash equivalents		(3,741,258)	1,979,676
Cash and cash equivalents at the beginning of the financial half-year		6,488,826	2,807,390
Cash and cash equivalents at the end of the financial half-year		2,747,568	4,787,066

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

Note 1. General information

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

SOCO Corporation Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 1 172 Evans Road Salisbury QLD 4107	Level 4 120 Edward Street Brisbane QLD 4000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 February 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7.67 years.

Brand name
Brand name acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 year.

Non-compete
Non-compete acquired in a business combination is amortised on a straight-line basis over the period of the expected benefit, being the finite life of 4 years.

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Note 2. Material accounting policy information (continued)

Contingent consideration
Contingent consideration is initially recognised at the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate that the target will be achieved and is discounted using the Group incremental borrowing rate. Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequent remeasured to fair value with changes in fair value recognised in profit or loss.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Funding and Liquidity
The Group has net current liabilities of $199,243. Included in current liabilities are contract liabilities of $380,413 being services that have been prepaid as at 31 December 2023 and which are expected to be performed over the next six months. In addition, the Group has an undrawn debt facility of $3,000,000 at 31 December 2023 which it is expected to be utilised to fund the current liability for contingent consideration of $1,415,675 relating to the acquisition of AxSym Technology Pty Ltd.

Based on its cash reserves, undrawn finance facilities and expected ongoing earnings, the Group is comfortable it has sufficient funding capacity to continue to grow the business organically and meet all its obligations.

Note 3. Operating segments

Identification of reportable operating segments
The Group is organised into one operating segment as the Group operated mainly in Australia and in one industry being the supply of IT consulting services. This assessment is 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. Accordingly, the information provided reflects the one operating segment.

The CODM reviews EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	31 Dec 2023 $	31 Dec 2022 $
(Loss)/profit after income tax expense for the year	(876,314)	255,934
Income tax (benefit)/expense	(106,670)	157,216
Net interest expense	19,335	3,257
EBIT	(963,649)	416,407
Depreciation and amortisation expense	241,138	144,943
EBITDA	(722,511)	561,350

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Note 4. Revenue from contracts with customers

	31 Dec 2023 $	31 Dec 2022 $
Provision of IT consulting services	9,264,479	8,465,063
Sale of software licences	701,793	837,300
	9,966,272	9,302,363

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

	31 Dec 2023 $	31 Dec 2022 $
Geographical regions		
Australia	9,966,272	9,302,363
Timing of revenue recognition		
Services transferred over time	9,264,479	8,465,063
Licences transferred at a point in time	701,793	837,300
	9,966,272	9,302,363

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Note 5. Expenses

	31 Dec 2023 $	31 Dec 2022 $
(Loss)/profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	4,643	4,617
Furniture, fixtures and fittings	1,078	1,346
Office equipment	47,725	68,606
Buildings right-of-use assets	76,824	70,374
Total depreciation	130,270	144,943
Amortisation		
Customer relationships	86,952	-
Brand name	10,000	-
Non-Compete	13,916	-
Total amortisation	110,868	-
Total depreciation and amortisation	241,138	144,943
Finance costs		
Interest and finance charges paid/payable on other liabilities	74,990	335
Interest and finance charges paid/payable on lease liabilities	1,841	3,667
Finance costs expensed	76,831	4,002
Leases		
Short-term lease payments	81,329	37,834
Superannuation expense		
Defined contribution superannuation expense	124,166	120,051
Share-based payments expense		
Share-based payments expense	85,402	29,640

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Note 6. Intangibles

	31 Dec 2023 $	30 Jun 2023 $
Non-current assets		
Goodwill - at cost	5,699,081	-
Trademarks - at cost	6,982	6,982
Customer relationships - at cost	4,000,000	-
Less: Accumulated amortisation	(86,952)	-
	3,913,048	-
Brand name - at cost	60,000	-
Less: Accumulated amortisation	(10,000)	-
	50,000	-
Non-Compete - at cost	334,000	-
Less: Accumulated amortisation	(13,916)	-
	320,084	-
	9,989,195	6,982

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill $	Trademarks $	Customer relationships $	Brand name $	Non-Compete $	Total $
Balance at 1 July 2023	-	6,982	-	-	-	6,982
Additions through business combinations (note 10)	5,699,081	-	4,000,000	60,000	334,000	10,093,081
Amortisation expense	-	-	(86,952)	(10,000)	(13,916)	(110,868)
Balance at 31 December 2023	5,699,081	6,982	3,913,048	50,000	320,084	9,989,195

Note 7. Issued capital

	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 $	30 Jun 2023 $
Ordinary shares - fully paid	137,977,135	126,292,132	8,014,872	5,245,411

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2023	126,292,132		5,245,411
Issue of shares on exercise of options	25 August 2023	586,615	$0.0710	41,885
Issue of shares on exercise of performance rights	25 August 2023	383,635	$0.1640	62,801
Issue of shares as part consideration of acquisition of AxSym Technology Pty Ltd	1 November 2023	10,714,753	$0.2500	2,678,688
Share issue transaction costs, net of tax				(13,913)
Balance	31 December 2023	137,977,135		8,014,872

Note 8. Dividends

Dividends paid during the financial half-year were as follows:

	31 Dec 2023 $	31 Dec 2022 $
Final dividend for the year ended 30 June 2023 of 0.5 cents per ordinary share, fully franked	636,312	-
Franked ordinary dividend of 3.12 cents per share to Founding Shareholders	-	3,125,273
	636,312	3,125,273

Note 9. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

31 Dec 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Contingent consideration	-	-	2,598,361	2,598,361
Total liabilities	-	-	2,598,361	2,598,361

There were no transfers between levels during the financial half-year.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Due to the nature of contingent consideration, it has been categorised as Level 3.

Contingent consideration represents the obligation to pay additional amounts to vendors in respect of businesses acquired by the Group, subject to certain conditions being met. It is measured at the present value of the estimated liability. The fair value of contingent consideration is calculated on the expected future cash outflows. Generally, the contingent consideration is a performance based payment. These are reviewed at the reporting date to provide the expected future cash outflows for each contract. Upon completion of the review the future cash outflows are then discounted to present value using the Group's incremental borrowing rate.

Level 3 assets and liabilities
Movements in level 3 liabilities during the current financial half-year are set out below:

	Contingent consideration $
Balance at 1 July 2023	-
Additions	2,598,361
Balance at 31 December 2023	2,598,361

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Note 9. Fair value measurement (continued)

The level 3 liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration	Risk adjusted discount rate	19.7%	A change in the discount rate by 100bps would increase/decrease the fair value by $24,633

Note 10. Business combinations

On 24 October 2023, the Group announced that it had entered into a binding agreement for the acquisition of 100% of the issued shares in AxSym Technology Pty Ltd ('AxSym'). AxSym is a Canberra-based information technology consultancy with a federal government focus, with clients including Defence, Foreign Affairs and National Security agencies. AxSym also brings success in the New South Wales state government sector, delivering services to the NSW Rural Fire Service. The purchase price includes $4,251,010 in cash, funded from the Company's available cash on hand, and $2,678,688 in SOCO ordinary shares with 10,714,753 shares issued at 25.0 cents per share. In addition, contingent consideration of up to $3,393,000 ($1,696,500 relating to FY24 performance and $1,696,500 relating to FY25 performance) is payable in cash, subject to AxSym achieving agreed EBITDA targets based on audited EBITDA results for FY24 and FY25.

The acquired business contributed revenues of $2,010,150 and profit after tax of $68,483 to the Group for the period from 1 November 2023 to 31 December 2023. If the acquisition occurred on 1 July 2023, the full year contributions would have been revenues of $5,775,028 and profit after tax of $454,206.

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Note 10. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	935,134
Trade receivables	894,559
Plant and equipment	26,770
Intangible assets	4,394,000
Deferred tax asset	8,366
Trade payables	(144,739)
Other payables	(658,170)
Provision for income tax	(403,082)
Deferred tax liability	(1,266,080)
Employee benefits	(33,462)
Net assets acquired	3,753,296
Goodwill	5,699,081
Net identifiable assets acquired	9,452,377
Representing:	
Cash paid or payable to vendor	4,251,010
SOCO Corporation Ltd shares issued to vendor	2,678,688
Contingent consideration	2,522,679
Acquisition-date fair value of the total consideration transferred	9,452,377
Acquisition costs expensed to profit or loss	541,608
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	9,452,377
Less: cash and cash equivalents	(935,134)
Less: contingent consideration	(2,522,679)
Less: shares issued by Company as part of consideration	(2,678,688)
Net cash used	3,315,876

Note 11. Earnings per share

	31 Dec 2023 $	31 Dec 2022 $
(Loss)/profit after income tax	(876,314)	255,934
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	130,524,536	99,529,592
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	469,292
Weighted average number of ordinary shares used in calculating diluted earnings per share	130,524,536	99,998,884

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Note 11. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.67)	0.26
Diluted earnings per share	(0.67)	0.26

Options have been excluded from the above calculation of weighted average number of ordinary shares at 31 December 2023 as their inclusion would be anti-dilutive.

Note 12. Share-based payments

Details of the option plans can be found in note 33 of the 30 June 2023 Annual Report.

Set out below are summaries of options granted under the plan:

31 Dec 2023

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
01/07/2020	30/08/2023	$0.0600	586,615	-	(586,615)	-	-
08/12/2021	06/02/2025	$0.0800	500,636	-	-	-	500,636
18/11/2022	18/11/2027	$0.0000	1,000,000	-	(383,635)	(616,365)	-
18/11/2022	18/11/2027	$0.2000	1,200,000	-	-	-	1,200,000
23/12/2022	20/12/2026	$0.3000	3,125,000	-	-	-	3,125,000
03/10/2023	03/10/2028	$0.0000	-	1,000,000	-	-	1,000,000
05/10/2023	22/07/2024	$0.0000	-	208,332	-	-	208,332
			6,412,251	1,208,332	(970,250)	(616,365)	6,033,968

For the options granted during the current financial half-year, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate
03/10/2023	03/10/2028	$0.3000	$0.0000	60.80%	4.00%	4.16%
05/10/2023	22/07/2024	$0.3000	$0.0000	60.80%	4.00%	4.08%

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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SOCO Corporation Ltd
Directors' declaration
31 December 2023

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 requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year 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



Thomas Stianos
Chair

23 February 2024
Brisbane

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SOCO Corporation Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of SOCO Corporation Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2023 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 2023 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

BDO

R J Liddell
Director

Brisbane, 23 February 2024

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