

APPENDIX 4D

Under ASX Listing Rule 4.2A

Current reporting period
Prior corresponding period

1 July 2022 to 31 December 2022
1 July 2021 to 31 December 2021

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Increase/Decrease	Change %	To \$'000
Revenue from continuing operations	11,194	64.5%	28,557
Profit from ordinary activities after tax attributable to members	801	1,112%	729
Net Profit for the period attributable to members	830	1,360%	768

Dividend

No dividend has been declared.

Operating and Financial Review

Operating revenues have increased significantly from the prior year largely due to the inclusion of revenues from business acquired since the prior year. Underlying EBITDA of \$2.269m has been generated as follows.

	\$'000
Statutory profit for the period before income tax	1,416
Add: Depreciation and amortisation	1,529
Add: Finance charges	564
EBITDA	3,509
Add: Share based payments	544
Add: Business acquisition, integration and restructuring costs	329
Add: Establishment and other one-off costs	351
Less: Vendor loan write-back (Other Income)	(2,464)
Underlying EBITDA	2,269

In regards to the increase in Profit from ordinary activities after tax attributable to members, the increase in revenues and net profits from acquired businesses has been assisted by the gain from the reduction of earn out amounts previously recognised for acquired businesses of \$2.464m, offset by a \$0.179m increase in Share based payments and \$0.613m increase in Depreciation and amortisation on acquired intangible assets.

2. NET TANGIBLE ASSET PER SECURITY

Net tangible assets per ordinary share: (3.4) cents per share (2021: (0.2)). The Group has positive tangible assets as at 31 December 2022.

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

None.

4. OTHER

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current period are contained in the Half-Year Financial Report 2022.

The consolidated financial statements contained within the Half-Year Financial Report 2022, of which this report is based upon, have been reviewed by the company's auditors, BDO.



Comms Group Limited

Interim Financial Report

For the half year ended 31 December 2022

ACN 619 196 539

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Directors' report

Your directors present their report on the consolidated entity consisting of Comms Group Limited (the "Company") and the entities it controlled (collectively "Comms Group" or "Group") at the end of or during the financial half year ended 31 December 2022.

Directors

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

J A Mackay - Independent Non-Executive Chairman
P J McGrath - Executive Director, Chief Executive Officer
B J Jennings – Non-Executive Director
C E Bibby – Independent Non-Executive Director
Ryan O'Hare – Non-Executive Director

Principal activities

Comms Group is a telecommunications and IT services business, providing a comprehensive range of telco and IT managed services. Comms Group services clients in Australia and internationally including New Zealand and Singapore.

The principal continuing activities of Comms Group are the provision of a full range of IT (Information Technology) and telecommunications services from the Cloud including IT managed services, cloud hosting, cloud communications and UCaaS (unified communications) services to business customers in Australia and internationally.

For the half year ended 31 December 2022 Comms Group derived revenue from the sale of the above-mentioned IT and telecommunications services. These revenues consist of recurring charges for access to facilities and capabilities as well as consumption charges for variable usage of those facilities. Revenue was also derived from the installation and sale of hardware, equipment and consulting services to support the primary products of the business.

There were no significant changes in the nature of the activities of Comms Group during the reporting period.

Dividends

The Directors have resolved not to pay an interim dividend for the period ended 31 December 2022.

Review of operations

The Group generated revenue of \$26.00m during the period, an increase of \$8.70m from the prior year. This includes revenues for the full period from the acquisitions of SwitchedOn and On Group Holdings Pty Ltd (onPlatinum) completed in the year ended 30 June 2022.

The Group generated an Underlying EBITDA of \$2.27m, an increase of \$0.32m from the prior corresponding period. In addition to the contributions from acquired businesses, this increase has also come from realising a number of synergies identified pre-acquisition and from a continued emphasis on cost control.

The Group's cash position at 31 December 2022 was \$1.76m cash on hand. Whilst reporting statutory net cash inflow from operations of \$0.48m, excluding payments for acquisition, restructuring and integration expenses underlying cashflows from operations was \$0.77m. Significant non-operating cash payments included a second payment of \$1.00m for the acquisition of onPlatinum and final payment of \$0.49m for the acquisition of Switched On.

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

	\$000
Revenue	26,001
Reported profit before income tax	1,416
Add: Depreciation and amortisation ⁽¹⁾	1,529 ⁽¹⁾
Add: Finance charges ⁽¹⁾	564
EBITDA	3,509
Add: Share based payments	544
Add: Business acquisition, integration and restructuring costs	329
Add: Establishment and other one-off costs	351
Less: Gain on write-back of contingent consideration	(2,464)
Underlying EBITDA	2,269

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

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

Earnings per share

Earnings per share for the period is as follows:

	Cents per security
Earnings per share (cents)	0.21
Diluted earnings per share (cents)	0.20

Business integration and simplification

The Group has continued to refine and simplify its businesses as further acquisitions are made, rationalising and consolidating acquired management systems with those of the existing business.

Operating segment

The Group has three operating segments under AASB 8 *Operating Segments* including Global (International, Wholesale and Enterprise), SME telecommunications and ICT services. Customers with similar and primarily telecommunication needs are allocated to either Global or SME based on their size and customers with primarily IT managed service needs are allocated to ICT (including those customers acquired as part of the onPlatinum acquisition). These customer bases are then managed by dedicated resources and each division has its own CEO, responsible for the delivery of service to all customers categorised to that division and financial performance of the division.

For internal purposes, each division has its own monthly and annual budget, against which actual results are measured and reported through to the Board of Directors.

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

Significant changes in the state of affairs

No significant changes in the state of affairs occurred during the period.

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Events since the end of the interim financial period

No matter or circumstance has arisen since 31 December 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.

Insurance of officers and indemnities

During the period, Comms Group incurred a premium of \$150,937 to insure the directors, officers and secretary of the Group.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

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



John Mackay
Non-Executive Chairman

Sydney
22 February 2023

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

As lead auditor for the review of Comms Group Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Comms Group Limited and the entities it controlled during the period.



Grant Saxon
Director

BDO Audit Pty Ltd

Sydney, 22 February 2023

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Comms Group Limited

ACN 619 196 539

Consolidated financial report – for the half year ended 31 December 2022

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Comms Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2022

	Notes	31 December 2022 \$	31 December 2021 \$
Revenue	4	26,001,092	17,302,959
Gain on write-back of contingent consideration	14	2,464,618	-
Other income		90,857	60,423
		28,556,567	17,363,382
Cost of sales		(13,796,441)	(9,396,295)
Employee benefits expense		(7,887,163)	(4,263,700)
Administration expenses		(816,350)	(421,151)
Sales & marketing expenses		(608,726)	(554,112)
Information technology expenses		(636,331)	(516,869)
Professional fees	5	(330,241)	(222,939)
Property expenses		(227,580)	(60,617)
Business acquisition and integration expenses		(177,148)	(568,324)
Share based payments		(544,284)	(364,584)
Other expenses		(20,996)	(15,305)
Finance expenses		(564,499)	(54,718)
Depreciation & amortisation	5	(1,529,894)	(916,921)
Profit before income tax		1,416,914	7,847
Income tax expense	6	(648,656)	(69,202)
Profit/(Loss) for the period		768,258	(61,355)
Other comprehensive income			
Foreign currency translation		(39,192)	(10,879)
Total comprehensive income or loss attributable to shareholders		729,066	(72,234)

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

		Cents	Cents
Basic earnings per share	19	0.21	(0.02)
Diluted earnings per share	19	0.20	(0.02)

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

Comms Group Limited
Consolidated statement of financial position
As at 31 December 2022

	Notes	31 December 2022 \$	30 June 2022 \$
Current assets			
Cash and cash equivalents		1,763,268	2,938,051
Trade and other receivables	7	5,161,399	4,939,410
Other current assets	8	2,154,229	1,949,077
Total current assets		9,078,896	9,826,538
Non-current Assets			
Property, plant & equipment		203,763	233,530
Right of use asset	9	2,697,284	3,194,120
Goodwill	10	21,723,405	20,622,808
Intangible assets	10	22,876,143	25,092,775
Deferred tax assets	11	1,931,071	2,478,455
Total non-current assets		49,431,666	51,621,688
Total assets		58,510,562	61,448,226
Current liabilities			
Trade and other payables	12	5,238,543	5,189,265
Deferred revenue		598,023	774,719
Lease liabilities		866,421	927,886
Income tax payable		373,350	87,764
Borrowings	13	1,000,000	750,000
Deferred consideration	14	-	5,362,318
Provisions	15	1,231,784	1,135,038
Total current liabilities		9,308,121	14,226,990
Non-current liabilities			
Provisions	15	208,158	308,445
Deferred tax liability	16	6,470,990	7,015,468
Borrowings		8,127,911	7,368,802
Lease liabilities		2,118,575	2,525,064
Total non-current liabilities		16,925,634	17,217,779
Total liabilities		26,233,755	31,444,769
Net assets		32,276,807	30,003,457
Equity			
Share capital	17	48,778,371	47,778,371
Share based payment reserves		1,333,380	981,088
Foreign currency translation reserve		(62,698)	(23,506)
Accumulated losses		(17,772,246)	(18,732,496)
Total Equity		32,276,807	30,003,457

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

Comms Group Limited
Consolidated statement of changes in equity
For the half year ended 31 December 2022

	Share capital	Share- based payments reserves	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2021	45,626,371	409,253	3,558	(18,057,406)	27,981,776
Loss for the period to 31 December 2021	-	-	-	(61,355)	(61,355)
Foreign currency translation	-	-	(10,879)	-	(10,879)
Total comprehensive loss for the period			(10,879)	(61,355)	(72,234)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payments		364,584	-	-	-
Balance as at 31 December 2021	45,626,371	773,837	(7,321)	(18,118,761)	28,274,126
Balance as at 1 July 2022	47,778,371	981,088	(23,506)	(18,732,496)	30,003,457
Profit for the period to 31 December 2022	-	-	-	768,258	768,258
Foreign currency translation	-	-	(39,192)	-	(39,192)
Total comprehensive loss for the period	-	-	(39,192)	768,258	729,066
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued as deferred consideration	1,000,000				1,000,000
Share based payments	-	544,284	-	-	544,284
Cancellation of share options	-	(191,992)	-	191,992	-
Balance as at 31 December 2022	48,778,371	1,333,380	(62,698)	(17,772,246)	32,276,807

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

Comms Group Limited
Consolidated statement of cash flows
For the half year ended 31 December 2022

	Notes	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		27,960,813	18,481,457
Payments to suppliers and employees (inclusive of GST)		(27,102,998)	(17,644,362)
Interest received		327	28,281
Interest paid		(379,764)	(40,520)
Income tax refund		-	26,251
Net cash inflows from operating activities	18	478,378	851,107
Cash flows from investing activities			
Software purchase and IT systems		(131,673)	(282,056)
Payments for property, plant & equipment		(20,041)	(26,300)
Payments for purchase of businesses, net of cash acquired		(1,908,882)	(3,582,092)
Net cash outflows from investing activities		(2,060,596)	(3,890,448)
Cash flows from financing activities			
Lease payments		(601,674)	(233,220)
Net proceeds from borrowings		1,009,109	-
Net cash inflows / (outflows) from financing activities		407,435	(233,220)
Net decrease in cash and cash equivalents		(1,174,783)	(3,272,561)
Cash and cash equivalents at the beginning of the period		2,938,051	5,497,266
Cash and cash equivalents at end of period		1,763,268	2,224,705

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1 General information

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

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

Level 3, 45 Clarence Street
Sydney NSW 2000
Australia

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

These condensed interim financial statements were approved for issue on 22 February 2023. The directors have the power to amend and reissue the financial statements.

2 Significant accounting policies

This consolidated interim financial report for the half year ended 31 December 2022 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Comms Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

3 Segment reporting

Identification of reportable operating segments

The Group has three operating segments under AASB 8 Operating Segments including Global (International, Wholesale and Enterprise), SME telecommunications and ICT services. These operating segments are based on the internal reports that are reviewed and used by the CEO and Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Other (non-operating) segments include the Head Office that accounts for the activities of the Board and other Group employees who provide services across the Group and other costs of being an ASX listed business.

On a monthly basis the CODM reviews each segments EBITDA that is prepared using the same accounting policies as those adopted in the financial statements.

3 Segment reporting (continued)

For the half year ended 31 December 2022	Global	SME	ICT	Total
Revenue				
Sales to external customers	5,568,004	12,175,504	8,257,584	26,001,092
Intersegment sales	643,584	2,072	-	645,656
Total segment sales revenue	6,211,588	12,177,576	8,257,584	26,646,748
Less:				
Intersegment eliminations				(645,656)
Total revenue				26,001,092

For the half year ended 31 December 2021	Global	SME	ICT	Total
Revenue				
Sales to external customers	5,160,550	12,142,409	-	17,302,959
Intersegment sales	22,254	-	-	22,254
Total segment sales revenue	5,182,804	12,142,409	-	17,325,213
Less:				
Intersegment eliminations				(22,254)
Total revenue				17,302,959

Intersegment transactions

Intersegment transactions were made at market rates. Taking advantage of existing accounts and economies of scale, Global and SME telecommunications purchase telecommunication services on behalf of each other. Intersegment transactions are eliminated on consolidation.

Intersegment receivables and payables

Intersegment receivables and payables are eliminated on consolidation.

Major customers

During the six months ended 31 December 2022 no individual customer accounted for more than 10% of Group revenues.

The Group's revenues from external customers and non-current assets are predominantly domiciled in Australia.

4 Revenue

	Consolidated 31 December 2022	Consolidated 31 December 2021
	\$	\$
<i>Sales revenue</i>		
Voice revenue	10,141,534	9,909,155
Data revenue	6,658,311	6,034,008
Managed service revenue	9,201,247	1,359,796
	26,001,092	17,302,959

4 Revenue (continued)

	Consolidated 31 December 2022	Consolidated 31 December 2021
	\$	\$
<i>Sales revenue</i>		
Global division	5,568,004	5,160,550
SME telecommunications division	12,175,504	12,142,409
ICT services division	8,257,584	-
	26,001,092	17,302,959

Disaggregation of revenue

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

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

	Consolidated 31 December 2022	Consolidated 31 December 2021
	\$	\$
<i>Timing of revenue recognition</i>		
Revenue recognised over time	25,120,295	16,998,161
Revenue recognised at a point in time	880,797	304,798
	26,001,092	17,302,959
Revenue from direct customers	22,242,723	14,195,276
Revenue from wholesale customers	3,758,369	3,107,683
	26,001,092	17,302,959

5 Individually significant profit or loss items

	Consolidated 31 December 2022	Consolidated 31 December 2021
	\$	\$
<i>Depreciation and amortisation</i>		
Depreciation expense	102,081	28,396
Depreciation – right of use assets	496,837	300,165
Amortisation of intangibles	930,976	588,360
Total depreciation and amortisation	1,529,894	916,921
<i>Professional fees</i>		
Legal fees	175,028	91,645
Other professional fees	155,213	131,294
Total professional fees	330,241	222,939

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6 Income tax expense

	Consolidated 31 December 2022	Consolidated 31 December 2021
	\$	\$
<i>Income tax expense</i>		
Deferred tax - origination and reversal of temporary differences	761,348	96,778
Current tax expense	(112,692)	-
Write down deferred tax assets and liabilities from corporate tax rate reduction	-	(27,576)
Total income tax expense	648,656	69,202

The Group has tax losses available for use of \$1,413,689 which have been brought to account on the Statement of Financial Position.

	Consolidated 31 December 2022	Consolidated 31 December 2021
	\$	\$
<i>Reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	1,416,914	7,847
At the Group's statutory income tax rate of 25.0%	354,229	1,962
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(616,154)	-
Non-deductible expenses	148,089	97,286
Write down deferred tax assets and liabilities from corporate tax rate reduction	-	(27,576)
Deferred tax - origination and reversal of temporary differences	762,492	(2,470)
Income tax expense	648,656	69,202

7 Trade and other receivables

	Consolidated 31 December 2022	Consolidated 30 June 2022
	\$	\$
Trade receivables	5,145,138	4,952,929
Less: provision for expected credit loss	(95,965)	(156,675)
Total trade receivables	5,049,172	4,796,254
Other receivables	112,227	143,156
Total trade and other receivables	5,161,399	4,939,410

8 Other current assets

	Consolidated 31 December 2022	Consolidated 30 June 2022
	\$	\$
Prepayments	970,110	956,323
Accrued revenue	97,927	95,192
Security Deposits	666,422	550,947
Inventory	164,965	127,907
Bundled equipment	254,805	218,708
	2,154,229	1,949,077

9 Right of use assets

	Consolidated 31 December 2022	Consolidated 30 June 2022
	\$	\$
Land and buildings - right of use	4,319,612	4,319,612
Less: Accumulated depreciation	(1,657,604)	(1,206,088)
	2,662,008	3,113,524
Plant and equipment - right of use	188,294	188,294
Less: Accumulated depreciation	(153,018)	(107,698)
	35,276	80,596
	2,697,284	3,194,120

The consolidated entity leases buildings for its offices under agreements from 1 to 5 years. The leases have various escalation clauses. If renewed, the terms of the leases are renegotiated. The consolidated entity also leases equipment under agreements of between three to five years.

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10 Intangibles

	Customer contract	Brand	Goodwill	Software	Internally generated software	Capital work in progress	Other	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at 1 July 2022	26,255,970	6,987,218	29,454,252	3,401,472	1,125,059	323,123	21,045	67,568,139
Provisional value Adjustment - Business Combination	(619,677)	(797,652)	1,100,597	-	-	-	-	(316,732)
Additions during the period						131,673		131,673
Balance at 31 December 2022	25,636,293	6,189,566	30,554,849	3,401,472	1,125,059	454,796	21,045	67,383,080
<i>Accumulated amortisation and impairment</i>								
Balance at 1 July 2022	(6,763,803)	(2,925,418)	(8,831,444)	(3,051,964)	(266,773)	-	(13,154)	(21,852,556)
Amortisation expense	(683,015)	(77,569)	-	(57,886)	(112,506)	-	-	(930,976)
Balance at 31 December 2022	18,189,475	3,186,579	21,723,405	291,622	745,780	454,796	7,891	44,599,548

11 Deferred tax assets

	Consolidated 31 December 2022	Consolidated 30 June 2022
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Temporary differences	809,684	1,147,838
Carried forward losses	304,964	507,313
Acquisitions during the prior year	761,082	755,250
Amounts recognised in equity for capital raising	55,341	68,054
Deferred tax asset	1,931,071	2,478,455
<i>Movements in deferred assets:</i>		
Opening balance	2,478,455	1,996,794
Debited/(credited) to:		
- Prior year losses utilised	(202,349)	(380,738)
- Relating to temporary differences	(338,154)	755,250
- Amounts recognised in equity for capital raising	(12,713)	107,149
- Finalisation of acquisition accounting	5,832	-
Closing balance	1,931,071	2,478,455

12 Trade and other payables

	Consolidated 31 December 2022	Consolidated 30 June 2022
	\$	\$
Trade payables	3,347,165	3,089,159
Accrued expenses	1,113,737	1,182,968
Payroll liabilities	374,746	623,848
GST liabilities	229,530	232,359
Other payables	173,365	60,931
	<u>5,238,543</u>	<u>5,189,265</u>

13 Borrowings

	Consolidated 31 December 2022	Consolidated 30 June 2022
	\$	\$
Current liabilities		
Term loan	<u>1,000,000</u>	<u>750,000</u>
Non-current liabilities		
Term loan	<u>8,127,911</u>	<u>7,368,802</u>

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 31 December 2022	Consolidated 30 June 2022
Total facilities		
Bank overdraft	700,000	700,000
Bank term loans	<u>10,000,000</u>	<u>10,000,000</u>
	<u>10,700,000</u>	<u>10,700,000</u>
Used at the reporting date		
Bank overdraft	-	-
Bank term loans	<u>9,127,911</u>	<u>8,118,802</u>
	<u>9,127,911</u>	<u>8,118,802</u>
Unused at the reporting date		
Bank overdraft	700,000	700,000
Bank loans	<u>872,089</u>	<u>1,881,198</u>
	<u>1,572,089</u>	<u>2,581,198</u>

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13 Borrowings (continued)

In February 2022 Comms Group Limited established a Term Loan facility of \$10m with its existing bank CBA, along with an increase to existing working capital facilities (\$0.7m overdraft & \$0.3m credit and procurement card facilities). The Term Loan facility has been used to cover the cash consideration components related to the Upfront and Deferred payments of the onPlatinum acquisition as well as associated transaction costs.

The Term Loan has a term of 3 years and repayments of \$0.125m for the September 2022 and December 2022 quarters and \$0.25m per quarter thereafter.

Security includes fixed and floating charges from Comms Group Limited and all subsidiaries and Guarantees from all Australian registered lending and non-lending Group entities.

Comms Group believes that all other negotiated terms and conditions are favourable and typical for facilities of this nature, including for pricing, covenants and conditions precedent and subsequent.

14 Deferred Consideration

	Consolidated	Consolidated
	31 December 2022	30 June 2022
	\$	\$
Deferred consideration*	-	5,362,318

* Deferred consideration as at 30 June 2022 represented further consideration estimated to be payable for Switched On (based on the business' revenue of the first twelve months from completion) and for onPlatinum (Deferred payment to be paid on 1 July 2022 and additional consideration estimated to be payable based on the earnings of this business for the December 2022 quarter).

As at 31 December 2022, the full amounts have been paid to the vendor of Switched On in line with the terms of the agreement.

Earnings for OnPlatinum in the December quarter have been calculated and do not meet the earnings target stipulated in the share purchase agreement, and as such the fair value of the consideration payable to the vendors of OnPlatinum has been assessed as \$nil at 31 December 2022. The gain of \$2,464,618 on write back has been recognised in the statement of profit or loss and other comprehensive income.

This calculation is subject to finalisation under the terms and conditions of the share purchase agreement.

15 Provisions

	Consolidated	Consolidated
	31 December 2022	30 June 2022
	\$	\$
Current liabilities		
Annual leave	799,069	866,731
Long Service Leave	432,715	268,307
	1,231,784	1,135,038
Non-current liabilities		
Long service leave	208,158	308,445

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16 Deferred tax liability

	Consolidated 31 December 2022	Consolidated 30 June 2022
	\$	\$
<i>Movements in deferred liabilities:</i>		
Opening balance	7,015,468	2,374,673
Debited/(credited) to:		
- profit or loss	(190,146)	(380,533)
- intangible assets acquired on acquisition	(354,332)	5,021,328
	6,470,990	7,015,468

17 Share capital

	Consolidated 31 December 2022	Consolidated 30 June 2022	Consolidated 31 December 2022	Consolidated 30 June 2022
	Shares	Shares	\$	\$
Ordinary Shares - fully paid	374,653,877	361,320,543	48,778,371	47,778,371

Movements in ordinary share capital

	Date	Shares	\$
Opening balance	1 July 2021	340,329,715	45,626,371
Acquisition of subsidiary	10 February 2022	18,990,828	2,000,000
Issued to Vendor as deferred consideration	1 April 2022	2,000,000	152,000
Balance 30 June 2022		361,320,543	47,778,371
Opening balance	1 July 2022	361,320,543	47,778,371
Issued to Vendor as deferred consideration	1 July 2022	13,333,334	1,000,000
Balance 31 December 2022		374,653,877	48,778,371

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

	31 December 2022	31 December 2021
	\$	\$
Profit/(Loss) for the period	768,259	(61,355)
Adjustments for:		
Share based payments	544,284	364,584
Depreciation and amortisation	1,529,894	916,921
	2,842,437	1,220,150
Change in assets and liabilities:		
(Increase) / decrease in receivables	(253,019)	501,815
(Increase) / decrease in current assets	(174,121)	(755,824)
(Increase) / decrease in deferred tax	(357,258)	486,062
Increase / (decrease) in payables	(1,777,444)	(315,393)
Increase / (decrease) in provisions	(3,541)	22,740
Increase / (decrease) in other working capital	201,325	(308,443)
Net cash inflow from operating activities	478,378	851,107

19 Earnings per share

Reconciliation of earnings used in calculating earnings per share	Consolidated 31 December 2022	Consolidated 31 December 2021
	\$	\$
Profit/(Loss) attributable to the ordinary equity holders of the company	768,258	(61,355)
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	374,653,877	340,329,715
Adjustments for calculation of diluted earnings per share:		
Share performance rights on issue	45,190,000	22,050,000
Share performance rights that are not dilutive	(44,171,995)	(22,050,000)
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	375,671,882	340,329,715
	Cents	Cents
Basic earnings per share	0.21	(0.02)
Diluted earnings per share	0.20	(0.02)

20 Business combinations

Acquisition of onPlatinum

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

Total Purchase price was \$14.26m and included an upfront cash payment of \$8.0m and \$2.0m of Comms Group scrip issued at \$0.105 per share escrowed for 12 to 18 months from the date of completion, Deferred Consideration paid on 1 July of \$1.0m in cash and \$1.0m of Comms Group scrip issued at \$0.105 per share and additional consideration by way of an earn out was to be paid, based on an annual EBITDA as measured by the audited EBITDA of the December 2022 quarter in excess of annualised earnings of \$2.0m. At the time of completion this deferred consideration was estimated at \$2.28m, however EBITDA for the December 2022 quarter is estimated to not reach the required level for further consideration and as such, the fair value of the recognised contingent consideration has been assessed as \$nil at 31 December 2022.

The Company has funded the upfront and deferred cash consideration from proceeds of the Borrowings made in February 2022 and July 2022.

onPlatinum contributed \$8.26m to Group revenue and \$0.36m to Group net profit before tax for the six months ended 31 December 2022.

Acquisition accounting for the consideration and the assets and liabilities acquired has been finalised at 31 December 2022, with the resulting changes in the value of the intangible assets acquired disclosed in Note 10.

These values are set out below.

	Total
	\$
Assets	
Cash and cash equivalents	432,776
Trade receivables	1,498,868
Other assets	285,944
Intangible assets customer contracts and other	9,749,548
Intangible assets brands	1,397,173
Property, plant & equipment	49,670
Right of use asset	2,271,209
Deferred tax assets	758,943
Other long-term assets	273,810
Liabilities	
Trade and other payables	(1,511,509)
Employee provisions	(730,881)
Lease liabilities	(2,335,889)
Other liabilities	(33,750)
Income tax payable	(169,988)
Deferred tax liability on customer contracts, brands and other	(3,331,987)
	8,603,937
Net asset acquired	8,603,937
Goodwill	5,653,607
Acquisition-date fair value of the total consideration	14,257,544

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20 Business combinations (continued)

Cash used to acquire business; net of cash acquired:	
Acquisition-date fair value of the total consideration	14,257,544
Less: shares issued as consideration	(2,000,000)
Less: deferred consideration	(4,678,393)
Less: cash and cash equivalents	(432,776)
Net cash used	7,146,375

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Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 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



John Mackay
Non-Executive Chairman

Sydney
22 February 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Comms Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Comms Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A small version of the BDO logo, consisting of the letters 'BDO' in blue with a red vertical bar to the left and a red horizontal bar below.

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

Grant Saxon
Director

Sydney, 22 February 2023

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