

Hubify Limited

ABN 60 607 921 246

Appendix 4E - Preliminary Final Report - 30 June 2021

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Hubify Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Hubify Limited
ABN:	60 607 921 246
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	15.4% to	18,761,542
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	18.6% to	2,063,681
Earnings Before Interest and Tax (EBIT)	up	21.1% to	1,263,159
Profit before income tax	up	24.7% to	1,245,631
Profit from ordinary activities after tax attributable to the members of Hubify Limited	down	65.0% to	918,913
Profit for the year attributable to the members of Hubify Limited	down	65.0% to	918,913
Net Tangible Assets per ordinary security	up	43.4% to	1.20 cents
Cash and cash equivalents	up	75.0% to	5,073,672

Comments

HFY achieved an EBITDA of \$2.1m for FY21 with an annual statutory net profit after tax of \$0.9m. This profit was generated on revenue of \$18.8 million, a 15.4% increase compared to the prior year. Final cash position at the end of the year was \$5.1m.

In the year ended 30 June 2020 HFY recognised a one-off deferred tax credit of \$1,756,757 and as a consequence the statutory profit after tax for the year ended 30 June 2021 is down 65.0% when compared to the statutory profit after tax for the year ended 30 June 2020. The one-off deferred tax credit resulted from the recognition of a previously unrecognised deferred tax asset which the Directors have assessed will be recovered by future taxable profits.

Dividends

There were no dividends paid, recommended, or declared during the current financial period by HFY. The amounts paid represent pre-acquisition dividends payable to the shareholders of Broadland Solutions Pty Limited and to the shareholders of ICNE Pty Limited relating to the period prior to their acquisition by Hubify Limited.

Acquisitions completed in the last 12 months

- C3 Innovations
- Red Telecom Pty Ltd
- Ripe Communications Pty Ltd
- Nethoster
- MSP business ICNE Pty Ltd
- Call centre Sennah Pty Ltd

Investments completed in the last 12 months

- Internet 2.0 provides defence grade cyber security proprietary technology and managed services

Business transformation achievements FY2021

- Company name change and brand awareness campaign
- Managed Service Division Expansion

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.19</u>	<u>0.83</u>

4. Control gained over entities

Please refer to note 18 to the attached financial statements.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended, or declared during the current financial period by HFY. The amounts paid represent pre-acquisition dividends payable to the shareholders of Broadland Solutions Pty Limited and to the shareholders of ICNE Pty Limited relating to the period prior to their acquisition by Hubify Limited.

Previous period

There were no dividends paid, recommended, or declared during the previous financial period by HFY. The amounts paid represent pre-acquisition dividends payable to the shareholders of Broadland Solutions Pty Limited relating to the period prior to its acquisition by Hubify Limited.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

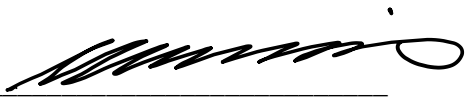
10. Audit statement

An audit of the consolidated financial statements is currently in progress.

11. Attachments

The Appendix 4E - Preliminary Final Report of Hubify Limited for the year ended 30 June 2021 is attached.

12. Signed

Signed 

Date: 31 August 2021

Victor Tsaccounis
Director
Sydney

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Hubify Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue	4	18,759,777	16,256,779
Share of profits of associates accounted for using the equity method		-	53,400
Other income		50,000	1,369
Interest revenue		1,765	4,970
Gain from deemed disposal of associate shareholding		-	145,968
Expenses			
Cost of sales		(5,302,412)	(5,705,534)
Marketing		(965,023)	(1,089,951)
Occupancy		(445,492)	(266,382)
Administration		(9,833,542)	(7,464,850)
Acquisition costs		(77)	(180,417)
Other expenses		(1,000,072)	(707,328)
Finance costs		(19,293)	(48,785)
Profit before income tax (expense)/benefit		1,245,631	999,239
Income tax (expense)/benefit		(326,718)	1,626,926
Profit after income tax (expense)/benefit for the year attributable to the members of Hubify Limited		918,913	2,626,165
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the members of Hubify Limited		<u>918,913</u>	<u>2,626,165</u>
		Cents	Cents
Basic earnings per share	22	0.20	0.76
Diluted earnings per share	22	0.20	0.76

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

Hubify Limited
Statement of financial position
As at 30 June 2021

	Note	2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	5	5,073,672	2,899,313
Trade and other receivables	6	1,867,402	1,461,357
Contract assets	7	208,089	-
Inventories		104,816	23,333
Financial assets at fair value through profit or loss		-	13,384
Income tax refund due		123,469	-
Other		52,993	93,658
Total current assets		<u>7,430,441</u>	<u>4,491,045</u>
Non-current assets			
Investments	8	500,000	-
Plant and equipment	9	861,195	819,194
Intangibles	10	6,267,075	2,042,714
Deferred tax		1,187,431	1,752,024
Other		199,603	102,497
Total non-current assets		<u>9,015,304</u>	<u>4,716,429</u>
Total assets		<u>16,445,745</u>	<u>9,207,474</u>
Liabilities			
Current liabilities			
Trade and other payables	11	1,978,079	1,847,760
Borrowings	12	-	127,841
Lease liabilities	13	360,374	252,653
Provisions	14	1,238,350	756,104
Other	15	-	160,000
Total current liabilities		<u>3,576,803</u>	<u>3,144,358</u>
Non-current liabilities			
Contract liabilities		-	20,000
Borrowings	12	183,711	-
Lease liabilities	13	392,872	475,713
Deferred tax		66,842	125,098
Provisions	14	155,515	101,447
Total non-current liabilities		<u>798,940</u>	<u>722,258</u>
Total liabilities		<u>4,375,743</u>	<u>3,866,616</u>
Net assets		<u>12,070,002</u>	<u>5,340,858</u>
Equity			
Issued capital	16	8,123,280	2,333,049
Reserves	17	20,000	-
Retained profits		3,926,722	3,007,809
Total equity		<u>12,070,002</u>	<u>5,340,858</u>

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

Hubify Limited
Statement of changes in equity
For the year ended 30 June 2021

	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2019	435,000	-	961,644	1,396,644
Profit after income tax benefit for the year	-	-	2,626,165	2,626,165
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	2,626,165	2,626,165
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 16)	1,898,049	-	-	1,898,049
Dividends paid	-	-	(580,000)	(580,000)
Balance at 30 June 2020	<u>2,333,049</u>	<u>-</u>	<u>3,007,809</u>	<u>5,340,858</u>
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	2,333,049	-	3,007,809	5,340,858
Profit after income tax expense for the year	-	-	918,913	918,913
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	918,913	918,913
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 16)	5,790,231	-	-	5,790,231
Share-based payments	-	20,000	-	20,000
Balance at 30 June 2021	<u>8,123,280</u>	<u>20,000</u>	<u>3,926,722</u>	<u>12,070,002</u>

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

Hubify Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,205,019	16,605,822
Payments to suppliers and employees (inclusive of GST)		<u>(18,847,142)</u>	<u>(17,157,742)</u>
		357,877	(551,920)
Interest received		1,765	4,970
Government grants		1,207,859	963,432
Interest and other finance costs paid		(2,831)	(48,785)
Income taxes paid		<u>(5,191)</u>	<u>(109,866)</u>
Net cash from operating activities		<u>1,559,479</u>	<u>257,831</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	18	(2,154,859)	863,854
Payments for investment and deferred consideration		(660,000)	(120,000)
Payments for plant and equipment		(163,385)	(19,928)
Payments for intangibles		(170,624)	(47,651)
Payments for security deposits		(95,072)	(10,000)
Payments for other assets		-	(26,406)
Loans repaid by other entities		184,896	200,000
Proceeds from disposal of investments		<u>50,000</u>	<u>7,795</u>
Net cash from/(used in) investing activities		<u>(3,009,044)</u>	<u>847,664</u>
Cash flows from financing activities			
Proceeds from issue of shares	16	5,000,000	-
Repayment of leases		(210,573)	(111,343)
Repayment of promissory note		(127,841)	(27,851)
Share issue costs		(554,769)	(48,582)
Dividends paid	21	(482,143)	(322,857)
Other loan repayment		<u>(750)</u>	<u>-</u>
Net cash from/(used in) financing activities		<u>3,623,924</u>	<u>(510,633)</u>
Net increase in cash and cash equivalents		2,174,359	594,862
Cash and cash equivalents at the beginning of the financial year		<u>2,899,313</u>	<u>2,304,451</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>5,073,672</u></u>	<u><u>2,899,313</u></u>

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

Note 1. Statement of significant accounting policies

Statement of compliance

This preliminary final report (the Report) is to be read in conjunction with any public announcements made by United Networks Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The preliminary final report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The Report is presented in Australian dollars, which is the functional currency of United Networks Limited and its controlled entities and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year.

Comparatives

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Estimation of useful lives of assets

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

Goodwill impairment

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 3. Operating segments

Identification of reportable operating segments

Operating segments are identified based on separate financial information which is regularly reviewed by the Board of Directors, representing the consolidated entity's Chief Operating Decision Makers (CODM), in assessing performance and determining the allocation of resources.

The consolidated entity operates in primarily one geographical segment, namely Australia. The primary business segment is telecommunications namely voice, data and value added services. As the consolidated entity operates in only one segment, the consolidated results are also its segment results.

The consolidated entity operates in one geographical segment being Australia. Revenue from overseas customers is not material to the consolidated entity.

Major customers

All revenue of the consolidated entity is from external customers. During the current and prior financial periods, there were no transactions with a single external customer that amounted to 10 per cent or more of the consolidated entity's revenues.

Note 4. Revenue

	2021	2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	1,502,883	1,632,217
Services	15,960,354	13,285,787
	<u>17,463,237</u>	<u>14,918,004</u>
<i>Other revenue</i>		
Government grants - Jobkeeper and Cash Flow Boost	702,150	670,500
Government grants - R&D incentive, Export Market Development Grant and other	505,709	665,915
Other revenue	88,681	2,360
	<u>1,296,540</u>	<u>1,338,775</u>
Revenue	<u><u>18,759,777</u></u>	<u><u>16,256,779</u></u>

Hubify Limited
Notes to the financial statements
30 June 2021

Note 5. Cash and cash equivalents

	2021	2020
	\$	\$
<i>Current assets</i>		
Cash on hand	-	100
Cash at bank	5,073,672	2,898,213
PayPal	-	1,000
	<u>5,073,672</u>	<u>2,899,313</u>

Note 6. Trade and other receivables

	2021	2020
	\$	\$
<i>Current assets</i>		
Trade receivables	1,898,036	1,327,068
Less: Allowance for expected credit losses	(64,629)	(56,849)
	<u>1,833,407</u>	<u>1,270,219</u>
Other receivables	33,995	10,137
Government grants	-	181,001
	<u>33,995</u>	<u>191,138</u>
	<u>1,867,402</u>	<u>1,461,357</u>

Note 7. Contract assets

	2021	2020
	\$	\$
<i>Current assets</i>		
Contract assets	<u>208,089</u>	<u>-</u>

Note 8. Investments

	2021	2020
	\$	\$
<i>Non-current assets</i>		
Investment in unlisted entity	<u>500,000</u>	<u>-</u>

Hubify Limited
Notes to the financial statements
30 June 2021

Note 9. Plant and equipment

	2021 \$	2020 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	-	77,157
Less: Accumulated depreciation	-	(77,157)
	<u>-</u>	<u>-</u>
Plant and equipment - at cost	60,384	53,084
Less: Accumulated depreciation	(32,774)	(25,957)
	<u>27,610</u>	<u>27,127</u>
Furniture, fixtures and fittings - at cost	119,139	167,419
Less: Accumulated depreciation	(57,120)	(162,601)
	<u>62,019</u>	<u>4,818</u>
Motor vehicles - at cost	76,960	-
Less: Accumulated depreciation	(66,626)	-
	<u>10,334</u>	<u>-</u>
Computer equipment - at cost	183,835	86,008
Less: Accumulated depreciation	(99,421)	(70,558)
	<u>84,414</u>	<u>15,450</u>
Right-of-use assets - property leases	1,102,169	841,721
Less: Accumulated depreciation	(425,351)	(69,922)
	<u>676,818</u>	<u>771,799</u>
	<u>861,195</u>	<u>819,194</u>

Reconciliations

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

	Leasehold improvements \$	Plant and equipment \$	Furniture, fixtures and fittings \$	Motor vehicles \$	Computer equipment \$	Right-of-use assets - property leases \$	Total \$
Balance at 1 July 2019	42,120	-	-	-	-	448,988	491,108
Additions	-	6,766	4,890	-	8,272	424,853	444,781
Additions through business combinations (note 18)	-	24,850	-	-	12,660	51,075	88,585
Lease modification	-	-	-	-	-	(32,120)	(32,120)
Right-of-use asset derecognised	-	-	-	-	-	(51,075)	(51,075)
Depreciation expense	(42,120)	(4,489)	(72)	-	(5,482)	(69,922)	(122,085)
Balance at 30 June 2020	-	27,127	4,818	-	15,450	771,799	819,194
Additions	-	5,812	59,746	-	97,827	172,010	335,395
Additions through business combinations (note 18)	-	1,488	-	10,334	-	22,222	34,044
Write-off	-	-	(1,218)	-	-	-	(1,218)
Depreciation expense	-	(6,817)	(1,327)	-	(28,863)	(289,213)	(326,220)
Balance at 30 June 2021	<u>-</u>	<u>27,610</u>	<u>62,019</u>	<u>10,334</u>	<u>84,414</u>	<u>676,818</u>	<u>861,195</u>

Hubify Limited
Notes to the financial statements
30 June 2021

Note 10. Intangibles

	2021 \$	2020 \$
<i>Non-current assets</i>		
Goodwill - at cost	1,551,481	1,217,203
Patents, trademarks and other rights - at cost	164,303	12,643
Web development - at cost	1,132,941	1,033,107
Less: Accumulated amortisation	(925,188)	(742,432)
	<u>207,753</u>	<u>290,675</u>
Customer lists - at cost	4,139,297	26,406
Software - at cost	2,729,801	2,729,801
Less: Accumulated amortisation	(2,525,560)	(2,234,014)
	<u>204,241</u>	<u>495,787</u>
	<u><u>6,267,075</u></u>	<u><u>2,042,714</u></u>

Reconciliations

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

	Goodwill \$	Patents, trademarks and other rights \$	Web development costs \$	Customer lists \$	Software \$	Total \$
Balance at 1 July 2019	-	6,230	-	-	-	6,230
Additions	-	-	21,245	26,406	-	47,651
Additions through business combinations (note 18)	1,217,203	6,413	499,331	-	840,148	2,563,095
Amortisation expense	-	-	(229,901)	-	(344,361)	(574,262)
Balance at 30 June 2020	1,217,203	12,643	290,675	26,406	495,787	2,042,714
Additions	-	151,660	99,834	39,130	-	290,624
Additions through business combinations (note 18)	634,278	-	-	3,773,761	-	4,408,039
Transfers in/(out)	(300,000)	-	-	300,000	-	-
Amortisation expense	-	-	(182,756)	-	(291,546)	(474,302)
Balance at 30 June 2021	<u><u>1,551,481</u></u>	<u><u>164,303</u></u>	<u><u>207,753</u></u>	<u><u>4,139,297</u></u>	<u><u>204,241</u></u>	<u><u>6,267,075</u></u>

Hubify Limited
Notes to the financial statements
30 June 2021

Note 11. Trade and other payables

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	857,389	659,165
Accruals	201,272	244,264
Interest payable	16,462	-
GST payable	189,566	463,107
Other payables	713,390	481,224
	<u>1,978,079</u>	<u>1,847,760</u>

Note 12. Borrowings

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Promissory note - related party	-	127,841
<i>Non-current liabilities</i>		
Other loan	183,711	-
	<u>183,711</u>	<u>127,841</u>

Note 13. Lease liabilities

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Lease liability - buildings	340,985	252,653
Lease liability - motor vehicles	19,389	-
	<u>360,374</u>	<u>252,653</u>
<i>Non-current liabilities</i>		
Lease liability - buildings	372,656	475,713
Lease liability - motor vehicles	20,216	-
	<u>392,872</u>	<u>475,713</u>
	<u>753,246</u>	<u>728,366</u>

Hubify Limited
Notes to the financial statements
30 June 2021

Note 14. Provisions

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Annual leave	644,441	377,374
Long service leave	143,909	121,587
Contingent consideration	450,000	-
Dividends payable to former shareholders	-	257,143
	<u>1,238,350</u>	<u>756,104</u>
<i>Non-current liabilities</i>		
Long service leave	155,515	101,447
	<u>1,393,865</u>	<u>857,551</u>

The dividends balance at 30 June 2020 represents amounts payable to shareholders of Broadland Solutions Pty Limited prior to its acquisition by Hubify Limited on 13 September 2019.

Note 15. Other

	2021	2020
	\$	\$
<i>Current liabilities</i>		
Deferred purchase consideration	-	160,000
	<u>-</u>	<u>160,000</u>

The deferred purchase consideration was in connection with the acquisition of Vokal Pty Limited (formerly Symmetry Networks Pty Limited) in the 30 June 2020 financial year.

Note 16. Issued capital

	2021	2020	2021	2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>491,460,971</u>	<u>392,379,382</u>	<u>8,123,280</u>	<u>2,333,049</u>

Hubify Limited
Notes to the financial statements
30 June 2021

Note 16. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	100		435,000
Elimination of existing legal acquiree shares	21 October 2019	(100)	\$0.000	-
Shares issued to acquire Broadland Solutions Pty Ltd (reverse acquisition) (a)	21 October 2019	245,510,662	\$0.000	-
Shares of legal acquirer at acquisition date (reverse acquisition) (b)	21 October 2019	125,824,949	\$0.013	1,622,480
Shares issued to acquire Broadland Victoria Pty Ltd (c)	21 October 2019	21,043,771	\$0.014	294,613
Share issue costs	21 October 2019	-	\$0.000	(19,044)
Balance	30 June 2020	392,379,382		2,333,049
Shares issued to acquire the assets of C3 Innovations Pty Ltd (note 18)	4 August 2020	3,750,000	\$0.060	225,000
Share placement (d)	21 October 2020	79,365,079	\$0.063	5,000,000
Shares issued to share placement advisor (e)	21 October 2020	1,428,571	\$0.063	90,000
Shares issued to acquire intangible assets	18 December 2020	1,455,783	\$0.082	120,000
Shares issued to acquire ICNE Pty Ltd (note 18)	10 June 2021	13,082,156	\$0.076	1,000,000
Share issue costs		-	\$0.000	(644,769)
Balance	30 June 2021	<u>491,460,971</u>		<u>8,123,280</u>

(a) The issue of shares to the legal acquiree (BLS) shareholders was calculated under the terms of the Sale and Purchase Agreement whereby they received shares equating to 66% of the total equity issued by the legal acquirer post transaction. As the legal acquirer (UNL) had 125,824,949 shares prior to the transaction, this equated to 245,510,662 shares being issued to the legal acquiree shareholders.

(b) The legal acquirer (United Networks Limited (UNL)) had 125,824,949 shares prior to the transaction. As it is the legal parent, the number of shares on issue is equivalent to the consideration as if the legal acquiree (Broadland Solutions Pty Limited (BLS)) had purchased it using the share price at the day the transaction completed.

(c) As part of the acquisition of BLS, UNL also acquired an associate of BLS - Broadland Victoria Pty Limited (BLV) - on the same date it acquired BLS 21,043,771 shares were issued to acquire BLV.

(d) On 21 October 2020, Hubify Limited placed 79,365,079 new ordinary shares with institutional and sophisticated investors at an issue price of \$0.063 per share. The funds raised through the placement will be used to pursue potential acquisition opportunities in the telco and IT/managed services sector, while also accelerating organic growth opportunities.

(e) On 21 October 2020, Hubify Limited issued 1,428,571 ordinary shares to the advisor assisting with the placement ((d) above) for services rendered. The advisor also received 2,000,000 options with an exercise price of \$0.15 and an expiry date of 3 years from the date of the issue. The options were conditional on a minimum of \$4 million being raised in the placement.

Note 17. Reserves

	2021 \$	2020 \$
Share-based payments reserve	<u>20,000</u>	<u>-</u>

Note 18. Business combinations

Acquisition of Ripe Communications

On 1 October 2020, the consolidated entity acquired the business of Ripe Communications Pty Ltd (Ripe). The acquired business is an Optus Business Centre located in Perth WA. The acquisition allows the consolidated entity to achieve further efficiencies across its service provider business.

The total consideration for the acquisition was a cash payment of \$150,000.

Acquisition of C3 Innovations

On 3 August 2020, the consolidated entity acquired the assets and database of C3 Innovations Pty Ltd. C3 Innovations Pty Ltd is a specialised service provider of unified communications, and hosted and managed data solutions to companies. The acquisition allows the consolidated entity to achieve further efficiencies across its service provider business and will open up cross-selling opportunities.

The total consideration for the acquisition was \$505,000 consisting of a cash settlement of \$280,000 and 3,750,000 ordinary shares in Hubify Limited valued at \$225,000.

Acquisition of Red Telecom

On 30 September 2020, the consolidated entity acquired 100% of the business and assets of Red Telecom Pty Ltd. Red Telecom Pty Ltd provides voice and data services to 500 small to medium businesses across Australia. The acquisition allows the consolidated entity to achieve further efficiencies across its service provider business and will open up cross-selling opportunities.

The total consideration for the acquisition was a cash payment of \$470,000.

Acquisition of Nethoster

On 1 March 2021, the consolidated entity acquired the database assets of Nethoster. Nethoster provides Data, Voice, Mobility and Managed Services to business customers predominantly in Queensland and Northern New South Wales. The acquisition comprises of 203 small to medium business customers and Hubify has taken over the overseas support team. The acquisition has resulted in synergies from improved wholesale pricing with Hubify's existing suppliers. The acquisition builds on the consolidated entity's geographical footprint in mainland Australia with a physical presence now in New South Wales, Victoria, Queensland, South Australia and Western Australia.

The total consideration for the acquisition was a cash payment of \$800,000.

Acquisition of ICNE Pty Ltd

On 10 June 2021, the consolidated entity acquired ICNE Pty Ltd (ICNE). ICNE is a Cloud and Managed Service Provider (MSP), and is Hubify's 'anchor' MSP acquisition that enables the consolidated entity to offer one complete end to end IT, managed service, cyber and telecommunications solution to the SME market, with significant cross-sell opportunities into the consolidated entity's existing customer base.

The total consideration for the acquisition consisted of a cash settlement of \$1,015,595 and shares to the value of \$1,000,000.

Acquisition of Sennah Pty Ltd

On 10 June 2021, the consolidated entity acquired Sennah Pty Ltd ("Smile" Telemarketing). Smile will provide the consolidated entity with enhanced data of over 75,000 businesses across Australia, playing a lead role in driving organic growth across all product lines, along with contributing new IP and technology to further improve the consolidated entity's current customer engagement model.

The total consideration for the acquisition consisted of a cash settlement of \$40,000 and contingent consideration of \$450,000.

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Note 18. Business combinations (continued)

Details of the acquisitions are as follows:

	Ripe Fair value \$	C3 Innovations Fair value \$	Red Telecom Fair value \$	Nethoster Fair value \$	ICNE Fair value \$	Sennah Fair value \$	Total \$
Cash and cash equivalents	-	-	-	-	444,497	156,239	600,736
Trade receivables	-	-	-	-	276,362	41,658	318,020
Income tax refund due	-	-	-	-	-	50,181	50,181
Other receivables	-	-	-	-	-	1,880	1,880
Prepayments	-	-	-	-	-	30,115	30,115
Loans to related parties	-	-	-	-	184,896	-	184,896
Other current assets	-	-	-	-	-	19,506	19,506
Plant and equipment	-	-	-	-	-	1,488	1,488
Motor vehicles	-	-	-	-	-	10,334	10,334
Right-of-use assets	-	-	-	-	22,222	-	22,222
Customer lists	150,000	505,000	470,000	800,000	1,848,761	-	3,773,761
Security deposits	-	-	-	-	-	2,034	2,034
Trade payables	-	-	-	-	(185,787)	-	(185,787)
Other payables	-	-	-	-	(88,668)	(160,571)	(249,239)
Provision for income tax	-	-	-	-	(111,522)	-	(111,522)
Employee benefits	-	-	-	-	(86,723)	(100,681)	(187,404)
Dividends payable	-	-	-	-	(225,000)	-	(225,000)
Other provisions	-	-	-	-	-	(12,000)	(12,000)
Lease liability	-	-	-	-	(63,443)	-	(63,443)
Other loan	-	-	-	-	-	(184,461)	(184,461)
Net assets/(liabilities) acquired	150,000	505,000	470,000	800,000	2,015,595	(144,278)	3,796,317
Goodwill	-	-	-	-	-	634,278	634,278
Acquisition-date fair value of the total consideration transferred	<u>150,000</u>	<u>505,000</u>	<u>470,000</u>	<u>800,000</u>	<u>2,015,595</u>	<u>490,000</u>	<u>4,430,595</u>
Representing:							
Cash paid or payable to vendor	150,000	280,000	470,000	800,000	1,015,595	40,000	2,755,595
Hubify Limited shares issued to vendor	-	225,000	-	-	1,000,000	-	1,225,000
Contingent consideration	-	-	-	-	-	450,000	450,000
	<u>150,000</u>	<u>505,000</u>	<u>470,000</u>	<u>800,000</u>	<u>2,015,595</u>	<u>490,000</u>	<u>4,430,595</u>
Cash used to acquire business, net of cash acquired:							
Acquisition-date fair value of the total consideration transferred	150,000	505,000	470,000	800,000	2,015,595	490,000	4,430,595
Less: cash and cash equivalents	-	-	-	-	(444,497)	(156,239)	(600,736)
Less: contingent consideration	-	-	-	-	-	(450,000)	(450,000)
Less: shares issued by company as part of consideration	-	(225,000)	-	-	(1,000,000)	-	(1,225,000)
Net cash used/(received)	150,000	280,000	470,000	800,000	571,098	(116,239)	2,154,859

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Note 19. Interests in subsidiaries

Hubify Limited is the legal parent entity of the group and Broadland Solutions Pty Limited is the accounting parent entity.

Legal subsidiaries: Name of entity	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
United Lifestyle Group Networks Pty Ltd	Australia	100%	100%
United Global Sim Limited*	Hong Kong	100%	-
Broadland Victoria Pty Limited	Australia	100%	100%
Broadland Solutions Pty Limited	Australia	100%	100%
Hubify Communications Pty Limited (formerly Vokal Pty Limited)	Australia	100%	100%
ICNE Pty Limited	Australia	100%	-
Sennah Pty Limited	Australia	100%	-

* Subsidiary of United Lifestyle Group Networks Pty Ltd

Note 20. Events after the reporting period

No matter or circumstance has arisen since 30 June 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.

Note 21. Cash flow information

Dividends paid

There were no dividends paid, recommended, or declared during the current financial period by Hubify Limited. The amounts paid represent pre-acquisition dividends payable to the shareholders of Broadland Solutions Pty Limited and to the shareholders of ICNE Pty Limited relating to the period prior to their acquisition by Hubify Limited.

	2021 \$	2020 \$
Dividends paid to former shareholders of:		
Broadland Solutions Pty Ltd	257,143	322,857
ICNE Pty Ltd	225,000	-
	<u>482,143</u>	<u>322,857</u>

Note 22. Earnings per share

	2021 \$	2020 \$
Profit after income tax attributable to the members of Hubify Limited	<u>918,913</u>	<u>2,626,165</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>453,312,660</u>	<u>347,435,949</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>453,312,660</u>	<u>347,435,949</u>
	Cents	Cents
Basic earnings per share	0.20	0.76
Diluted earnings per share	0.20	0.76