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Interim Financial Report

For the half-year
ended 31 December 2021

ACN: 063 074 635

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Directors' Report

Your Directors submit their report for Vonex Limited ("Vonex" or "the Company") and controlled entities ("Consolidated Entity" or "Group") for the half-year ended 31 December 2021.

1 → Directors

The names and qualifications of persons who have held the position of Director of Vonex Limited at any time during the half-year and up to the date of this report are:

Mr Nicholas Ong	Non-Executive Chairman
Mr Matthew Fahey	Managing Director
Mr David Vilensky	Non-Executive Director
Ms Winnie Lai Hadad	Non-Executive Director
Mr Jason Gomersall	Non-Executive Director

2 → Principal Activities

Vonex is a full service, award-winning telecommunications service provider selling mobile, internet, traditional fixed lines, and hosted PBX and VoIP services – predominately to the small to medium enterprise ("SME") customer under the Vonex brand. The Company also provides wholesale customers, such as internet service providers, access to the core Vonex PBX and call termination services at wholesale rates via a white label model. Vonex also develops new technologies in the telecommunications industry, including a feature-rich cloud-hosted PBX system.

3 → Significant Changes in the State of Affairs

There have been no other significant changes in the state of affairs of the consolidated entity during the reporting period.

4 → Results of Operations

The financial results of the Group for the half-year ended 31 December 2021 are:

	31-Dec-21	31-Dec-20	% Change
Revenue (\$)	15,047,008	9,775,059	54%
Net loss after tax (\$)	(580,118)	(1,663,030)	65%
Loss per share (cents)	(0.20)	(0.89)	77%

5 → Dividends

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

6 → Review of Operations

2SG Wholesale

All Vonex wholesale services are combined and branded as 2SG Wholesale as of 1st January 2021. 2SG Wholesale division continues to experience strong growth during the reporting period.

Successfully integrating 2SG Wholesale has allowed the Company to expand its offering to SME customers by developing and delivering new products. 2SG's sales growth was strong across its new and existing Wholesale product suite in Q2 FY22, with NBN and Mobile voice sales up 26% and 31% respectively over the previous calendar year. Wholesale voice and PBX product lines also delivered robust growth with revenues increasing by 34% YoY. This strong growth reflects Vonex beginning to capture the cross-selling opportunities the Company identified prior to acquiring 2SG Wholesale.

In addition to the business grade mobile broadband offered by 2SG Wholesale, the Company has successfully attracted much larger wholesale customers, such as Discovery Technologies (a subsidiary of ASX:300 Data 3), and has also inked a wholesale relationship with Orange Business Services, a network native digital services company and the global enterprise division of the Orange Group (EPA:ORA) who currently service 3000 multi-national clients.

The Company is currently rolling out 5G services to its customers, providing another significant value proposition to support sales. After having been selected by Optus as a key 5G partner, 2SG has now commenced the launch, which includes a brand new Service Qualification and an automated ordering system for partners and customers. The Company expects this new product to contribute to revenue growth.

As part of the business units' strategy to continue to reduce costs, the 2SG Wholesale business recently completed the re-architecture of its fixed-line network which sees the business leveraging its direct relationship with NBN and connecting directly to all 121 NBN points of interconnect (POIs). This project will deliver tier 1 capability, an enhanced product range and the best possible commercial structure to enable the delivery of best-in-class fibre services to both wholesale and retail customers.

Vonex Retail

Following the successful completion of Vonex's transformational acquisition of the Direct Business operations from MNF Group in August 2021, the Company has continued to deliver growth in both SME customer numbers as well as contracted revenue. The Total Contract Value (TCV) of new customer sales added in the month of November 2021 exceeded \$1 million, which was a record

month of sales for the Company's Retail operations. This monthly result represents an increase of 50% compared to November 2020 and was achieved in the face of lock-down disruptions impacting normal trade in Melbourne and Sydney. Vonex achieved TCV of new customer sales during the December 2021 quarter of \$2 million.

Vonex Retail now has approximately 90,000 registered active users on its PBX cloud-based phone service, up 114% year on year, a key indicator of the Company's business development progress.

The Company achieved ARR of ~\$34.5 million as at 31 December 2021, up 103% year-on-year.

MNF Group's Direct Business Transaction

On 23 July 2021, the Company announced that it had agreed to acquire part of MNF Group's Direct Business which services SME and Consumer customers ("Direct Business") for \$31 million, comprising \$20 million of cash consideration payable on completion and \$11 million of deferred cash consideration payable in monthly installments over 12 months.

The Direct Business sells cloud phone, internet and mobile services to small-to-medium enterprise and residential customers in Australia, as well as dedicated audio and video conferencing services. The Acquisition will materially expand Vonex's footprint of SME and residential customers across Australia and will see the Company migrate approximately 5,250 new business customers to its platform. The acquisition delivers Vonex a strong platform for organic growth in the Australian telecommunications market through cross-selling internet and mobility products to Direct Business customers.

The Direct Business delivered an unaudited FY21 EBITDA of \$5.5 million from revenue of \$15.0 million.

Completion of the acquisition of the Direct Business took place on 9 August 2021.

Voiteck Acquisition

On 14 December 2021, the Company announced that it had agreed to acquire 100% of the share capital of Voiteck Pty Ltd ("Voiteck"). The Company completed its acquisition of Voiteck in January 2022. Voiteck is an established provider of voice and internet services to SME customers in South Australia.

Founded in 2009 by telecommunications industry veteran Declan O'Callaghan, Voiteck has grown to now service more than 10,000 hosted PBX phone system users through approximately 1,000 customers, spanning a range of end-markets including Aged Care and Community Clubs.

Voiteck's established presence across several niche verticals and its strong standing in the South Australian market have launched Vonex into a new geographic region which

presents exciting growth opportunities. The acquisition also provides Vonex for the first time with a much-needed branded physical presence in South Australia, through a customer showroom located on King William Street in the Adelaide CBD. This showroom will allow Vonex to manage its South Australian channel partners more closely and accelerate growth in this market.

The acquisition significantly boosts Vonex's base of recurring customer revenue, with group Annual Recurring Revenue (ARR) rising to more than \$34.5 million post completion. Beyond ARR, the acquisition provides further scale benefits.

This acquisition is consistent with Vonex's deliberate strategy to pursue growth via organic and inorganic channels. Across several transactions, Vonex has successfully demonstrated its ability to identify, acquire and integrate complementary, high-quality ICT companies that add value to shareholders and customers. Vonex is looking forward to integrating Voiteck's operations with its established SME-focused full-service telecommunications platform, bringing Voiteck's customers better systems with more functionality all backed by Vonex's reliability guarantee.

→ Transaction Details

Vonex has paid total upfront consideration of approximately \$2.75 million, comprising:

- \$2.2 million in cash; and
- 4,983,246 ordinary shares at a deemed issue price of A\$0.11 (being the volume-weighted average price of Vonex shares for the 10 trading days to 13 December 2021), which are escrowed for between 6 months and 24 months post issue.

The cash component of the upfront consideration has been paid utilising Vonex's existing cash reserves. Additional consideration of up to \$2.75 million may be paid to the vendors subject to the realisation of certain synergies and EBITDA growth delivered in FY22 and FY23.

The total upfront consideration represents a multiple of <4.5x LTM Sept 21 pro forma EBITDA, with the acquisition expected to be double-digit earnings accretive on a full year basis.

Capital Raising

On 23 July 2021, Vonex announced that it had received firm commitments from new and existing sophisticated and institutional investors to subscribe for a two-tranche placement of 109,090,909 fully paid ordinary shares ("Shares") at \$0.11 each to raise \$12 million before costs ("Placement"). Vonex also announced a Share Purchase Plan (SPP) to eligible, existing shareholders to raise up to an additional \$2 million at the Placement price. Tranche 1 of the Placement, consisting of 22,502,051 shares to raise \$2.475 million completed on 30 July 2021, with shareholders approving the issue of shares under Tranche 2 of the Placement at the general meeting held on 30 August 2021.

The Company received the support of a strong mix of institutional investors across Australia and New Zealand who were introduced by PAC Partners Securities Pty Ltd, which acted as Lead Manager to the Placement. Net

proceeds from the Placement and SPP were used to part fund the \$20 million cash consideration for the acquisition of MNF Group's Direct business, and for ongoing general working capital purposes.

Shareholder Meetings

At a general meeting held 30 August 2021, all resolutions were passed by way of a poll.

At the Company's AGM held 29 November 2021, all resolutions were passed by way of a poll.

7 → Auditor's Independence Declaration

The Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 has been received and is included within the Interim Financial Report.

Signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Matt Fahey
Managing Director

Dated this 28th day of February 2022



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Vonex Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2022

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→ Consolidated Statement of Profit or Loss & Other Comprehensive Income

For The Half-Year Ended 31 December 2021

	Note	31-Dec-21	31-Dec-20
		\$	\$
Sales revenue	3	14,988,192	8,924,568
Cost of sales		(7,528,514)	(6,203,874)
Gross profit		7,459,678	2,720,694
Other revenues		58,816	850,491
Administration expenses		(999,442)	(760,545)
Amortisation		(855,769)	(45,351)
Contractor expenses		(1,269,195)	(402,789)
Dealer Commissions		(432,410)	(374,105)
Depreciation expenses		(209,079)	(140,011)
Directors fees		(157,300)	(151,110)
Employee expenses		(3,145,210)	(1,851,158)
Finance costs		(782,948)	(29,525)
Share based payment expense		(68,968)	(1,334,176)
Other expenses		(380,164)	(145,445)
Loss before income tax		(781,991)	(1,663,030)
Income tax benefit		201,873	-
Net loss for the period		(580,118)	(1,663,030)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the period		(580,118)	(1,663,030)
Basic and diluted earnings per share of loss attributable to the owners of Vonex Limited (cents per share)		0.20	0.89

→ The accompanying notes form part of this interim financial report

→ Consolidated Statement of Financial Position

For The Half-Year Ended 31 December 2021

	Note	31-Dec-21	31-Jun-21*
		\$	\$
			Restated
→ Current Assets			
Cash and cash equivalents		8,432,285	3,658,416
Trade and other receivables		2,753,149	1,684,355
Contract assets		43,273	60,676
Other current assets		566,882	463,858
Total current assets		11,795,589	5,867,305
→ Non-Current Assets			
Intangible assets	4	35,388,683	4,577,062
Property, plant and equipment		392,300	335,630
Contract assets		24,037	7,918
Right of use assets		946,293	908,037
Other non-current assets		148,880	109,244
Total non-current assets		36,900,193	5,937,891
Total assets		48,695,782	11,805,196
→ Current Liabilities			
Trade and other payables		10,338,620	3,888,885
Provisions		922,748	521,842
Borrowings	5	1,783,368	-
Lease liability		349,232	346,815
Total current liabilities		13,393,968	4,757,542

Continued →

→ The accompanying notes form part of this interim financial report
*Refer to note 8 for detailed information on restatement of comparatives

	Note	31-Dec-21	31-Jun-21*
		\$	\$
			Restated
→ Non-Current Liabilities			
Provisions		177,381	121,031
Borrowings	6	13,090,884	-
Lease liability		672,245	648,513
Deferred tax liability		2,678,879	702,171
Total non-current liabilities		16,619,389	1,471,715
Total liabilities		30,013,357	6,229,257
→ Net Assets			
		18,682,425	5,575,939
→ Equity			
Issued capital	7	65,342,796	50,442,160
Reserves		3,963,716	5,177,748
Accumulated losses		(50,624,087)	(50,043,969)
Total equity		18,682,425	5,575,939

→ The accompanying notes form part of this interim financial report

*Refer to note 8 for detailed information on restatement of comparatives



→ Consolidated Statement of Changes in Equity

For The Half-Year Ended 31 December 2021

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
At 1 July 2021	50,442,160	(50,043,969)	5,177,748	5,575,939
→ Comprehensive income				
Loss for the period	-	(580,118)	-	(580,118)
Total comprehensive (loss) for the period	-	(580,118)	-	(580,118)
Transactions with owners, in their capacity as owners				
Shares issued during the period	13,999,986	-	-	13,999,986
Shares issued in settlement of trade payables – extinguishment of liabilities	268,240	-	-	268,240
Shares issued in settlement of employee benefits – extinguishment of liabilities	22,500	-	-	22,500
Conversion of performance rights to ordinary shares	1,260,500	-	(1,260,500)	-
Reversal of performance shares expired during the period	-	-	(74,940)	(74,940)
Share-based payment – performance shares and rights	-	-	121,408	121,408
Capital raising costs	(650,590)	-	-	(650,590)
At 31 December 2021	65,342,796	(50,624,087)	3,963,716	18,682,425

Continued →

→ The accompanying notes form part of this interim financial report

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
At 1 July 2020	47,642,165	(45,954,539)	5,230,937	6,918,563
→ Comprehensive income				
Loss for the period	-	(1,663,030)	-	(1,663,030)
Total comprehensive (loss) for the period	-	(1,663,030)	-	(1,663,030)
Transactions with owners, in their capacity as owners				
Shares issued during the period	1,400,000	-	(1,400,000)	-
Shares issued in settlement of trade payables – extinguishment of liabilities	200,000	-	-	200,000
Shares issued in settlement of employee entitlements – extinguishment of liabilities	20,512	-	-	20,512
Conversion of performance rights to ordinary shares	20,000	-	(20,000)	-
Share-based payment – performance shares and rights	-	-	123,176	123,176
Share-based payment – options	-	-	1,211,000	1,211,000
Reversal of options expired during the period	-	5,084	(5,084)	-
Capital raising costs	(98,215)	-	98,215	-
At 31 December 2020	49,184,462	(47,612,485)	5,238,244	6,810,221

→ The accompanying notes form part of this interim financial report

→ Consolidated Statement of Cash Flows

For The Half-Year Ended 31 December 2021

	31-Dec-21	31-Dec-20
	\$	\$
→ Cash Flows from Operating Activities		
Receipts from customers	14,769,222	8,550,946
Payments to suppliers and employees	(12,283,798)	(9,529,331)
Government grants received	-	150,000
Interest paid	(37,265)	(21,948)
Interest received	209	769
Net cash from/(used in) operating activities	2,448,368	(849,564)
→ Cash Flows from Investing Activities		
Payments for property, plant and equipment	(88,094)	(136,389)
Proceeds from disposal of property, plant and equipment	423	1,364
Payment for acquire business (MNF Direct Business)	(24,577,085)	-
Transaction costs for business combination	(364,731)	(136,868)
Net movement in bonds	-	(75,680)
Net cash used in investing activities	(25,029,487)	(347,573)
→ Cash Flows from Financing Activities		
Proceeds from issue of shares	13,999,986	-
Proceeds from borrowings	16,000,000	-
Repayment of borrowings	(500,000)	329
Payment of transaction & finance costs	(1,374,951)	-
Payments for capital raising costs	(644,330)	-
Payments for leases	(125,867)	(69,387)
Net cash from/(used in) financing activities	27,354,838	(69,058)
Net increase/(decrease) in cash and cash equivalents	4,773,719	(1,266,195)
Cash and cash equivalents at the beginning of the financial half-year	3,658,416	4,811,798
Exchange rate movements	150	(805)
Cash and cash equivalents at end of the financial half-year	8,432,285	3,544,798

→ The accompanying notes form part of this interim financial report

Notes to the Financial Statements



1 → Basis of Preparation of the Interim Report

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Accounting Standard 34 "Interim Financial Reporting".

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Vonex Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

A summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report can be found in the annual financial report for the year ended 30 June 2021. The accounting policies have been consistently applied, unless otherwise stated.

New and Revised Accounting Standards and Interpretations

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

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

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$580,118 for the half-year ended 31 December 2021. As at that date, the Group had net current liabilities of \$1,598,379.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report due to the following factors:

- The Directors expect the Group's Retail and Wholesale segments will continue to trade profitably;
- Cashflows from operating activities producing strong positive result for the half-year ended 31 December 2021 of \$2,448,368; and
- The Group has the ability to raise capital through the issue of equity.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

2 → Segment Information

Identification of Reportable Segments

The Group has identified its operating segments based on the Group's service offerings, which represents retail and wholesale services within the telecommunications industry. The two main operating segments are:

Retail → engaged in the sale of hardware and the full suite of telecommunication services including the provision of data, internet, voice (including IP voice) and other services within Australia.

Wholesale → engaged in offering wholesale "white-label" hosted PBX services under license for Internet Service Providers ("ISP"), Telco's and Cloud Vendors within Australia and Internationally.

Corporate → engaged in managing the corporate affairs of the Group, including capital-raising, development projects and listing endeavours.

Basis of Accounting for Purposes of Report by Operation Segments

Unless stated otherwise, all amounts reported within the operating segments are by determined in accordance with accounting standards adopted within the annual financial report.

→ Segment assets and liabilities

Segment assets and liabilities have been identified based where the direct relationship that exists in the provision of services within the two main operating segments.

→ Unallocated items

Items of revenue, expense, assets and liabilities that are not allocated to operating segments if they are considered part of the core operations of any segment.

The segment information provided to the Board of Directors for the reportable segments for the period ended 31 December 2021 are as follows:

31 December 2021	Wholesale	Retail	Corporate	Intercompany Transactions	Consolidated
	\$	\$	\$		\$
→ Revenue					
Customer sales	6,897,936	10,058,513	-	(1,968,257)	14,988,192
Other revenues	28,930	29,505	172	-	58,607
Interest received	-	-	209	-	209
Total segment revenue	6,926,866	10,088,018	381	(1,968,257)	15,047,008
Segment result before income tax	745,190	1,965,414	(3,492,595)	-	(781,991)
Loss before income tax					(781,991)
Segment assets	3,835,693	6,483,466	39,276,589	(899,966)	48,695,782
Total assets					48,695,782
Segment liabilities	1,601,691	1,685,434	27,626,198	(899,966)	30,013,357
Total liabilities					30,013,357

Continued →

31 December 2020	Wholesale	Retail	Corporate	Intercompany Transactions	Consolidated
	\$	\$	\$		\$
→ Revenue					
Customer sales	4,211,352	4,713,216	-	-	8,924,568
Other revenues	110,413	105,275	634,034	-	849,722
Interest received	96	446	227	-	769
Total segment revenue	4,321,861	4,818,937	634,261	-	9,775,059
Segment result before income tax	23,582	266,607	(1,953,219)	-	(1,663,030)
Loss before income tax					(1,663,030)
Segment assets	2,121,659	3,824,756	5,221,443	-	11,167,858
Total assets					11,167,858
Segment liabilities	1,656,400	1,255,556	1,445,681	-	4,357,637
Total liabilities					4,357,537

Continued →

31 December 2021	Wholesale	Retail	Corporate	Consolidated
	\$	\$	\$	\$
EBITDA	823,457	2,101,748	(1,859,609)	1,065,596
Depreciation and amortisation				(1,064,848)
Interest revenue				209
Finance costs				(782,948)
Loss before income tax expense				(781,991)
Income tax benefit				201,873
Loss after income tax expense				(580,118)
31 December 2020				
EBITDA	88,389	333,733	(1,871,034)	(1,448,912)
Depreciation and amortisation				(185,362)
Interest revenue				769
Finance costs				(29,525)
Loss before income tax expense				(1,663,030)
Income tax expense				-
Loss after income tax expense				(1,663,030)



3 → Revenue

	31-Dec-21	31-Dec-20
Revenue from contracts with customers	\$	\$
Sales Revenue	14,988,192	8,924,568

Disaggregation of revenue

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

Consolidated → 31 December 2021	Retail	Wholesale	Corporate	Total
	\$	\$	\$	\$
→ Major Service Lines				
Telephony	7,453,278	1,295,668	-	8,748,946
Internet	2,172,611	2,852,827	-	5,025,438
Hardware	168,722	48,755	-	217,477
Cabling/Infrastructure/Security	218,290	-	-	218,290
Hosted PBX	-	778,041	-	778,041
	10,012,901	4,975,291	-	14,988,192
→ Geographical Regions				
Australia	10,012,901	4,961,121	-	14,974,022
United States of America	-	14,170	-	14,170
	10,012,901	4,975,291	-	14,988,192
Consolidated → 31 December 2020				
→ Major Service Lines				
Telephony	3,213,206	394,794	-	3,608,000
Internet	1,124,125	2,990,525	-	4,114,650
Hardware	375,884	42,315	-	418,199
Hosted PBX	-	783,719	-	783,719
	4,713,215	4,211,353	-	8,924,568
→ Geographical regions				
Australia	4,713,215	4,191,316	-	8,904,531
United States of America	-	20,037	-	20,037
	4,713,215	4,211,353	-	8,924,568

4 → Intangibles

	31-Dec-21	30-Jun-21*
	\$	\$
Goodwill	1,857,481	1,857,481
Less: Accumulated amortisation	-	-
	1,857,481	1,857,481
Intangible assets – provisionally acquired	31,667,389	-
Less: Accumulated amortisation	(505,637)	-
	31,161,752	-
Customer list	720,081	720,081
Less: Accumulated amortisation	(660,479)	(588,397)
	59,602	131,684
Acquisition of IP (Oper8tor)	-	600,000
Less: Accumulated amortisation	-	(600,000)
	-	-
Customer & Supply contracts (2SG)	2,908,977	2,908,977
Less: Accumulated amortisation	(833,751)	(606,364)
	2,075,226	2,302,613
Customer contracts (Nextel)	278,648	278,648
Less: Accumulated amortisation	(50,663)	-
	227,985	278,648
Patents and trademarks – at cost	222,130	222,130
Less: Accumulated amortisation	(217,564)	(217,564)
	4,566	4,566
Domain name acquisition	2,071	2,071
	2,071	2,071
	35,388,683	4,577,063

* Refer to note 8 for detailed information on restatement of comparatives

Reconciliations

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

Consolidated	Customer List	Goodwill (b)	Intangible Assets – Provisionally Acquired (MNF & Nextel) (a) & (b)	Patents & Trademarks	Domain Name	Contract Assets from 2SG	Customer Contracts – Nextel (b)	Total
Balance at 30 June 2021	131,684	524,140	1,542,326	4,566	2,071	2,302,613	-	4,507,400
Re-allocation of provisionally acquired intangible assets	-	1,333,341	(1,542,326)	-	-	-	278,648	69,663
Re-stated as at 30 June 2021	131,684	1,857,481	-	4,566	2,071	2,302,613	278,648	4,577,063
Additions	-	-	31,667,389	-	-	-	-	31,667,389
Amortisation expense	(72,082)	-	(505,637)	-	-	(227,387)	(50,663)	(855,769)
Balance at 31 December 2021	59,602	1,857,481	31,161,752	4,566	2,071	2,075,226	227,985	35,388,683

(a) MNF Limited – Direct Business

On 9 August 2021 Vonex Ltd, acquired part of the Direct Business from MNF Group Ltd (MNF). The Direct Business sells cloud phone, internet and mobile services to SME and residential customers in Australia. The Acquisition will materially expand Vonex's footprint of SME and residential customers and will see the Company migrate approximately 5,250 new business customers to its platform along with providing a strong platform for organic growth in the Australian telecommunications market through cross-selling internet and mobility products to Direct Business customers.

The intangible assets of \$31,667,389, exclusive of a provisional deferred tax liability of \$2,178,581, represents Vonex's expansion and brand exposure within all regions of the telecommunications market within Australia. The purchase price allocation includes Customer Contracts and Channel Partnerships being amortised on a straight-line basis. Refer to note 8(a) for further details.

(b) Nextel Pty Ltd

On 2 February 2021, Vonex Ltd acquired the business of Nextel Pty Ltd (Nextel). Nextel is a Sydney, NSW based business providing telecommunications services to business customers and is recognised as an industry leader in the design, installation and maintenance of voice, data and communications networks. It is an established single-source provider to small-to-medium enterprise (SME) businesses with expertise in rolling out wireless, fibre and RFID networks, as well as delivering structured cabling, telephony systems and electrical fit outs to large-scale projects. The intangible assets of \$1,542,326 represents a strategic enhancement of Vonex's presence in the Sydney and NSW markets for telco services to small-to-medium enterprises (SMEs), adding market-leading products and services will create opportunities for cross-selling and product expansion through a growing national SME customer. The purchase price was recalculated during the reporting period and the comparative balances restated. The recalculation of the acquisition gave rise to a deferred tax liability of \$69,662 in respect of this acquisition and \$1,333,341 of goodwill. The customer contracts of \$278,648 is being amortised on a straight-line basis over a 5 year period. Refer to note 8(b) for further details.

5 → Borrowings – Current

	31-Dec-21	30-Jun-21
	\$	\$
Loan – Secured	2,000,000	-
Accrued interest expense	56,110	-
Capitalised borrowing costs	(272,742)	-
	1,783,368	-

Assets Pledged as Security

The loan is secured via a first ranking general security interest over the business.

The key terms of the secured loan are as follows →

Maturity	3 years
Principal repayments	\$500,000 per quarter commencing 15 December 2021
Security	First ranking General Security Interest
Key covenants	Net leverage cover, interest cover, debt service cover and minimum cash at bank
Interest costs	The interest rate payable depends on the prevailing net debt / pro forma Last Twelve Months ("LTM") EBITDA.

6 → Borrowings – Non-Current

	31-Dec-21	30-Jun-21
	\$	\$
Loan – Secured	13,500,000	-
Capitalised borrowing costs	(409,116)	-
	13,090,884	-

Assets Pledged as Security

The loan is secured via a first ranking general security interest over the business. Refer to Note 5 for key terms of the secured loan facility.

7 → Issued Capital

a) Ordinary Shares

	31-Dec-21		30-Jun-21	
	\$	No.	\$	No.
Fully paid ordinary shares	65,342,796	328,352,523	50,442,160	193,133,473
				Issue Price
			\$	No.
Balance at 30 June 2021		50,442,160	193,133,473	
→ Movement in Ordinary Shares				
Shares issued – placement		2,475,226	22,502,051	\$0.11
Shares issued – share purchase plan		1,999,985	18,181,485	\$0.11
Shares issued – placement		9,524,775	86,588,857	\$0.11
Conversion of performance rights		1,260,500	5,490,000	\$0.229
Shares issued in settlement of employee benefits and to settle trade creditors		290,740	2,456,657	
Capital raising costs		(650,590)		
Balance at 31 December 2021		65,342,796	328,352,523	

b) Options

As at the reporting date the company had the following listed and unlisted option on issue:

Grant Date	Expiry Date	Exercise Price	Balance at end of period
07/06/2018	07/06/2023	\$0.30	14,500,000
30/11/2017	30/11/2022	\$0.20	14,719,731
05/06/2019	30/11/2022	\$0.20	5,015,060
27/11/2020	01/12/2023	\$0.37	10,000,000
			44,234,791

8 → Business Combinations

(a) MNF Limited – Direct Business

On 9 August 2021 Vonex Ltd, acquired part of the Direct Business from MNF Group Ltd (MNF). The Direct Business sells cloud phone, internet and mobile services to SME and residential customers in Australia. The Acquisition will materially expand Vonex's footprint of SME and residential customers and will see the Company migrate approximately 5,250 new business customers to its platform along with providing a strong platform for organic growth in

the Australian telecommunications market through cross-selling internet and mobility products to Direct Business customers.

The intangible assets of \$31,667,389, exclusive of a provisional deferred tax liability of \$2,178,581, represents Vonex's expansion and brand exposure within all regions of the telecommunications market within Australia. The provisional purchase price allocation includes Customer Contracts and Channel Partnerships being amortised on a straight-line basis dependent on contract terms.

Details of the acquisition are as follows:

	Fair Value
	\$
Receivables	577,602
Inventory	111,508
Other assets	3,000
Office equipment	22,694
Other payables	(44,615)
Employee benefits	(158,997)
Net assets acquired	511,192
Intangible assets	31,667,389
Deferred tax liability	(2,178,581)
Acquisition-date fair value of the total consideration transferred	30,000,000
Representing →	
Cash paid vendor	20,000,000
Deferred payment	11,000,000
Wholesale pricing credit	(1,000,000)
Acquisition costs capitalised	30,000,000
Cash used to acquire business, net of cash acquired →	
Acquisition-date fair value of the total consideration transferred	20,000,000
Deferred payments paid to 31 December 2021	4,583,333
Less: net tangible assets	(6,248)
Net cash used	24,577,085

Deferred payments payable of \$5,416,667 is included in the consolidated statement of financial position in Trade and other payables as at 31 December 2021. The fair values of Direct Business assets and liabilities have been measured provisionally. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the amounts above, the accounting for the acquisition will be revised.

(b) Nextel Pty Ltd

On 2 February 2021, Vonex Ltd acquired the business of Nextel Pty Ltd (Nextel). Nextel is a Sydney, NSW based business providing telecommunications services to business customers and is recognised as an industry leader in the design, installation and maintenance of voice, data and communications networks. It is an established single-source provider to small-to-medium enterprise (SME) businesses with expertise in rolling out wireless, fibre and RFID networks, as well as delivering structured cabling, telephony systems and electrical fit outs to large-scale projects. The intangible assets represents a strategic enhancement

of Vonex's presence in the Sydney and NSW markets for telco services to small-to-medium enterprises (SMEs), adding market-leading products and services will create opportunities for cross-selling and product expansion through a growing national SME customer. The purchase price was recalculated during the reporting period and the comparative balances restated. The recalculation of the acquisition gave rise to a deferred tax liability of \$69,662 in respect of this acquisition and \$1,333,341 of goodwill. The customer contracts of \$278,648 is being amortised on a straight-line basis over a 5 year period.

Details of the acquisition are as follows:

	Fair Value
	\$
Other Assets	43,775
Employee benefits	(13,605)
Net assets acquired	30,170
Intangible assets - customer contracts	278,648
Deferred tax liability	(69,662)
Intangible assets - goodwill	1,333,341
Acquisition-date fair value of the total consideration transferred	1,572,497
Representing →	
Cash paid or payable to vendor	334,368
Shares issued	1,238,129
Total consideration	1,572,497

→ Measurement period adjustment and comparative information restatement

The company was able to finalise its assessment of the assets and liabilities obtained upon the acquisition of Nextel on 2 February 2021 which included provisionally recognised as intangible assets as at 30 June 2021. This

balance is related to future revenue in the customer contracts acquired. This restatement within the statement of financial position as at 30 June 2021 has resulted in an increase in intangible assets, an increase in deferred tax liability. Extracts (being only those line items affected) are disclosed below.

Statement of Financial Position	2021		2021
Extract	\$ Reported	Adjustment	\$ Restated
→ Non-Current Assets			
Intangible assets	4,507,400	69,662	4,577,062
Total non-current assets	5,868,229	69,662	5,937,891
Total assets	11,735,534	69,662	11,805,196
→ Non-Current Liabilities			
Deferred tax liability	632,509	69,662	702,171
Total non-current liabilities	1,402,053	69,662	1,471,715
Total liabilities	6,159,595	69,662	6,229,257
Net assets	5,575,939	-	5,575,939
→ Equity			
Accumulated losses	(50,043,969)	-	(50,043,969)
Total equity	5,575,939	-	5,575,939

9 → Commitments & Contingent Liabilities

The Group's commitments remain consistent with those noted at 30 June 2021. The Group has no contingent liabilities at 31 December 2021.

10 → Events Subsequent to Reporting Date

On 5 January 2022, the Company completed its acquisition of Voiteck Pty Ltd, which included the payment of total upfront consideration of ~\$2.75 million comprising:

- \$2.2 million in cash; and
- 4,983,246 ordinary shares at a deemed issue price of A\$0.11

On 13 January 2022, 185,365 shares were issued in lieu of cash consideration for marketing and advisory services.

On 20 January 2022, 5,502,795 ordinary shares were released from escrow.

Other than the above there are no other matters or circumstances that have arisen since 31 December 2021 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.



→ Directors' Declaration

The Directors of Vonex Limited declare that →

1. The consolidated financial statements and notes, as set out in this half-year financial report:
 - a. Comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the Director's 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.

The declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Matt Fahey'.

Matt Fahey
Executive Director

Dated this 28th day of February 2022


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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
VONEX LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vonex Limited which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year 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 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vonex Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vonex Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Vonex Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read 'Tutu Phong'.

TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2022

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