# Cirrus Communications Pty Ltd and its Controlled Entities

ACN 109 931 731

## Consolidated Financial Statements

For the Half Year Ended 31 December 2020

## Cirrus Communications Pty Ltd and its Controlled Entities

**ACN 109 931 731**

# Contents

## For the Half Year Ended 31 December 2020

# Directors' Report

## 31 December 2020

The directors present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the financial half year ended 31 December 2020.

### 1. General information

#### Information on directors

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

Eric Heyde

James Spenceley

Matthew Hollis

William Paul Reid

Anthony Grist

Thomas Berryman

Directors have been in office since the start of the financial half year to the date of this report unless otherwise stated.

#### Principal activities

The principal activities of the Group during the financial half year consisted of:

- Provision of fixed wireless telecommunications retail services to consumers
- Provision of telecommunication services to consumers utilising a combination of fixed wireless and third party infrastructure
- Designing and building fixed wireless telecommunications networks in residential and commercial premises;
- Maintenance and operation of fixed wireless telecommunications networks,
- Providing wholesale access services to retail services providers and other customers.

No significant change in the nature of these activities occurred during the half year.

### 2. Operating results and review of operations for the year

#### Operating results

The consolidated (loss) of the Group amounted to $ (2,571,682) (31 December 2019: $(4,482,583)).

#### Review of operations

Despite the economic challenges of the global pandemic environment, the first half of the 2021 Financial Year was a promising result for the Group with revenue from organic expansion and acquisitions growing by over 300%.

Whilst the net operating result of the Consolidated group generated a Loss of $2,571,682 for the half year period (31 Dec 2019: Net Loss of $4,482,583); the underlying EBITDA (after excluding share based payments expense) increased to $2,018,000 (31 Dec 2019: $2,000) as we continued to invest in our ever-expanding infrastructure and grow our customer base.

The Group has also further expanded its Management Team including the recruitment of Julian Breen as COO to replace William Paul Reid who has stepped down from his operational role within the business and the recruitment of John Phillips as CFO.

# Directors' Report

## 31 December 2020

### 3. Other items

#### Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the half year.

#### Events after the reporting date

On 24 February 2021, it was announced that 100% of the share capital of the company would be acquired by Stemify Ltd (ASX:SF1) as part of a broader transaction involving the company, Node 1 (a WA Based telecommunications provider) and Stemify Ltd. The acquisition is subject to a number of conditions including shareholder approval and compliance with ASX listing rules.

Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

#### Future developments and results

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

#### Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

#### Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial half year, for any person who is or has been an officer or auditor of Cirrus Communications Pty Ltd and its Controlled Entities.

#### Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2020 has been received and can be found on page 3 of the consolidated financial report.

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

WP Reid

Director: William Paul Reid (Apr 6, 2021 12:43 GMT+10) ..........
William Paul Reid

Dated 06 April 2021

Cirrus Communications Pty Ltd and its Controlled Entities
ACN 109 931 731

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Cirrus Communications Pty Ltd and its Controlled Entities

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2020, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

PKF

PKF

P. Pearman.

PAUL PEARMAN
PARTNER

6 APRIL 2021
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited Partnership
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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Half Year Ended 31 December 2020

| | Note | For the half year ended 31 Dec 2020 $ | For the half year ended 31 Dec 2019 $ |
|---|---|---|---|
| Revenue | 4 | **10,779,081** | 3,390,798 |
| Other income | 4 | **603,186** | 199 |
| Cost of sales | | **(4,936,490)** | (903,586) |
| Employee benefits expense | | **(2,936,971)** | (1,013,845) |
| Depreciation and amortisation expense | | **(3,649,948)** | (1,653,954) |
| Administrative expenses | | **(671,259)** | (696,807) |
| Share based payment expense | | **(631,802)** | (2,703,779) |
| Other operating expenses | | **(918,178)** | (784,431) |
| Finance costs | | **(209,301)** | (117,178) |
| **Profit/(loss) before income tax** | | **(2,571,682)** | (4,482,583) |
| Income tax benefit | | **-** | - |
| **Profit/(loss) for the year** | | **(2,571,682)** | (4,482,583) |
| **Total comprehensive income/(loss) for the year** | | **(2,571,682)** | (4,482,583) |

The accompanying notes form part of these financial statements.

Cirrus Communications Pty Ltd and its Controlled Entities

ACN 109 931 731

# Consolidated Statement of Financial Position

## As At 31 December 2020

| | Note | 31 Dec 2020<br>$ | 30 June 2020<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | **6,990,450** | 2,626,799 |
| Trade and other receivables | | **1,339,226** | 1,370,090 |
| Inventories | | **404,709** | 151,450 |
| Other assets | | **426,656** | 40,907 |
| TOTAL CURRENT ASSETS | | **9,161,041** | 4,189,246 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **8,597,060** | 7,685,470 |
| Deferred tax assets | | **590,503** | 590,503 |
| Intangible assets | | **5,726,622** | 6,202,707 |
| Right-of-use assets | | **5,173,362** | 5,485,903 |
| Other assets | | **114,856** | - |
| TOTAL NON-CURRENT ASSETS | | **20,202,403** | 19,964,583 |
| TOTAL ASSETS | | **29,363,444** | 24,153,829 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 5 | **3,545,563** | 2,241,967 |
| Finance lease liabilities | | **129,074** | 173,749 |
| Lease liabilities | | **1,391,439** | 1,283,259 |
| Short-term provisions | | **538,729** | 317,788 |
| Employee benefits | | **1,317,488** | 576,751 |
| Other liabilities | | **9,989** | 188,569 |
| TOTAL CURRENT LIABILITIES | | **6,932,282** | 4,782,083 |
| NON-CURRENT LIABILITIES | | | |
| Finance lease liabilities | | **58,387** | 174,285 |
| Deferred tax liabilities | | **287,578** | 287,578 |
| Lease liabilities | | **3,739,340** | 4,309,954 |
| Employee benefits | | **283,496** | 97,688 |
| TOTAL NON-CURRENT LIABILITIES | | **4,368,801** | 4,869,505 |
| TOTAL LIABILITIES | | **11,301,083** | 9,651,588 |
| NET ASSETS | | **18,062,361** | 14,502,241 |
| | | | |
| **EQUITY** | | | |
| Issued capital | | **30,079,029** | 24,579,030 |
| Reserves | | **3,335,581** | 2,703,779 |
| Retained earnings | | **(15,352,249)** | (12,780,568) |
| TOTAL EQUITY | | **18,062,361** | 14,502,241 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

## For the Half Year Ended 31 December 2020

**2020**

| | Ordinary Shares | Redeemable Preference Shares | Retained Earnings | Option Reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2020** | **17,429,029** | **7,150,000** | **(12,780,567)** | **2,703,779** | **14,502,241** |
| Loss attributable to members of the parent entity | **-** | **-** | **(2,571,682)** | **-** | **(2,571,682)** |
| Shares issued during the year | **-** | **5,500,000** | **-** | **-** | **5,500,000** |
| Share based payment transactions | **-** | **-** | **-** | **631,802** | **631,802** |
| **Balance at 31 December 2020** | **17,429,029** | **12,650,000** | **(15,352,249)** | **3,335,581** | **18,062,361** |

**2019**

| | Ordinary Shares | Redeemable Preference Shares | Retained Earnings | Option Reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2019** | 12,004,029 | 500,000 | (7,672,391) | - | 4,831,638 |
| Loss attributable to members of the parent entity | - | - | (4,482,583) | - | (4,482,583) |
| Shares issued during the year | - | 6,650,000 | - | - | 6,650,000 |
| Share based payment transactions | - | - | - | 2,703,779 | 2,703,779 |
| **Balance at 31 December 2019** | 12,004,029 | 7,150,000 | (12,154,974) | 2,703,779 | 9,702,834 |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

## For the Half Year Ended 31 December 2020

| | For the half year ended 31 Dec 2020 | For the half year ended 31 Dec 2019 |
|---|---|---|
| | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Receipts from customers | **11,586,593** | 4,305,241 |
| Payments to suppliers and employees | **(8,234,609)** | (3,595,439) |
| Interest received | **6,129** | 199 |
| Finance costs | **(274,253)** | (126,902) |
| Net cash provided by/(used in) operating activities | **3,083,860** | 583,099 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of property, plant and equipment | **(3,416,847)** | (1,825,319) |
| Purchase of intangible assets | **-** | (8,736) |
| Net cash provided by/(used in) investing activities | **(3,416,847)** | (1,834,055) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Cash received for issued preference share capital | **5,500,000** | 6,650,000 |
| Repayment of lease liabilities | **(642,790)** | (445,162) |
| Proceeds from/(repayment of) borrowings | **(160,572)** | 87,143 |
| Net cash provided by/(used in) financing activities | **4,696,638** | 6,291,981 |
| Net increase/(decrease) in cash and cash equivalents held | **4,363,651** | 5,041,025 |
| Cash and cash equivalents at beginning of year | **2,626,799** | 144,021 |
| Cash and cash equivalents at end of the half year | **6,990,450** | 5,185,046 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## For the Half Year Ended 31 December 2020

The half-year consolidated financial report covers Cirrus Communications Pty Ltd and its Controlled Entities ('the Group'). Cirrus Communications Pty Ltd and its Controlled Entities is a for-profit proprietary Company, incorporated and domiciled in Australia.

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

The financial report was authorised for issue by the Directors on 06 April 2021.

### 1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2020 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Cirrus Communications Pty Ltd and its Controlled Entities. As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. 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 2020.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

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

### 2 Summary of Significant Accounting Policies

#### (a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

#### (b) Revenue and other income

**Revenue from contracts with customers**

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

1. Identify the contract with the customer

## 2 Summary of Significant Accounting Policies (cont'd)

### (b) Revenue and other income (cont'd)

**Revenue from contracts with customers (cont'd)**

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

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

**Specific revenue streams**

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

**Rendering of services**

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

Revenue from internet services is generally recognised once the service has been delivered.

**Interest revenue**

Interest revenue is recognised using the effective interest rate method.

**Other income**

Other income is recognised on an accruals basis when the Group is entitled to it.

### (c) Income Tax

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

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the half year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the

# Notes to the Financial Statements

## For the Half Year Ended 31 December 2020

**2 Summary of Significant Accounting Policies (cont'd)**

**(c) Income Tax (cont'd)**

relevant taxation authority.

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

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- Taxable temporary differences arising on the initial recognition of goodwill.

- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

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

**(d) Borrowing costs**

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

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

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

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

Receivables and payable are stated inclusive of GST.

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

### 2 Summary of Significant Accounting Policies (cont'd)

#### (f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

#### (g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

**Land and buildings**

Land and buildings are measured using the cost model.

**Plant and equipment**

Plant and equipment are measured using the cost model.

**Depreciation**

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

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

| Fixed asset class | Depreciation rate |
|---|---|
| Plant and Equipment | 33% |
| Motor Vehicles | 25% |
| Office Equipment | 20%-33% |
| Leasehold improvements | 20%-25% |
| Networks | 8% |

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

#### (h) Financial instruments

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

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

**2 Summary of Significant Accounting Policies (cont'd)**

**(h) Financial instruments (cont'd)**

**Financial assets**

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

**Classification**

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

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

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

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

**Financial assets at fair value through profit or loss**

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

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

**2 Summary of Significant Accounting Policies (cont'd)**

**(h) Financial instruments (cont'd)**

**Financial liabilities**

The Group’s financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

**Impairment of financial assets**

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

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

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or

- the financial assets is more than 90 days past due. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

**Trade receivables**

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

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

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

**(i) Impairment of non-financial assets**

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

**2 Summary of Significant Accounting Policies (cont'd)**

**(i) Impairment of non-financial assets (cont'd)**

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

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

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

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

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

**(j) Intangibles**

**Goodwill**

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

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest;

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

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

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

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

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

**2 Summary of Significant Accounting Policies (cont'd)**

**(j) Intangibles (cont'd)**

**Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 10 years.

**Software**

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

**Customer contracts**

Customer contracts acquired at acquisition have a finite life and is carried at cost less any accumulated amortisation and impairment losses. The estimated useful life has been determined to be three years

**License agreements**

APNIC licenses acquired at acquisition have a finite life and are carried at cost less any accumulated amortisation and impairment losses. The estimated useful life has been determined to be five years.

**Amortisation**

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

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

**(k) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(l) Leases**

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

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.

**2 Summary of Significant Accounting Policies (cont'd)**

**(l) Leases (cont'd)**

- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

**Lessee accounting**

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

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

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

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

*Exceptions to lease accounting*

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**(m) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

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

**3 Critical Accounting Estimates and Judgments**

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

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

The significant estimates and judgements made have been described below.

### 3 Critical Accounting Estimates and Judgments (cont'd)

**Key estimates - share based payments**

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period.

Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by the Group, however, have a number of features that make them incomparable to such traded options. Using different input estimates or models could produce different option values, which would result in the recognition of a higher or lower expense.

**Key estimates - leases**

The group has made certain estimates and assumptions concerning the inputs applied in its adoption of AASB 16 – Leases. The lease period terms of certain leases that are occupied, but with agreements that had expired or rolled over, were estimated by management based on their best estimate at reporting date on the likelihood of lease duration taking into consideration their assessment of the useful life of the assets held at the location. Management has deemed the assumption is appropriate based on substance that they expect to occupy the various locations into the foreseeable future as the locations are essential in providing services and deriving revenue for the Group.

**Key estimates - intangibles**

Customer contracts, relationships and license agreements were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on management's estimates over the timing of projected cash flows of the intangible assets over their estimated useful lives. Management's assessment of the fair value and estimated useful life is deemed appropriate based on independent valuations obtained at acquisition date.

**Key estimates - property, plant and equipment**

Capitalised labour costs incurred has been recognised as an asset when it is deemed probable that future economic benefit associated with the item will flow to the entity and the cost can be measured reliably. Management have made estimates when applying percentages of certain employee costs that are attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Management have deemed the allocated percentage of certain staff costs applied is appropriate based on their assessment of staff roles, responsibilities and divisions.

# Notes to the Financial Statements

## For the Half Year Ended 31 December 2020

### 4 Revenue and Other Income

| | For the half year ended 31 Dec 2020 | For the half year ended 31 Dec 2019 |
|---|---|---|
| | $ | $ |
| Revenue | | |
| - Sale of services | **10,779,081** | 3,390,798 |
| | **10,779,081** | 3,390,798 |
| Other income | | |
| - Interest income | **6,129** | 199 |
| - Other income | **597,057** | - |
| | **603,186** | 199 |
| **Total Revenue** | **11,382,267** | 3,390,997 |

### 5 Trade and Other Payables

| | | |
|---|---|---|
| CURRENT | | |
| Trade payables | **2,873,946** | 1,620,719 |
| GST payable | **532,312** | 487,992 |
| Other payables | **139,305** | 133,256 |
| | **3,545,563** | 2,241,967 |

### 6 Interests in Subsidiaries

#### (a) Composition of the Group

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* Dec 2020 | Percentage Owned (%)* June 2020 |
|---|---|---|---|
| **Subsidiaries:** | | | |
| Anycast Holdings Pty Ltd | Australia | **100** | 100 |
| Bosley Holdings Pty Ltd | Australia | **100** | 100 |
| Cirrus Integrations Pty Ltd | Australia | **100** | 100 |
| Anycast Networks (NZ) Ltd | New Zealand | **100** | 100 |

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

### 7 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2020 (30 June 2020:None).

## 8 Events Occurring After the Reporting Date

On 24 February 2021, it was announced that 100% of the share capital of the company would be acquired by Stemify Ltd (ASX:SF1) as part of a broader transaction involving the company, Node 1 (a WA Based telecommunications provider) and Stemify Ltd. The acquisition is subject to a number of conditions including shareholder approval and compliance with ASX listing rules.

Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 9 Statutory Information

The registered office of the company is:

Cirrus Communications Pty Ltd and its Controlled Entities
Unit 5
14 Narabang Way
Belrose NSW 2085

The principal place of business is:

Suite 1A Level 2
10 William Street
Gosford
NSW 2250

# Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 31 December 2020 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

WP Reid

Director William Paul Reid (Apr 6, 2021 12:43 GMT+10) ........................................................................

William Paul Reid

Dated 06 April 2021

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF CIRRUS COMMUNICATIONS PTY LTD AND ITS CONTROLLED ENTITIES

## Report on the Half-Year Financial Report

## Conclusion

We have reviewed the accompanying half-year financial report of Cirrus Communications Pty Ltd and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the group and the consolidated entity, comprising the group and the entities it controlled at the half year's end or from time to time during the financial period.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the Corporations Act 2001, we have given the directors of the group a written Auditor's Independence Declaration.

## Directors' responsibility for the financial report

The directors of the group 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 is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the Audit of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

## Auditor's responsibility for the Audit of the Financial Report (cont'd)

A review of 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.

PKF

PKF

P. Pearman

PAUL PEARMAN
PARTNER

6 APRIL 2021
SYDNEY, NSW