

# APPENDIX 4D

## Under ASX Listing Rule 4.2A

Current reporting period  
Prior corresponding period

1 July 2021 to 31 December 2021  
1 July 2020 to 31 December 2020

### 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Increase/Decrease	Change %	To \$'000
Revenue from continuing operations	8,296	91.5%	17,363
Profit from ordinary activities after tax attributable to members	(248)	(141)%	(72)
Net Profit for the period attributable to members	(221)	(139)%	(61)

#### Dividend

No dividend has been declared.

#### Operating and Financial Review

Operating revenues have increased significantly from the prior year largely due to the inclusion of revenues from business acquired since the prior year. Underlying EBITDA of \$1.945m has been generated as follows.

	\$'000
Statutory profit for the period before income tax	8
Add: Depreciation and amortisation	917
Add: Finance charges	55
Add: Rent	26
Add: Loss on sale of fixed assets	6
EBITDA	1,012
Add: Share based payments	365
Add: Business acquisition and integration costs	568
Underlying EBITDA	1,945

In regards to the decrease in Profit from ordinary activities after tax attributable to members, the increase in revenues and net profits from acquired businesses has been offset by an increase of \$0.206m in Business acquisition and integration expenses, \$0.273m increase in Share based payments and \$0.496m increase in Depreciation and amortisation on acquired intangible assets.

### 2. NET TANGIBLE ASSET PER SECURITY

Net tangible assets per ordinary share: (0.2) cents per share (2020: 2.4). The Group has positive tangible assets as at 31 December 2021.

### 3. ENTITIES OVER WHICH CONTROL HAS BEEN GAINED DURING THE PERIOD

None.

### 4. OTHER

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current period are contained in the Half-Year Financial Report 2021.

The consolidated financial statements contained within the Half-Year Financial Report 2021, of which this report is based upon, have been reviewed by the company's auditors, BDO.



**Comms Group Limited**

**Interim Financial Report**

**For the half year ended 31 December 2021**

**ACN 619 196 539**

## **Directors' report**

Your directors present their report on the consolidated entity consisting of Comms Group Limited (the "Company") and the entities it controlled (collectively "Comms Group" or "Group") at the end of or during the financial half year ended 31 December 2021.

### **Directors**

The following persons were directors of the Company during the whole of the financial half year up to the date of this report, unless otherwise stated:

J A Mackay - Independent Non-Executive Chairman

P J McGrath - Executive Director, Chief Executive Officer

B J Jennings – Non-Executive Director

C E Bibby – Independent Non-Executive Director

Ryan O'Hare – Non-Executive Director

### **Principal activities**

Comms Group is an information and communication technology (ICT) business, providing a comprehensive range of telco and IT related managed services. Comms Group services clients in Australia and internationally, including New Zealand and Singapore.

The principal continuing activities of Comms Group are providing hosted voice, data, enterprise networks and cloud-based communication and managed IT services to business customers in Australia and internationally.

In the half-year ended 31 December 2021 Comms Group derived revenue from the sale of the above-mentioned services. These revenues consist of recurring charges for access to facilities and capabilities, as well as consumption charges for variable usage of those facilities. Revenue was also derived from the installation and sale of hardware, equipment, consulting services, connection fees and other one-off items, to support the primary products and services of the business.

There was no significant change in the nature of the activity of the Comms Group during the reporting period.

### **Dividends**

The Directors have resolved not to pay an interim dividend for the period ended 31 December 2021.

### **Review of operations**

The Group generated revenue of \$17.30m during the period, an increase of \$8.28m from the prior year. This includes revenues for the full period from the acquisitions of Next Telecom Pty Ltd and Binary Networks Pty Ltd completed in the first half of 2021 and from the acquisition of the business of SwitchedOn completed during the period.

The Group generated an Underlying EBITDA of \$1.945m, an increase of \$0.717m from the prior corresponding period. In addition to the contributions from acquired businesses, this increase has also come from realising a number of synergies identified pre-acquisition and from a continued emphasis on cost control.

The Group's cash position at 31 December 2021 was \$2.224m cash on hand. Whilst reporting statutory net cash inflow from operations of \$0.851m, excluding payments for restructuring, transaction and acquisition expenses and significant prior year expenses and prepayments for future periods, underlying cashflows from operations was significantly greater at \$2.021m. Significant non-operating cash payments included an upfront payment of \$3.655m for the acquisition of SwitchedOn.

On 31 August 2021 Comms Group entered into a binding business sale agreement to acquire the business of SwitchedOn, a Melbourne based telecommunication service provider focused on the SME market. It's services include voice and data solutions, mobile services, business phone system installation and maintenance and managed IT support services. Consideration includes a upfront cash payment of \$3.655m and a deferred cash payment payable twelve months from completion of up to \$0.645m, dependent upon the business' revenues in the first twelve months from completion.

Comms Group management analysed and assessed a number of potential acquisition opportunities during the period, culminating with the acquisition on 11 February 2022 of 100% of the shares of onGroup Holdings Pty Ltd ("onPlatinum"). onPlatinum operates four key divisions including Managed IT services, Cloud services, Data services and Voice services. Total initial consideration of \$12.0m includes an Upfront payment of \$10.0m (\$8.0m cash and \$2.0m in Comms Group shares escrowed for 12 to 18 months from the date of completion) and a deferred

payment of \$2.0m payable on 1 July 2022 (\$1.0m cash and \$1.0m in Comms Group shares escrowed for 12 to 18 months from the date of completion). Additional consideration based upon the outperformance of annualised earnings above the level that the initial consideration was paid upon will be payable by March 2023, up to a maximum of \$6.0m and equal to 24 times the audited EBITDA of the December 2022 quarter less the total initial consideration.

To assist with the acquisition of onPlatinum and funding of its cash consideration (upfront and deferred), on 3 February 2022 Comms Group entered into a Facility Agreement with the CBA for a 3 year term loan of \$10.0m plus increase to existing working capital facilities (overdraft & credit and procurement card facilities).

A reconciliation of underlying EBITDA from continuing operations to the reported profit before tax from continuing operations in the consolidated statement of profit or loss and comprehensive income is tabled below:

	\$000
Revenue	17,303
Reported profit before income tax	8
Add: Depreciation and amortisation <sup>(1)</sup>	917 <sup>(1)</sup>
Add: Finance charges <sup>(1)</sup>	55
Add: Rent	26
Add: Loss on sale of fixed assets	6
EBITDA	1,012
Add: Share based payments	365
Add: Business acquisition and integration costs	568
Underlying EBITDA	1,945

(1) Includes lease interest and depreciation as per AASB 16

The underlying EBITDA from operations are non-IFRS measures that are presented to provide an understanding of the underlying performance of the Group's operations. In the opinion of the Directors, the Group's underlying EBITDA reflects the results generated from ongoing operating activities which excludes non-operating adjustments that are considered to be non-cash or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result. The non-IFRS financial information is unaudited. However, the numbers have been extracted from the financial statements which have been subject to review by the Company's auditor.

### Earnings per share

Earnings per share for the period is as follows:

	Cents per security
Earnings per share (cents)	(0.02)
Diluted earnings per share (cents)	(0.02)

### Business integration and simplification

Subsequent to the acquisitions of the Next Telecom Pty Ltd and Binary Networks Pty Ltd entities and the business of SwitchedOn – Victoria, significant steps were made during the period to integrate these into the existing operations of Comms Group and simplify the consolidated group operations. This has included:

1. Rationalising and consolidating management and accounting systems and processes:
2. Restructuring and consolidating some employment positions including sales, engineering, back-office and administration positions:
3. Restructuring operations to consolidate and streamline processes, including all employment through a common group services entity, all banking relationships through a single provider where appropriate and segregating where possible customer bases based on customer size and revenue generated for the group: and
4. Streamlining reporting to now include reporting by consolidated customer bases dependent on their size and revenues generated.

### **Operating segment**

The Group has one operating segment under AASB 8 Operating Segments, being a provider of hosted voice, data, enterprise networks and cloud-based communication and managed IT services. This reflects the way the business is monitored and resources are currently allocated. The Group's revenues from external customers are predominately domiciled in Australia.

### **Significant changes in the state of affairs**

Whilst the acquisition of the business of SwitchedOn during the period has added approximately 7% to group revenues, other than Business Simplification and Integration measures no other significant changes in the state of affairs occurred during the period.

However the acquisition of onPlatinum on 3 February 2022, as described below, is expected to have a significant effect on the operations of Comms Group, with annual group revenues expected to increase by approximately 45%. This acquisition will give the group significant operations and revenues as an ICT service provider and significantly increase its presence in Queensland and NSW.

### **Events since the end of the interim financial period**

#### Acquisition of onPlatinum

On 3 February 2022 Comms Group entered into a binding share purchase agreement to acquire 100% of the shares of onGroup Holdings Pty Ltd ("onPlatinum"). The acquisition was completed on 11 February 2022 at which time Comms Group took control of the acquired business per the terms of the share purchase agreement.

onPlatinum operates four key divisions including Managed IT services, Cloud services, Data services and Voice services.

The total initial consideration of \$12.0m is based upon an effective EBITDA multiple of 6.0 times maintainable annual earnings of \$2.0m and consists of an Upfront payment of \$10.0m and Deferred payment to be paid on 1 July 2022 of \$2.0m.

In the event onPlatinum's equivalent annual earnings as measured by the audited EBITDA of the December 2022 quarter exceeds the maintainable annual earnings of \$2.0m that the initial consideration was based upon, the vendors will be entitled to additional consideration of 24.0 times the audited EBITDA of the December 2022 quarter less the total initial consideration paid of \$12.0m, up to a maximum of \$6.0m.

The acquisition provides additional product and service offerings for Comms Group's existing customer base, strengthening Comms Groups' position in the mid-market corporate customers segment in the Queensland and NSW markets. The business has approximately 500 customers with an average revenue per customer of circa \$3,000 per month and generally aims to have customers on longer term contracts of 3 plus years.

#### Commonwealth Bank of Australia (CBA) Funding

On 3 February 2022, Coms Group entered into a Facility Agreement with CBA for a Term Loan facility of \$10m along with an increase to existing working capital facilities (overdraft & credit and procurement card facilities).

The term loan will cover in full the consideration components related to the Upfront and Deferred payments as well as associated transaction costs of the onPlatinum acquisition.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Insurance of officers and indemnities**

During the period, Comms Group paid a premium of \$138,228 to insure the directors, officers and secretary of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Comms Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**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 on page 5.

This report is made in accordance with a resolution of directors.



John Mackay  
Non-Executive Chairman

Sydney  
23 February 2022

## DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF COMMS GROUP LIMITED

As lead auditor for the review of Comms Group Limited for the half-year ended 31 December 2021, 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 Comms Group Limited and the entities it controlled during the period.



Grant Saxon  
Director

**BDO Audit Pty Ltd**

Sydney, 23 February 2022

# Comms Group Limited

ACN 619 196 539

## Consolidated financial report – for the half year ended 31 December 2021

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**Comms Group Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half year ended 31 December 2021**

	Notes	31 December 2021	31 December 2020
		\$	\$
Revenue	4	17,302,959	9,016,144
Other income		60,423	51,122
		<b>17,363,382</b>	<b>9,067,266</b>
Cost of sales		(9,396,295)	(4,551,150)
Employee benefits expense		(4,263,700)	(2,168,078)
Administration expenses		(421,151)	(216,953)
Sales & marketing expenses		(554,112)	(282,768)
Information technology expenses		(516,869)	(359,901)
Professional fees	5	(222,939)	(195,182)
Property expenses		(60,617)	(20,283)
Business acquisition and integration expenses		(568,324)	(362,448)
Share based payments	5	(364,584)	(91,567)
Other expenses		(15,305)	(45,050)
Finance expenses		(54,718)	(30,070)
Depreciation & amortisation		(916,921)	(420,045)
<b>Profit before income tax</b>		<b>7,847</b>	<b>323,771</b>
Income tax expense	6	(69,202)	(164,488)
<b>(Loss)/Profit for the period</b>		<b>(61,355)</b>	<b>159,283</b>
<b>Other comprehensive income</b>			
Other		(10,879)	16,562
<b>Total comprehensive profit or loss attributable to shareholders</b>		<b>(72,234)</b>	<b>175,845</b>

**Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:**

		Cents	Cents
Basic earnings per share	18	(0.02)	0.08
Diluted earnings per share	18	(0.02)	0.08

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

**Comms Group Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2021**

	Notes	31 December 2021	30 June 2021
<b>Current assets</b>		<b>\$</b>	<b>\$</b>
Cash and cash equivalents		2,224,705	5,497,266
Trade and other receivables	7	3,607,576	4,103,837
Other current assets	8	1,348,256	807,062
<b>Total current assets</b>		<b>7,180,537</b>	<b>10,408,165</b>
<b>Non-current Assets</b>			
Property, plant & equipment		94,360	102,128
Right of use asset	9	1,323,810	1,466,598
Goodwill	10	15,981,030	15,614,886
Intangible assets	10	13,062,011	8,081,230
Deferred tax assets	11	1,719,162	1,996,794
<b>Total non-current assets</b>		<b>32,180,373</b>	<b>27,261,636</b>
<b>Total assets</b>		<b>39,360,910</b>	<b>37,669,801</b>
<b>Current liabilities</b>			
Trade and other payables	12	3,893,601	3,882,465
Deferred revenue		574,510	1,003,348
Lease liabilities		399,964	365,003
Provisions	14	552,171	462,814
Income tax payable		96,996	89,341
Other liabilities	13	615,714	-
<b>Total current liabilities</b>		<b>6,132,956</b>	<b>5,802,971</b>
<b>Non-current liabilities</b>			
Provisions	14	289,742	258,445
Deferred tax liability	15	3,522,948	2,374,673
Lease liabilities		1,141,138	1,251,936
<b>Total non-current liabilities</b>		<b>4,953,828</b>	<b>3,885,054</b>
<b>Total liabilities</b>		<b>11,086,784</b>	<b>9,688,025</b>
<b>Net assets</b>		<b>28,274,126</b>	<b>27,981,776</b>
<b>Equity</b>			
Share capital	16	45,626,371	45,626,371
Share based payment reserves		773,837	409,253
Foreign currency translation reserve		(7,321)	3,558
Accumulated losses		(18,118,761)	(18,057,406)
<b>Total Equity</b>		<b>28,274,126</b>	<b>27,981,776</b>

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

**Comms Group Limited**  
**Consolidated statement of changes in equity**  
**For the half year ended 31 December 2021**

	Share capital	Share-based payments reserves	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$		\$	\$
Balance at 1 July 2020	32,988,263	489,453	(9,841)	(19,458,102)	14,009,773
Profit for the period to 31 December 2020	-	-	-	159,283	159,283
Translation reserve	-	-	16,562	-	16,562
<b>Total comprehensive loss for the period</b>			<b>16,562</b>	<b>159,283</b>	<b>175,845</b>
<i>Transactions with owners in their capacity as owners:</i>					
Transfer of expired warrants to retained earnings	-	(340,291)	-	340,291	-
Contributions to equity net of transaction costs	3,556,578	-	-	-	3,556,578
Performance rights	-	91,567	-	-	91,567
Balance at 31 December 2020	<b>36,544,841</b>	<b>240,729</b>	<b>6,721</b>	<b>(18,958,528)</b>	<b>17,833,763</b>
<b>Balance at 1 July 2021</b>	<b>45,626,371</b>	<b>409,253</b>	<b>3,558</b>	<b>(18,057,406)</b>	<b>27,981,776</b>
Loss for the period to 31 December 2021	-	-	-	(61,355)	(61,355)
Translation reserve	-	-	(10,879)	-	(10,879)
<b>Total comprehensive loss for the period</b>			<b>(10,879)</b>	<b>(61,355)</b>	<b>(72,234)</b>
<i>Transactions with owners in their capacity as owners:</i>					
Performance rights	-	235,957	-	-	235,957
Options	-	128,627	-	-	128,627
<b>Balance at 31 December 2021</b>	<b>45,626,371</b>	<b>773,837</b>	<b>(7,321)</b>	<b>(18,118,761)</b>	<b>28,274,126</b>

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

**Comms Group Limited**  
**Consolidated statement of cash flows**  
**For the half year ended 31 December 2021**

	Notes	31 December 2021 \$	31 December 2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		18,481,457	9,698,119
Payments to suppliers and employees (inclusive of GST)		(17,644,362)	(9,679,509)
Interest received		28,281	303
Interest paid		(40,520)	-
Income tax refund		26,251	-
<b>Net cash inflow from operating activities</b>	17	<b>851,107</b>	<b>18,913</b>
<b>Cash flows from investing activities</b>			
Software purchase and IT systems		(282,056)	(301,120)
Payments for property, plant & equipment		(26,300)	(610)
Payments for purchase of businesses, net of cash acquired		(3,582,092)	-
<b>Net cash outflow from investing activities</b>		<b>(3,890,448)</b>	<b>(301,730)</b>
<b>Cash flows from financing activities</b>			
Lease payments		(233,220)	(208,441)
Proceeds from the issue of shares, net of transaction costs		-	3,502,925
<b>Net cash inflows / (outflow) from financing activities</b>		<b>(233,220)</b>	<b>3,294,484</b>
<b>Net increase in cash and cash equivalents</b>		<b>(3,272,561)</b>	<b>3,011,667</b>
Cash and cash equivalents at the beginning of the period		5,497,266	2,407,437
<b>Cash and cash equivalents at end of period</b>		<b>2,224,705</b>	<b>5,419,104</b>

## **1 General information**

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with any public announcements made by Comms Group Limited during the half year reporting period.

The financial statements cover Comms Group Limited as a consolidated entity consisting of Comms Group 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 Comms Group Limited's functional and presentation currency.

Comms Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6, 56 Clarence Street  
Sydney NSW 2000  
Australia

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

These condensed interim financial statements were approved for issue on 23 February 2022. The directors have the power to amend and reissue the financial statements.

## **2 Significant accounting policies**

This consolidated interim financial report for the half year ended 31 December 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Comms Group during the interim reporting period in accordance with the continuous disclosure requirements 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.

### **New or amended Accounting Standards and Interpretations adopted**

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

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

## **3 Segment reporting**

### *(i) Identification of reportable operating segments*

The consolidated entity is organised into one operating segment under AASB 8 Operating Segments, being a provider of hosted voice, data, enterprise networks and cloud-based communication and managed IT services. The single operating segment 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.

The Group's revenues from external customers are predominantly domiciled in Australia.

## 4 Revenue

	Consolidated 31 December 2021	Consolidated 31 December 2020
<i>Sales revenue</i>	\$	\$
Voice revenue	9,909,155	5,715,323
Data revenue	6,034,008	1,719,481
Managed service revenue	1,359,796	1,581,340
	<b>17,302,959</b>	<b>9,016,144</b>

### Disaggregation of revenue

The Group derives its revenue from the delivery of hosted voice, data, enterprise networks, cloud based communication and managed IT services, recognised over the term of the contract. The table above provides a breakdown of revenue by major business line. As disclosed in note 3, the Group has one operating segment.

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

	Consolidated 31 December 2021	Consolidated 31 December 2020
	\$	\$
Revenue from telecommunications and managed services	16,998,161	8,869,129
Revenue from sale / lease of hardware and software licenses	304,798	147,015
	<b>17,302,959</b>	<b>9,016,144</b>
Revenue from direct customers	14,195,276	6,050,636
Revenue from wholesale customers	3,107,683	2,965,508
	<b>17,302,959</b>	<b>9,016,144</b>

## 5 Individually significant profit or loss items

	Consolidated 31 December 2021	Consolidated 31 December 2020
	\$	\$
<i>Professional fees</i>		
Legal fees	91,645	106,797
Other professional fees	131,294	88,385
<b>Total professional fees</b>	<b>222,939</b>	<b>195,182</b>
<i>Share based payments</i>		
Performance rights	235,957	91,567
Options	128,627	-
<b>Total share-based payments</b>	<b>364,584</b>	<b>91,567</b>

## 6 Income tax expense

	Consolidated 31 December 2021	Consolidated 31 December 2020
	\$	\$
<i>Income tax expense</i>		
Deferred tax - origination and reversal of temporary differences	96,778	113,392
Write down deferred tax assets and liabilities from corporate tax rate reduction	(27,576)	51,096
<b>Total income tax expense</b>	<b>69,202</b>	<b>164,488</b>

The Group has tax losses available for use of \$2,137,623 which have been brought to account on the Statement of Financial Position.

	Consolidated 31 December 2021	Consolidated 31 December 2020
	\$	\$
<i>Reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax benefit	<b>7,847</b>	<b>323,771</b>
At the Group's statutory income tax rate of 25.0%	1,962	84,180
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	97,286	29,212
Write down deferred tax assets and liabilities from corporate tax rate reduction	(27,576)	51,096
Deferred tax - origination and reversal of temporary differences	(2,470)	-
<b>Income tax expense</b>	<b>69,202</b>	<b>164,488</b>

## 7 Trade and other receivables

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
Trade receivables	3,678,601	4,179,523
Less: provision for expected credit loss	(75,686)	(75,686)
<b>Total trade receivables</b>	<b>3,602,915</b>	<b>4,103,837</b>
Other receivables	4,661	-
<b>Total trade and other receivables</b>	<b>3,607,576</b>	<b>4,103,837</b>

## 8 Other current assets

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
Prepayments	909,877	496,054
Accrued revenue	38,353	13,865
Security Deposits	306,279	247,708
Inventory	93,747	49,435
	<b>1,348,256</b>	<b>807,062</b>

## 9 Right of use assets

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
Land and buildings - right of use	1,985,701	1,985,701
Less: Accumulated depreciation	(787,806)	(532,961)
	1,197,895	1,452,740
Plant and equipment - right of use	188,294	30,917
Less: Accumulated depreciation	(62,379)	(17,059)
	125,915	13,858
	<b>1,323,810</b>	<b>1,466,598</b>

The consolidated entity leases buildings for its offices under agreements from 3 to 5 years. The leases have various escalation clauses. If renewed, the terms of the leases are renegotiated. The consolidated entity also leases equipment under agreements of between three to five years.

## 10 Intangibles

	Customer contract	Brand	Goodwill	Software	Internally generated software	Capital work in progress	Other	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at 1 July 2021	11,252,145	4,321,597	24,446,330	2,989,839	631,446	399,955	13,954	44,055,266
Additions - business combination	4,817,079	470,795	366,144	-	-	-	-	5,654,018
Additions during the period	-	-	-	73,946	-	208,110	-	282,056
Balance at 31 December 2021	16,069,224	4,792,392	24,812,474	3,063,785	631,446	608,065	13,954	49,991,340
<i>Accumulated amortisation</i>								
Balance at 1 July 2021	(5,666,352)	(2,790,652)	(8,831,444)	(2,966,064)	(91,484)	-	(13,154)	(20,359,150)
Amortisation expense	(429,622)	(57,197)	-	(39,186)	(63,144)	-	-	(589,149)
Balance at 31 December 2021	9,973,250	1,944,543	15,981,030	58,535	476,818	608,065	800	29,043,041

## 11 Deferred tax assets

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Temporary differences	1,072,822	851,474
Carried forward losses	534,406	888,052
Acquisitions during the year	-	95,222
Amounts recognised in equity for capital raising	111,934	162,046
<b>Deferred tax asset</b>	<b>1,719,162</b>	<b>1,996,794</b>
<i>Movements in deferred assets:</i>		
Opening balance	1,996,794	1,955,015
Debited / (credited) to:		
- Relating to prior year losses brought on	-	606,923
- Relating to temporary differences	(279,771)	(757,840)
- Amounts recognised in equity for capital raising	-	97,474
- Acquisitions	2,139	95,222
<b>Closing balance</b>	<b>1,719,162</b>	<b>1,996,794</b>

## 12 Trade and other payables

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
Trade payables	2,360,973	1,969,406
Accrued expenses	1,053,585	1,318,552
Payroll liabilities	387,288	345,326
GST liabilities	88,149	202,993
Other payables	3,606	46,188
	<b>3,893,601</b>	<b>3,882,465</b>

## 13 Other liabilities

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
Contingent consideration - SwitchedOn acquisition	<b>615,714</b>	-

On 31 August 2021 Comms Group acquired 100% of the shares of Switched On – Victoria Pty Ltd (SwitchedOn). Consideration includes a cash payment of upfront \$3.655m and a deferred cash payment payable twelve months from completion of up to \$0.645m dependent upon the business' revenues in the first twelve months from completion. The loan payable to the vendor is discounted to the present value of this expected payment at 31 December 2021.

## 14 Provisions

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
<b>Current liabilities</b>		
Annual leave	<b>552,171</b>	<b>462,814</b>
<b>Non-current liabilities</b>		
Long service leave	<b>289,742</b>	<b>258,445</b>

## 15 Deferred tax liability

	Consolidated 31 December 2021	Consolidated 30 June 2021
	\$	\$
<i>Movements in deferred liabilities:</i>		
Opening balance	2,374,673	1,018,263
Debited/(credited) to:		
- profit or loss	(186,735)	(44,663)
- intangible assets acquired on acquisition	1,335,010	1,401,073
	<b>3,522,948</b>	<b>2,374,673</b>
	<b>3,522,948</b>	<b>2,374,673</b>

## 16 Share capital

	Consolidated 31 December 2021	Consolidated 30 June 2021	Consolidated 31 December 2021	Consolidated 30 June 2021
	Shares	Shares	\$	\$
Ordinary Shares - fully paid	<b>340,329,715</b>	340,329,715	<b>45,626,371</b>	45,626,371
	<b>340,329,715</b>		<b>45,626,371</b>	

### *Movements in ordinary share capital*

	Date	Shares	\$
Opening balance	1 July 2020	191,392,259	32,988,263
Equity raising	22 December 2020	46,678,574	3,709,286
Less: transaction costs arising on share issues	22 December 2020	-	(206,361)
Add: tax effect of transaction costs arising on share issues	22 December 2020	-	53,653
Equity raising	29 January 2021	31,446,426	2,540,717
Less: transaction costs arising on share issues	29 January 2021	-	(173,540)
Add: tax effect of transaction costs arising on share issues	31 January 2021	-	43,820
Acquisition of subsidiary	31 January 2021	70,812,456	6,670,533
<b>Balance 30 June 2021</b>		<b>340,329,715</b>	<b>45,626,371</b>
		<b>340,329,715</b>	<b>45,626,371</b>
Opening balance	1 July 2021	340,329,715	45,626,371
<b>Balance 31 December 2021</b>		<b>340,329,715</b>	<b>45,626,371</b>
		<b>340,329,715</b>	<b>45,626,371</b>

## 17 Reconciliation of operating (loss)/profit after income tax to net cash from operating activities

	31 December 2021	31 December 2020
	\$	\$
Loss/(Profit) for the period	(61,355)	159,283
Adjustments for:		
Share based payments	364,584	91,567
Depreciation and amortisation	916,921	420,045
	<b>1,220,150</b>	<b>670,895</b>
Change in assets and liabilities:		
(Increase) / decrease in receivables	501,815	(69,107)
(Increase) / decrease in current assets	(755,824)	(245,943)
(Increase) / decrease in deferred tax	486,062	110,834
Increase / (decrease) in payables	(315,393)	(577,583)
Increase / (decrease) in provisions	22,740	19,635
Increase / (decrease) in other working capital	(308,443)	110,182
<b>Net cash inflow from operating activities</b>	<b>851,107</b>	<b>18,913</b>

## 18 Earnings per share

Reconciliation of earnings used in calculating earnings per share	Consolidated 31 December 2021	Consolidated 31 December 2020
	\$	\$
(Loss)/Profit attributable to the ordinary equity holders of the company	<b>(61,355)</b>	<b>159,283</b>
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	340,329,715	193,432,852
Adjustments for calculation of diluted earnings per share:		
Share performance rights	-	-
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	<b>340,329,715</b>	<b>193,432,852</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.02)	0.08
Diluted earnings per share	(0.02)	0.08

## 19 Business combination

### Next Telecom Pty Ltd acquisition

On 15 December 2020 Comms Group entered into a binding share purchase agreement, to acquire 100% of the shares of Next Telecom Pty Ltd ("Next Telecom"). The acquisition was completed on 29 January 2021 at which time Comms Group took control of the acquired business per the terms of the share purchase agreement.

Total purchase price was \$8.82m and included an upfront cash payment of \$1.67m and \$6.67m of Comms Group scrip issued at \$0.0942 per share escrowed for 12 to 18 months from the date of completion. Additional consideration by way of an earn out was to be paid, based on an annual EBITDA in excess of \$1.45m for the year ended 30 June 2021. At the time of completion this deferred consideration was estimated at \$0.49m, however EBITDA for the year did not reach the required level and no additional consideration was paid.

The Company has funded the upfront cash consideration from proceeds received from the capital raising of December 2020.

Next Telecom contributed \$7.46m to Group revenue and \$0.85m to Group net profit before tax from the period ended 31 December 2021.

Acquisition accounting for the consideration and the assets and liabilities acquired has been finalised at 31 December 2021. These values are set out below.

	<b>Total</b>
	<b>\$</b>
Cash and cash equivalents	306,280
Trade receivables	1,672,532
Other assets	101,772
Intangible assets customer contracts and other	4,756,128
Intangible assets brands	907,455
Property, plant & equipment	18,763
Deferred tax assets	70,033
Trade and other payables	(1,635,242)
Employee provisions	(219,565)
Other liabilities	(456,510)
Income tax payable	(94,152)
Deferred tax liability on customer contracts and brands	(1,472,532)
	3,954,962
Net asset acquired	3,954,962
Goodwill	4,868,405
<b>Net assets acquired</b>	<b>8,823,367</b>

Cash used to acquire business, net of cash acquired:

Acquisition-date fair value of the total consideration	8,823,367
Less: shares issued as consideration	(6,670,534)
Less: deferred consideration	(492,117)
Less: cash and cash equivalents	(306,280)
<b>Net cash used</b>	<b>1,354,436</b>

## 19 Business combination (continued)

### Binary Networks Pty Ltd acquisition

On 1 April 2021 Comms Group entered into a binding share purchase agreement, to acquire 100% of the shares of Binary Networks Pty Ltd and Binary Wholesale Pty Ltd ("Binary") at which time Comms Group took control of the acquired business per the terms of the share purchase agreement.

The purchase price includes cash consideration of \$1.43m paid upfront to the vendor. As part of the share sale agreement, Comms Group will also issue shares to the vendor for ongoing service to the Group issued at \$0.09 per share to be issued 50% on the 12 month and 50% on the 24 months anniversary of Michael Diamond's (the vendor and CEO of Binary) employment with Comms Group.

In accordance with AASB 3 the issue of shares to Michael Diamond has been treated as a share-based payment with a total cost of \$0.30m over the 24 month period, as the issue of shares is dependent on his ongoing involvement. \$0.10m has been included in employee expenses in the Consolidated Statement of Profit and Loss for period ended 30 June 2021.

Binary Networks contributed \$1.0m to Group revenue and \$0.19m to Group net profit before tax from the period ended 31 December 2021.

Acquisition accounting for the consideration and the assets and liabilities acquired has been finalised at 31 December 2021. These values are set out below.

	<b>Total</b>
	<b>\$</b>
Cash and cash equivalents	76,222
Trade receivables	9,354
Other assets	36,153
Intangible assets customer contracts	945,337
Intangible assets brands	84,000
Property, plant & equipment	29,292
Deferred tax assets	25,189
Trade and other payables	(103,641)
Employee provisions	(40,233)
Other liabilities	(33,300)
Income tax payable	(9,138)
Deferred tax liability on customer contracts and brands	(267,628)
	751,607
Net asset acquired	751,607
Goodwill	693,478
<b>Net assets acquired</b>	<b>1,445,085</b>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration	1,445,085
Less: cash and cash equivalents	(76,222)
<b>Net cash used</b>	<b>1,368,863</b>

## 19 Business combination (continued)

### SwitchedOn acquisition

On 31 August 2021 Comms Group acquired selected assets and liabilities of the SwitchedOn business from SwitchedOn – Victoria Pty Ltd (SwitchedOn). Consideration includes a cash payment of upfront \$3.655m and a deferred cash payment payable twelve months from completion of up to \$0.645m dependent upon the business' revenues in the first twelve months from completion. The acquisition includes the employment of the vendor for a minimum period of twelve months.

SwitchedOn is a Melbourne based telecommunication service provider focused on the SME market, with over 900 customers. Its services include voice and data solutions, mobile services, business phone system installation and maintenance and managed IT support services. The acquisition further strengthens Comms group's position in the Melbourne market and bolsters its sales capability in this region. All staff continue as employees of Comms Group including the founder who has entered an employment agreement for one year post completion. The acquisition will provide an increase of cross-selling opportunities for acquired and existing Comms Group customers.

SwitchOn contributed \$0.87m to Group revenue and \$0.32m to Group profit before tax from the date of acquisition to the period ended 31 December 2021.

Acquisition accounting for the consideration and the assets and liabilities acquired has been finalised at 31 December 2021. These values are set out below.

	<b>Total</b>
	<b>\$</b>
Other assets	182,582
Intangible assets customer contracts	3,756,756
Intangible assets brands	226,938
Deferred tax assets	2,139
Employee provisions	(8,557)
Other liabilities	(182,991)
Deferred tax liability on customer contracts and brands	(995,923)
	2,980,944
Net asset acquired	2,980,944
Goodwill	1,285,683
<b>Net assets acquired</b>	<b>4,266,627</b>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration	4,266,627
Less: cash and cash equivalents	-
<b>Net cash used</b>	<b>4,266,627</b>

Goodwill of \$1.3m is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

## **20 Events since the end of the interim financial period**

### Acquisition of onPlatinum

On 3 February 2022 Comms Group entered into a binding share purchase agreement to acquire 100% of the shares of onGroup Holdings Pty Ltd (“onPlatinum”). The acquisition was completed on 11 February 2022 at which time Comms Group took control of the acquired business per the terms of the share purchase agreement.

onPlatinum operates four key divisions. These are Managed IT services, Cloud services, Data services and Voice services.

The total initial consideration of \$12.0m is based upon an effective EBITDA multiple of 6.0 times maintainable annual earnings of \$2.0m and consists of the following:

- Upfront payment of \$10.0m (“Upfront”) comprising:
  - Cash consideration of \$8.0m subject to adjustments for working capital and net debt; and
  - \$2.0m in Comms Group ordinary shares issued at the 30-day VWAP of approximately 10.5c per share, with 100% escrowed for a period of 12 months and 50% escrowed for a period of 18 months from date of completion.
- Deferred payment to be paid on 1 July 2022 (“Deferred”) comprising:
  - A further cash payment of \$1.0m; and
  - \$1.0m in CCG ordinary shares issued at the lower of the 30-day VWAP or the closing share price at the issue date.

In the event onPlatinum’s equivalent annual earnings as measured by the audited EBITDA of the December 2022 quarter exceeds the maintainable annual earnings of \$2.0m that the total initial consideration was based upon, the vendors will be entitled to additional consideration as follows:

- Up to a maximum of \$6.0m, equal to 24.0 times the audited EBITDA of the December 2022 quarter less the total initial consideration.
- In the event of the additional consideration being due it will be paid as follows:
  - 80% in cash; and
  - 20% in CCG ordinary shares issued at the lower of the 30-day VWAP or the closing share price at the issue date with a floor price of 5c per share.

The acquisition provides additional product and service offerings for Comms Group’s existing customer base, strengthening Comms Groups’ position in the mid-market corporate customers in the Queensland and NSW markets. The business has approximately 500 customers with an average revenue per customer of circa \$3,000 per month and generally aims to have customers on longer term contracts of 3 plus years.

The Company has incurred acquisition related costs of \$0.12m to 31 December 2021.

### Commonwealth Bank of Australia (CBA) Funding

On 3 February 2022, Coms Group entered into a Facility Agreement with CBA for a Term Loan facility of \$10m along with an increase to existing working capital facilities (overdraft & credit and procurement card facilities).

The term loan will cover in full the consideration components related to the Upfront and Deferred payments as well as associated transaction costs of the onPlatinum acquisition.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity’s operations, the results of those operations, or the consolidated entity’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 requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 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



John Mackay  
Non-Executive Chairman

Sydney  
23 February 2022

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Comms Group Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Comms Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 statement of 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 2021 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.



### **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 2021 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 in black ink, appearing to be 'BDO' with a flourish underneath.

A handwritten signature in black ink, appearing to be 'Grant Saxon'.

**Grant Saxon**  
**Director**

Sydney, 23 February 2022