

Jayex Technology Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Jayex Technology Limited
ABN: 15 119 122 477
Reporting period: For the half-year ended 30 June 2022
Previous period: For the half-year ended 30 June 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities (continuing and discontinued operations)	up	13.3% to	2,519,796
Loss from ordinary activities after tax attributable to the owners of Jayex Technology Limited	down	54.7% to	(1,064,383)
Loss for the half-year attributable to the owners of Jayex Technology Limited	down	54.7% to	(1,064,383)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,064,383 (30 June 2021: \$2,351,878).

For a brief explanation of the any of the figures reported above, please refer to the financial report for the half-year ended 30 June 2022 released with this document.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.96)</u>	<u>(1.93)</u>

4. Control gained over entities

Not applicable.

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.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

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 qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Financial Report for the half-year ended.

11. Attachments

Details of attachments (if any):

The financial report for the half-year has been reviewed and an unmodified conclusion has been issued. A material uncertainty related to going concern is included in the auditor's report and the auditor's conclusion is not modified in respect of this matter.

12. Signed

Signed  _____

Michael Boyd
Chairman

Date: 30 August 2022



Jayex Technology Limited

ABN 15 119 122 477

Financial Report for the half-year ended - 30 June 2022

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Jayex Technology Limited

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30 June 2022

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Jayex Technology Limited
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Jayex Technology Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022.

Directors

The following persons were directors of Jayex Technology Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Michael Boyd (Executive Chairman)
Brian Renwick (Non-Executive Director)
Michael Chan (Non-Executive Director)
Nicholas Harper (Executive Director)

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,064,383 (30 June 2021: \$2,351,878).

Reorganisation and renewed strategy

Following the reorganisation of its operations, the company refocused its technology efforts in the half as it divested its Acute (hospital) queue management business. Central to its renewed growth strategy is Primary Care and NHS Community markets via the company's SaaS-based Connect platform. The business continues to grow through innovation and new technologies.

Key themes from the half include:

- Reorganisation of Australian and New Zealand operations
- Net loss of \$1.1m (1H21: -\$2.3m)
- \$448k in cash in bank
- Revenue up 13.3% to \$2.5m as COVID pandemic impact eases on trading performance
- NZLD Cannabis Cultivation license held for Jayex's subsidiary Whakaora Hou Limited
- 2,327 customers using the platform
- New Connect platform innovation launched

Half Year Performance Summary

The consolidated entity's revenue was \$2.5m for the half year, up 13.3% as the company's revenues began to show clear indication of moving past the COVID-19 pandemic which has impacted the company's trading performance and trading conditions globally over the last two years and returning nearer to normal levels. The business reported a net loss of \$1.1m (1H21: -\$2.3m).

During the half the company concluded its reorganisation of operations in Australian and New Zealand. These have been significantly streamlined to become more sustainable. Sales, marketing, product and development roles were transferred to the UK with first line support and finance moving to work from home arrangements. This has turned the Company's Australian and New Zealand operations profitable albeit at a reduced level.

New Opportunities

Innovation remains at the company's core. The company continues to roll out and develop new products and completed the development of a new clinic based Connect Information kiosk. The Connect kiosk is an integrated part of the Connect platform that allows patients to interact with the clinic including rebooking appointments, complete surveys and search the clinics online resources.

Whakaora Hou Limited

During the half, the Company received a letter from Bioarc Ltd withdrawing its offer to purchase Whakaora Hou Limited in New Zealand citing the poor market conditions in New Zealand for cannabis assets.

Convertible note

In a subsequent event shortly after the half closure, Covenant Holdings (WA) Pty Ltd (Covenant), a company associated with Jayex Chairman Michael Boyd, agreed to extend the term of its \$3m Convertible Note and Unsecured Loan with Jayex Technology Ltd a further 12 months to 13 October 2023.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations are as follows:

The half has seen a reorganisation of the business and a renewed strategy emerge. Following the divestment of the hospitals business, the company is now focused on Primary care and NHS Community markets via its SaaS-based Connect platform as well as pursuing growth through innovation. The company continues to develop and roll out new products.

As the UK continues to open-up following the successful vaccination roll out in the UK, the company will see improved trading performance. The company has a favourable cash position following the sale of its hospitals business.

Significant changes in the state of affairs

Other than reorganisation of operations mentioned above, there were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

Other than matter related to extension of repayment period of the convertible notes above, no other matter or circumstance has arisen since 30 June 2022 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.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Boyd
Chairman

30 August 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF JAYEX TECHNOLOGY LIMITED

I declare that, to the best of my knowledge and belief during the half-year ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis

A. A. Finnis
Director
Melbourne, 30 August 2022

Jayex Technology Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2022

	Note	Consolidated 30 June 2022 \$	30 June 2021 \$
Revenue from continuing operations	5	2,519,796	1,830,764
Other income		48,913	352,302
Expenses			
Raw materials and consumables used		(509,715)	(265,974)
Corporate and administrative expense		(699,997)	(638,618)
Employee benefits expense		(1,804,969)	(1,345,653)
Depreciation and amortisation expense		(238,187)	(320,377)
Marketing expenses		(39,975)	(43,427)
Fair value change in the derivative liability		69,049	777,290
Impairment of goodwill		-	(1,928,000)
Net foreign exchange gain		84,607	175,841
Finance costs		(551,951)	(418,810)
Loss before income tax benefit from continuing operations		(1,122,429)	(1,824,662)
Income tax benefit		21,963	223,113
Loss after income tax benefit from continuing operations		(1,100,466)	(1,601,549)
Profit/(loss) after income tax expense from discontinued operations	6	36,083	(750,329)
Loss after income tax (expense)/benefit for the half-year attributable to the owners of Jayex Technology Limited		(1,064,383)	(2,351,878)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
(Loss)/gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(85,007)	28,437
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(118,351)	343,720
Other comprehensive income for the half-year, net of tax		(203,358)	372,157
Total comprehensive income for the half-year attributable to the owners of Jayex Technology Limited		<u>(1,267,741)</u>	<u>(1,979,721)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(1,303,824)	(1,229,392)
Discontinued operations		36,083	(750,329)
		<u>(1,267,741)</u>	<u>(1,979,721)</u>

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

Jayex Technology Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2022

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Jayex Technology Limited			
Basic earnings per share	16	(0.44)	(0.78)
Diluted earnings per share	16	(0.44)	(0.78)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Jayex Technology Limited			
Basic earnings per share	16	0.01	(0.37)
Diluted earnings per share	16	0.01	(0.37)
Earnings per share for loss attributable to the owners of Jayex Technology Limited			
Basic earnings per share	16	(0.43)	(1.15)
Diluted earnings per share	16	(0.43)	(1.15)

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

Jayex Technology Limited
Consolidated statement of financial position
As at 30 June 2022

		Consolidated	Restated
	Note	30 June 2022	31 December 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		448,311	982,716
Trade and other receivables		617,809	838,348
Inventories		164,846	246,614
Other		95,648	47,578
Total current assets		<u>1,326,614</u>	<u>2,115,256</u>
Non-current assets			
Trade and other receivables		52,723	54,113
Financial assets at fair value through other comprehensive income	7	450,994	536,001
Financial assets at fair value through profit or loss	8	1,451,587	1,368,846
Plant and equipment		159,161	193,289
Right-of-use assets		168,593	247,265
Intangibles	9	4,809,633	5,176,729
Total non-current assets		<u>7,092,691</u>	<u>7,576,243</u>
Total assets		<u>8,419,305</u>	<u>9,691,499</u>
Liabilities			
Current liabilities			
Trade and other payables		1,265,681	1,033,059
Borrowings	10	2,940,457	2,607,101
Lease liabilities	11	128,551	149,823
Provision for income tax on capital gains		186,811	199,447
Employee benefits		53,732	49,743
Provisions		235,083	215,046
Contract liabilities		1,440,691	1,615,450
Total current liabilities		<u>6,251,006</u>	<u>5,869,669</u>
Non-current liabilities			
Borrowings	10	2,154,203	2,454,826
Lease liabilities	11	54,122	112,979
Deferred tax		43,526	59,744
Employee benefits		6,566	16,658
Total non-current liabilities		<u>2,258,417</u>	<u>2,644,207</u>
Total liabilities		<u>8,509,423</u>	<u>8,513,876</u>
Net assets/(liabilities)		<u>(90,118)</u>	<u>1,177,623</u>
Equity			
Issued capital	12	28,112,494	28,112,494
Reserves		(1,858,177)	(1,654,819)
Accumulated losses		(26,344,435)	(25,280,052)
Total equity/(deficiency)		<u>(90,118)</u>	<u>1,177,623</u>

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

Jayex Technology Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2022

	Issued capital	Share based payments reserve	Foreign exchange reserve	Financial asset reserve	Accumulated losses	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 January 2021	26,861,089	-	(2,128,205)	-	(21,355,710)	3,377,174
Loss after income tax benefit for the half-year	-	-	-	-	(2,351,878)	(2,351,878)
Other comprehensive income for the half-year, net of tax	-	-	343,720	28,437	-	372,157
Total comprehensive income for the half-year	-	-	343,720	28,437	(2,351,878)	(1,979,721)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	3,609	-	-	-	3,609
Capital raised, net of cost	537,501	-	-	-	-	537,501
Balance at 30 June 2021	<u>27,398,590</u>	<u>3,609</u>	<u>(1,784,485)</u>	<u>28,437</u>	<u>(23,707,588)</u>	<u>1,938,563</u>
Consolidated	Issued capital	Share based payments reserve	Foreign exchange reserve	Financial asset reserve	Accumulated losses	Total deficiency in equity
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2022	28,112,494	12,187	(1,459,451)	57,091	(25,335,006)	1,387,315
Adjustment for correction of error (note 3)	-	-	(264,646)	-	54,954	(209,692)
Balance at 1 January 2022 - restated	28,112,494	12,187	(1,724,097)	57,091	(25,280,052)	1,177,623
Loss after income tax benefit for the half-year	-	-	-	-	(1,064,383)	(1,064,383)
Other comprehensive income for the half-year, net of tax	-	-	(118,351)	(85,007)	-	(203,358)
Total comprehensive income for the half-year	-	-	(118,351)	(85,007)	(1,064,383)	(1,267,741)
Balance at 30 June 2022	<u>28,112,494</u>	<u>12,187</u>	<u>(1,842,448)</u>	<u>(27,916)</u>	<u>(26,344,435)</u>	<u>(90,118)</u>

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

Jayex Technology Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2022

	Note	Consolidated	Consolidated
		30 June 2022	30 June 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,707,112	2,297,514
Payments to suppliers and employees (inclusive of GST)		<u>(2,833,135)</u>	<u>(3,131,011)</u>
		(126,023)	(833,497)
COVID-19 Jobkeeper payments received		-	62,450
Interest and other finance costs paid		(114,492)	(124,698)
Operating activities from discontinued operations		<u>36,083</u>	<u>64,159</u>
Net cash used in operating activities		<u>(204,432)</u>	<u>(831,586)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		-	(43,100)
Payments for intangibles	9	(22,792)	(54,435)
Proceeds from disposal of Acute business		<u>-</u>	<u>657,580</u>
Net cash from/(used in) investing activities		<u>(22,792)</u>	<u>560,045</u>
Cash flows from financing activities			
Proceeds from issue of shares	12	-	572,723
Proceeds from borrowings		-	1,149,719
Share issue transaction costs		-	(35,221)
Repayment of borrowings		(176,336)	(300,000)
Repayment of lease liabilities		<u>(89,089)</u>	<u>(91,702)</u>
Net cash from/(used in) financing activities		<u>(265,425)</u>	<u>1,295,519</u>
Net increase/(decrease) in cash and cash equivalents		(492,649)	1,023,978
Cash and cash equivalents at the beginning of the financial half-year		982,716	1,182,183
Effects of exchange rate changes on cash and cash equivalents		<u>(41,756)</u>	<u>13,160</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>448,311</u></u>	<u><u>2,219,321</u></u>

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

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 1. General information

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

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

Registered office and Principal place of business

Level 4, 100 Albert Road, South Melbourne, Victoria, 3205

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The working capital position as at 30 June 2022 of the consolidated entity, as disclosed in the statement of financial position, is an apparent excess of current liabilities over current assets of \$4,924,392. However, the current liabilities as at 30 June 2022 contain a number of liability accounts, including the Convertible notes which the Directors anticipate to be settled through the issue of equity before its maturity on 13 October 2023 and the Contract liabilities, which represent the results of accounting adjustments and do not represent amounts currently payable, or expected to become payable, to third parties. Excluding these liability accounts from the calculation of working capital at 30 June 2022, results in adjusted working capital deficit of \$966,450.

The cash balance at 30 June 2022 was \$448,311.

The consolidated entity incurred a net loss after tax for the half-year ended 30 June 2022 of \$1,064,383 and had net cash outflows from operating activities of \$204,432.

These conditions give rise to a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

Notwithstanding these results, the directors believe that the company will be able to continue as a going concern and as a result the financial statements have been prepared on a going concern basis. The accounts have been prepared on the assumption that the company is a going concern for the following reasons:

Note 2. Significant accounting policies (continued)

- the consolidated entity's main product, the Connect Platform, remains innovative, viable and competitive, and is capable of further technical development and improvement and therefore remains an important source of profitable and cash-generating activity for the consolidated entity;
- New product innovations such as 'Survey' are ready to be rolled out to enhance the entity's main product offering.
- Operations have been scaled back in Australia to reduce annual costs. The consolidated entity has further ability to scale if required;
- financial support has been consistently offered by related parties of the Directors;
- the Board is of the opinion that the consolidated entity has, or shall have access to, sufficient funds to meet the planned corporate activities and working capital requirements; and
- as the Company is an ASX-listed entity, the consolidated entity has the ability to raise additional funds if required.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

New Accounting Standards and Interpretations adopted as at 1 January 2022

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

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

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 3. Restatement of comparatives

Correction of error

The Group has noted a prior period error for the year ended 31 December 2021 where the disposal of capitalised software was incorrectly adjusted against the foreign currency translation reserve. The Group has restated each of its affected financial statement line items for the prior period ended 31 December 2021, in accordance with AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors". The impact of the change is presented below.

	As previously reported 2021 \$	Adjustment \$	As Restated 2021 \$
Assets			
Intangible assets	5,465,959	(289,230)	5,176,729
Total assets	9,980,729	(289,230)	9,691,499
Liabilities			
Deferred Tax Liabilities	139,282	(79,538)	59,744
Total Liabilities	8,593,414	(79,538)	8,513,876
Equity			
Reserves	(1,390,173)	(264,646)	(1,654,819)
Accumulated losses	(25,335,006)	54,954	(25,280,052)
Total equity	1,387,315	(209,692)	1,177,623

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: Australia and United Kingdom (UK). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation), excluding capital-raising expenses and share-based payments. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

No changes to the policy above have occurred during the reporting period.

Intersegment transactions

Intersegment transactions were made at market rates. The Australian operating segment charges a management fee to the United Kingdom operating segment. Intersegment transactions are eliminated on consolidation.

Major customers

The consolidated entity does not have a major customer that contributes more than 10% or more to the consolidated entity's revenue.

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 4. Operating segments (continued)

Operating segment information

Consolidated – June 2022	Australia	United Kingdom	Total
	\$	\$	\$
Revenue			
Sales to external customers	190,864	2,328,932	2,519,796
Total revenue	190,864	2,328,932	2,519,796
Other revenue	-	48,913	48,913
Segment operating expenses	(624,551)	(2,345,498)	(2,970,049)
EBITDA	(433,687)	32,347	(401,340)
Interest expense			(551,951)
Depreciation & amortisation expense			(238,187)
Fair value change in the derivative instrument			69,049
Loss before income tax benefit			<u>(1,122,429)</u>

Consolidated – June 2022

Current assets	100,283	1,226,331	1,326,614
Non-current assets	2,522,556	4,570,135	7,092,691
Total assets	<u>2,622,839</u>	<u>5,796,466</u>	<u>8,419,305</u>
Current liabilities	3,080,705	3,170,301	6,251,006
Non-current liabilities	788,053	1,470,364	2,258,417
Total liabilities	<u>3,868,758</u>	<u>4,640,665</u>	<u>8,509,423</u>

Consolidated – June 2021

	Australia	United Kingdom	Total
	\$	\$	\$
Revenue			
Sales to external customers	325,464	1,505,300	1,830,764
Total revenue	325,464	1,505,300	1,830,764
Other revenue	62,450	289,852	352,302
Segment operating expenses	(832,401)	(1,281,821)	(2,114,222)
EBITDA	(444,487)	513,331	68,844
Interest expense			(418,810)
Depreciation & amortisation expense			(320,377)
Impairment of goodwill			777,290
Fair value change in the derivative instrument			(1,928,000)
Share based payment expense			(3,609)
Loss before income tax benefit			<u>(1,824,662)</u>

Consolidated – Dec 2021 (restated)

Current assets	256,708	1,858,548	2,115,256
Non-current assets	2,653,246	4,922,997	7,576,243
	<u>2,909,954</u>	<u>6,781,545</u>	<u>9,691,499</u>
Current liabilities	2,718,354	3,151,315	5,869,669
Non-current liabilities	819,744	1,824,463	2,644,207
	<u>3,538,098</u>	<u>4,975,778</u>	<u>8,513,876</u>

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 5. Revenue

Sales revenue is revenue generated from the consolidated entity's healthcare industry service provision businesses.

For the half year ended 30 June 2022, revenue includes \$1,670,385 (2021: \$1,112,000) included in the contract liability balance at the beginning of the period.

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
<i>Major product lines</i>		
Supply and installation of kiosks (at a point of time)	1,152,038	769,706
Software licences and support services (over time)	1,119,133	923,509
Extended warranty (over time)	248,625	132,819
Software development supports services (over time)	-	4,730
	<u>2,519,796</u>	<u>1,830,764</u>

Note 6. Discontinued operations

Description

During previous year the Group sold its on-premises Acute hospital queue management business to Canadian based medical technology company Vitalhub Inc.

Under the agreement, Vitalhub acquired Jayex's hospital contracts in both the UK and Australia for a consideration of £1.04 million (~\$1.9 million AUD) in cash and £0.26 million (~\$.47 million AUD) in Vitalhub shares (150,078 shares in total).

Financial performance information

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Revenue	-	392,765
Raw materials and consumables used	-	(10,658)
Employee benefits expense	-	(217,783)
Professional services expenses	-	(90,738)
Other expense	-	(9,427)
Total expenses	-	<u>(328,606)</u>
Profit before income tax expense	-	64,159
Income tax expense	-	-
Profit after income tax expense	-	<u>64,159</u>
Gain/(loss) on disposal before income tax	-	(616,488)
Other income from discontinued operations	36,083	-
Income tax expense	-	<u>(198,000)</u>
Gain/(loss) on disposal after income tax expense	<u>36,083</u>	<u>(814,488)</u>
Profit/(loss) after income tax expense from discontinued operations	<u>36,083</u>	<u>(750,329)</u>

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 6. Discontinued operations (continued)

Details of the disposal

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Total sale consideration	-	1,552,000
Carrying amount of net assets disposed	-	(1,240,000)
Consideration from release of Escrow	36,083	-
Disposal costs	-	(928,488)
	<hr/>	<hr/>
Gain/(loss) on disposal before income tax	36,083	(616,488)
Income tax expense	-	(198,000)
	<hr/>	<hr/>
Gain/(loss) on disposal after income tax	<u>36,083</u>	<u>(814,488)</u>

The gain on disposal for the period ended 30 June 2022 related to the release of escrowed funds held which was recognised as a contingent asset in the previous financial year.

Refer to note 14 for details on a further contingent asset of out of the sale consideration.

Note 7. Financial assets at fair value through other comprehensive income

	Consolidated	
	30 June 2022	31 December 2021
	\$	\$
<i>Non-current assets</i>		
Ordinary share in Vitalhub Corporation	<u>450,994</u>	<u>536,001</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	536,001	-
Additions	-	478,910
Revaluation increments	-	57,091
Revaluation decrements	(85,007)	-
	<hr/>	<hr/>
Closing fair value	<u>450,994</u>	<u>536,001</u>

Refer to note 13 for further information on fair value measurement.

During previous year, in-part consideration towards the sales of Acute business the company were issued 150,078 shares in Vitalhub Corporation. These investment in shares is classified as level 1 in fair value measurement hierarchy as the Vitalhub Corporation is listed on Toronto Stock Exchange (TSXV: VHI). As at 30 June 2022, the investment in share is fair valued based on the quoted market price of CAD 2.67 per share at CAD400,708 (equivalent AUD450,994). At the time of initial recognition, the company has made an irrevocable election for these investments to present subsequent changes in fair value in other comprehensive income.

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 8. Financial assets at fair value through profit or loss

	Consolidated	31 December
	30 June 2022	2021
	\$	\$
<i>Non-current assets</i>		
Investment in Brainworks	<u>1,451,587</u>	<u>1,368,846</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	1,368,846	-
Additions	-	1,368,846
Revaluation increments/(decrements)	-	-
Exchange differences	<u>82,741</u>	<u>-</u>
Closing fair value	<u>1,451,587</u>	<u>1,368,846</u>

Refer to note 13 for further information on fair value measurement.

During previous year the company invested \$1.36 million in Brainworks to subscribe 1,234,566 Brainworks shares at an issue price of USD 0.81 for a total consideration of USD 1 million (equivalent to AUD 1.36 million). The investment has been held at fair value with subsequent changes carried through the statement of profit or loss.

Note 9. Intangibles

	Consolidated	Restated
	30 June 2022	31 December
	\$	2021
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	9,914,636	10,103,930
Less: Impairment	<u>(6,464,986)</u>	<u>(6,464,986)</u>
	3,449,650	3,638,944
Development - at cost	1,047,608	1,069,172
Less: Accumulated amortisation	<u>(129,242)</u>	<u>(80,188)</u>
	918,366	988,984
Software platform - at cost	1,449,540	1,813,484
Less: Accumulated amortisation - software	<u>(1,401,624)</u>	<u>(1,739,316)</u>
	47,916	74,168
Customer relationships - at cost	2,426,173	2,551,232
Less: Accumulated amortisation - customer relationships	<u>(2,032,472)</u>	<u>(2,076,599)</u>
	393,701	474,633
	<u>4,809,633</u>	<u>5,176,729</u>

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 9. Intangibles (continued)

Reconciliations

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

Consolidated	Goodwill	Software platform	Customer relationships	Development cost	Total
	\$	\$	\$	\$	\$
Restated balance at 1 January 2022	3,638,944	74,168	474,633	988,984	5,176,729
Additions	-	-	-	22,792	22,792
Exchange differences	(189,294)	(3,349)	(23,411)	(41,030)	(257,084)
Amortisation expense	-	(22,903)	(57,521)	(52,380)	(132,804)
Balance at 30 June 2022	<u>3,449,650</u>	<u>47,916</u>	<u>393,701</u>	<u>918,366</u>	<u>4,809,633</u>

Goodwill

For the purpose of ongoing annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises:

	Consolidated	
	30 June 2022	31 December 2021
	\$	\$
Jayex Technology Limited (United Kingdom)	<u>3,449,650</u>	<u>3,638,944</u>

Methodology

An impairment loss expense in the profit or loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The Company utilised the “Comparable Multiples of Revenue Methodology” to determine the fair value of the cash generating unit (CGU). The method is based on publicly-available information, this methodology ascertains the multiple at which a company might trade on an exchange or the valuation at which it might transact. Revenue or earnings multiples of valuation outputs such as Equity Value (EV) can be utilised in the valuation.

Impairment testing for CGUs containing goodwill

Goodwill arose in the business combinations for the acquisition of Jayex Technology Limited in 2015. It represented the excess of the cost of the acquisition over the fair value of the Group’s share of the identifiable net assets acquired and contingent liabilities assumed at the date of acquisition. Goodwill is allocated to the Group’s cash generating units (CGUs) identified according to the Group’s operating segments for impairment testing purposes.

In assessing whether an impairment adjustment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs of disposal and value in use.

Fair value less cost of disposal and key assumptions

The Company used the “Comparable Multiples of Revenue Methodology” to determine the fair value of the cash generating unit (CGU) in assessing whether an impairment adjustment is required for the carrying value of an asset, it’s carrying value is compared with its recoverable amount. This methodology ascertains the multiple at which a company might trade on an exchange or the valuation at which it might transact. Revenue or earnings multiples of valuation outputs such as equity value can be utilised in the valuation.

Note 9. Intangibles (continued)

For the 30 June 2022 half-year reporting period, "Comparable Multiples of Revenue Methodology" is utilised to determine the fair value of the cash generating units (CGU) which require the use of assumptions. The calculations used historical revenue for the past 3 years, forecasted revenue over one-year period and comparable trading multiples from the industry or specific firms, then applying them to the business' operating metrics.

Similar to the CGU, the selected companies have little or no earnings. We have adopted the revenue multiples to value the CGU. To derive the appropriate revenue multiples, companies considered directly comparable were shortlisted and the average historical (HY2022) revenue multiples of comparable companies was calculated to be 1.9x. As a sensitivity check we have applied a discount to the average historical (HY2022) revenue multiples in 20%-30% range with no impairment scenarios reported. The revenue projections are based on financial budgets approved by management covering a one-year period. The following factors were considered when reviewing the historical performance and projections of JTL's UK CGU:

- Primarily, the CGU derives revenue from provision of integrated SaaS healthcare services delivery platforms. This consist of supplying software licensing, software development customisation and support services, supply and installation of kiosk, and extended software warranty.
- The revenue has declined over the last few years mainly due to the worldwide pandemic but is forecast to recover in FY2023 and beyond. Management forecasts YoY revenue growth. For the purposes of our revenue multiples-based valuation, we have taken a conservative approach by adopting the FY2021A reported (most recent historical) as the revenue to apply the multiple. The selected revenue for the CGU is £2,512,537.
- Based on the calculations, we have determined the recoverable amount of the CGU in the \$4,194,549 - \$6,374,302 range, with a preferred value of \$5,967,271
- The carrying value of the UK CGU goodwill is \$3,449,650. The valuation range provides a headroom between \$744,549 - \$2,924,302.
- The CGU has reported no earnings in the last 3 years; hence it is most appropriate to use a revenue based multiple to value the CGU. Apart from the considerations described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. In determining the value of the CGU, the Company engaged an independent valuation specialist.

Impairment

As a result of the assessment the Company has recognised there has been no impairment to the goodwill asset of Jayex Technology CGU for the half-year ended 30 June 2022.

Note 10. Borrowings

	Consolidated	31 December
	30 June 2022	2021
	\$	\$
<i>Current liabilities</i>		
Derivative financial liability	-	69,049
Bank loans	423,206	409,226
Convertible notes payable	2,517,251	2,128,826
	<u>2,940,457</u>	<u>2,607,101</u>
<i>Non-current liabilities</i>		
Related party loan	743,517	743,517
Bank loans	1,410,686	1,711,309
	<u>2,154,203</u>	<u>2,454,826</u>
	<u><u>5,094,660</u></u>	<u><u>5,061,927</u></u>

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 10. Borrowings (continued)

In 2020 financial year, the Company issued 3,000,000 convertible notes each having a face value of \$1.00 to Covenant Holding (WA) Pty Ltd towards the settlement of its \$3m borrowings. Convertible notes are unsecured and bears a coupon rate of 6.5% per annum. The Convertible Notes are convertible into Shares in whole or in part at the sole election of the Noteholder at the Conversion Price at any time on or before the redemption date. Conversion Price will be determined as the greater of \$0.05 and a 20% discount to the volume weighted average price of Shares on the ASX calculated over the 30 days on which trades in Shares were recorded immediately prior to the conversion date. Convertible notes are repayable on 13 October 2022, being the redemption date, for the balance of convertible notes not converted into shares as at that date.

In 2021 financial year, the company repaid \$300,000 of Convertible Notes. As of 30 June 2022, there are 2,700,000 convertible notes outstanding with the carrying value of \$2,517,251 (with face value of \$2,700,000). These are payable on 13 October 2022, if not converted into shares as at that date.

Subsequent to 30 June 2022, the redemption date for convertible notes have been extended by 12 months to 13 October 2023.

The convertibles notes contain an embedded derivative representing the option to convert the convertible notes into equity shares. At the inception date on 13 October 2020, this derivative liability was fair valued at \$1,386,000. As of 30 June 2022, the derivative liability was fair valued at \$nil (31 December 2021: \$69,049). The change in the fair value is recognised in the statement of profit and loss.

The derivative liability is classified as level 3 in fair value measurement hierarchy as detailed in note 3. The derivative liability is valued using Monte Carlo simulation method to determine the conversion price and the Black-Scholes option valuation model is used to assess value of the Rights at valuation date. Key input used in the valuation is as follows:

Assumptions	Conversion Right at 30 June 2022
Revaluation date	30 June 2022
Face value	\$2,700,000
Spot price	\$0.005
Conversion price	\$0.05
Risk free rate	2.73%
Coupon Rate	6.5%
Expected future volatility	75%
Expiry date	13 October 2022
Fair value per Right	\$0.00
Fair value of derivative liability	\$0

The bank loans above comprise of:

- (i) GBP 600k from National Westminster Bank, United Kingdom with an interest rate of 2.05% per annum. This loan is repayable by June 2026 with repayment started from July 2021. As of 30 June 2022, current and non-current portions of loan are at GBP 120k (equivalent to \$212k) and GBP360k (equivalent to \$635k) respectively.
- (ii) GBP 600k from National Westminster Bank, United Kingdom with an interest rate of 2.05% per annum. This loan is repayable by February 2027 with repayment starting from March 2022. As of 30 June 2022, current and non-current portions of loan are at GBP 120k (equivalent to \$212k) and GBP 440k (equivalent to \$776k) respectively.

The loan from related party is interest free, unsecured and is repayable on 1 April 2023.

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 11. Lease liabilities

	Consolidated	31 December
	30 June 2022	2021
	\$	\$
<i>Current liabilities</i>		
Lease liability	128,551	149,823
<i>Non-current liabilities</i>		
Lease liability	54,122	112,979
	<u>182,673</u>	<u>262,802</u>

Note 12. Issued capital

	Consolidated		31 December	
	30 June 2022	31 December	30 June 2022	31 December
	Shares	Shares	\$	\$
Ordinary shares - fully paid	249,228,539	249,228,539	28,112,494	28,112,494

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 13. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Investment in Vitalhub shares	450,994	-	-	450,994
Investment in Brainworks	-	-	1,451,587	1,451,587
Total assets	<u>450,994</u>	<u>-</u>	<u>1,451,587</u>	<u>1,902,581</u>
<i>Liabilities</i>				
Derivative liability	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 13. Fair value measurement (continued)

Consolidated - 31 December 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment in Vitalhub shares	536,001	-	-	536,001
Investment in Brainworks	-	-	1,368,846	1,368,846
Total assets	<u>536,001</u>	<u>-</u>	<u>1,368,846</u>	<u>1,904,847</u>
Liabilities				
Derivative liability	-	-	69,049	69,049
Total liabilities	<u>-</u>	<u>-</u>	<u>69,049</u>	<u>69,049</u>

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

Level 3 assets and liabilities

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

Consolidated	Investment in Brainworks \$	Total \$
Balance at 1 January 2022	1,368,846	1,368,846
Transfers into level 3	-	-
Transfers out level 3	-	-
Gains recognised in profit or loss	-	-
Additions	-	-
Disposals	-	-
Exchange difference	82,741	82,741
Balance at 30 June 2022	<u><u>1,451,587</u></u>	<u><u>1,451,587</u></u>

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

Description	Unobservable inputs	Valuation methodology	Sensitivity
Unlisted shares	Acquisition cost	Retention at acquisition cost where the investment was within 12 months of the valuation date. The Company assessed that there has been no material change in the prospects of the investee.	A 10% increase/decrease in shares would increase/ decrease the net asset position of the consolidated entity by approximately \$137k respectively.

Note 14. Contingent assets

On 17 May 2021, the Group sold its on-premises Acute hospital queue management business to Canadian based medical technology company Vitalhub Inc. £428k (equivalent to \$788k) of consideration receivable, which was equivalent to the recurring annual revenue attributable to such Customer Contracts multiplied by 3.1 which was invoiced but unsettled at the point-of-Sale completion, was held in escrow and was contingent upon a future event taking place (the receipt of cash from customers). On proof of settlement these Escrow held recurring revenue amounts was released on request. Out of the balance of the contingent asset of £32k as of end of previous financial year, the company received £19k (equivalent to \$36k) during the half-year ended 30 June 2022 which is recognised as other income from discontinued operations (refer to note 6 for information). The company is no longer eligible to received the balance of £13k and there is nil balance of contingent consideration as of 30 June 2022.

Jayex Technology Limited
Notes to the consolidated financial statements
30 June 2022

Note 15. Contingent liabilities

The Group has no material contingent liabilities as at the date of this report (2021: nil).

Note 16. Earnings per share

	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Jayex Technology Limited	<u>(1,100,466)</u>	<u>(1,601,549)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>249,228,539</u>	<u>204,090,275</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>249,228,539</u>	<u>204,090,275</u>
	Cents	Cents
Basic earnings per share	(0.44)	(0.78)
Diluted earnings per share	(0.44)	(0.78)

	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$	\$
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Jayex Technology Limited	<u>36,083</u>	<u>(750,329)</u>
	Cents	Cents
Basic earnings per share	0.01	(0.37)
Diluted earnings per share	0.01	(0.37)

	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Jayex Technology Limited	<u>(1,064,383)</u>	<u>(2,351,878)</u>
	Cents	Cents
Basic earnings per share	(0.43)	(1.15)
Diluted earnings per share	(0.43)	(1.15)

Contingently issuable shares related to convertible notes and options are not included in the diluted earnings per share calculation as they are anti-dilutive.

Jayex Technology Limited
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Boyd
Chairman

30 August 2022

Jayex Technology Limited Independent auditor's review report

REPORT ON THE REVIEW OF THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the accompanying half-year financial report of Jayex Technology Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$1,064,383 during the half year ended 30 June 2022 and, as of that date, the Group's net cash outflows used in operations was \$204,432. The Group also had net current liabilities of \$4,924,392 at year end. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 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*.

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.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis

A. A. Finnis
Director
Melbourne, 30 August 2022

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