

Hubify Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Hubify Limited
ABN:	60 607 921 246
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

	31 Dec 2022	31 Dec 2021	Change
	\$	\$	\$
Revenue from ordinary activities	11,848,940	11,549,769	299,171
Revenue from contracts with customers	11,848,940	10,794,019	1,054,921
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	381,997	431,144	(49,147)
Earnings Before Interest and Tax (EBIT)	(546,132)	7,143	(553,275)
Loss before income tax	(554,136)	(18,954)	(535,182)
(Loss) / profit for the year attributable to the members of Hubify Limited	(1,259,990)	140,847	(1,400,837)
Cash and cash equivalents	2,578,786	4,679,345	(2,100,559)
Net Tangible Assets per ordinary security	0.32 cents	1.23 cents	(0.91) cents

Comments

HFY achieved an EBITDA of \$0.4m for 31 December 2022 half-year with a loss before income tax of \$0.55m. This loss was generated on revenue of \$11.8m, a 3% increase compared to the prior half-year. Excluding Government grants, revenue from contracts with customers grew by 10%. The final cash position at the end of the half-year was \$2.6m.

	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Reconciliation of loss before income tax to EBITDA (unaudited):</i>		
Loss before income tax	(554,136)	(18,954)
Finance costs	11,127	26,266
Interest revenue	(3,123)	(169)
Depreciation and amortisation	928,129	424,001
EBITDA	<u>381,997</u>	<u>431,144</u>

EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. This measure, which is unaudited, is important to management as an additional way to evaluate the consolidated entity's performance.

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>0.32</u>	<u>1.23</u>

4. Loss of control over entities

Not applicable.

5. Dividends

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

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. 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 Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of Hubify Limited for the half-year ended 31 December 2022 is attached.

11. Signed

Signed 

Date: 27 February 2023

Victor Tsaccounis
Director
Sydney

Hubify Limited

ABN 60 607 921 246

Interim Report - 31 December 2022

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Hubify Limited
Corporate directory
31 December 2022

Directors	Anthony Ghattas - Chairman Victor Tsaccounis - Chief Executive Officer Charbel Nader
Company secretary	Nick Fitzgerald
Registered office and principal place of business	Suite 1.03, Level 1 6-10 Talavera Road Macquarie Park NSW 2113 Phone:(02) 9003 9573
Share register	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6009 Phone: (08) 9389 8033
Auditor	Rothsay Chartered Accountants Level 1, 6 O'Connell Street Sydney NSW 2000
Solicitors	HWL Ebsworth Lawyers Level 14 – Australia Square 264-278 George Street Sydney NSW 2000
Bankers	National Australia Bank 85-95 Marrickville Rd Marrickville NSW 2204
Stock exchange listing	Hubify Limited shares are listed on the Australian Securities Exchange (ASX code: HFY)
Website	www.hubify.com.au
Corporate Governance Statement	www.hubify.com.au/investor-centre/

Hubify Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Hubify 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 31 December 2022.

Directors

The following persons were directors of Hubify Limited during the whole of the financial half-year and up to the date of this report:

Anthony Ghattas
Victor Tsaccounis
Charbel Nader

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- sale, customisation and integration of IT and telecommunications systems
- managing technology products and services for customers
- maintenance of IT and telecommunications systems
- internet based selling of hardware and software products

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

HFY achieved a statutory net loss before tax of \$0.55m in the six months to 31 December 2022 (down from a loss of \$0.01 million on the prior corresponding period to 31 December 2021) from revenues from customer contracts of \$11.85 million (up 10% on the prior corresponding period to 31 December 2021). EBITDA was \$0.38 million (down 11.4% from \$0.43 million on the prior corresponding period to 31 December 2021), and the final cash position at the end of the period was \$2.58 million.

During the period HFY recorded a 103% increase in Managed services to \$4.48million following the addition of new customers and inclusion of the Connected Intelligence acquisition from April 2022. The mobility division experienced a 27% revenue decline to \$3.08million (down \$1.16 million on the prior corresponding period to 31 December 2021), due to the Optus Cyber-attack. The HFY mobility division operates as a reseller for Optus enterprise and small business clients and the cyber event impacted purchase decisions for a number of clients.

Other revenue impacts include cessation of all Government grants after \$0.76 million was received in the period to 31 December 2021.

Restructuring charges of \$0.54 million associated with streamlining sales and operations teams in line with the integrated HFY Managed services division. A further \$0.12 million in working capital expenses were incurred associated with the ICNE acquisition. Both the restructuring and working capital expenses impacted EBITDA and operating profit for the period.

Reconciliation of loss before income tax to EBITDA (unaudited):

	31 Dec 2022	31 Dec 2021
	\$	\$
Loss before income tax	(554,136)	(18,954)
Finance costs	11,127	26,266
Interest revenue	(3,123)	(169)
Depreciation and amortisation expense	928,129	424,001
EBITDA	<u>381,997</u>	<u>431,144</u>

EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. This measure, which is unaudited, is important to management as an additional way to evaluate the consolidated entity's performance.

Significant changes in the state of affairs

On 18 July 2022, 3,246,753 ordinary shares in Hubify Limited were issued as part of the contingent consideration for the purchase of Sennah Pty Ltd (refer to note 10). The remaining \$125,000 of cash consideration was paid on 4 August 2022.

**Hubify Limited
Directors' report
31 December 2022**

On 22 July 2022, the company issued 1,428,571 ordinary shares at \$0.039 per share to key personnel reflecting retention bonuses (refer to note 10).

Under the company's Performance Rights Plan, 2,326,336 performance rights were issued on 1 July 2022 to key personnel (refer to note 16).

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

On 20 January 2023, the consolidated entity entered into a lease agreement for an office at City Views Business Park, Macquarie Park, NSW. The lease agreement has a commencement date of 1 March 2023 for a term of 5 years to 29 February 2028.

No other 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.

Material business risks

Hubify Limited operates within a highly competitive, technology based industry and is exposed to a range of risks that have the potential to impact on the financial, operational, and strategic performance of the business. Members of the Executive are responsible for implementing risk management within their business and operational units and report regularly to the Chief Executive Officer and Board of Directors. It is not possible to identify every risk that could affect the business and the actions taken to mitigate these risks cannot provide absolute assurance that a risk will not materialise. Material business risks that could impact the consolidated entity's performance are described below.

Industry, Market and Customer Demand change	<p>Due to the nature of the technology industry and its ever changing environment, there may be external environmental changes which affect the business' core offering. These can be changes in industry standards, competitor offerings, changes to popular technology/software and a shift in customer demands.</p> <p>Hubify identifies the threats posed to its business through external risks such as changes in the industry, market, and customer demand. A flexible scalable business model has been developed which facilitates changes to current and future products to accommodate changes in technology trends.</p>
Supplier and Vendor Relationship	<p>Hubify relies on key supplier relationships in certain parts of its business. The loss or impairment of a key relationship could impact Hubify's business.</p> <p>A dedicated procurement team together with executive sponsored account management reviews with key suppliers maintains and develops productive partnerships.</p>
Loss of Key Enterprise Partners	<p>Hubify generates a substantial portion of its revenue from Key Enterprise Partners and the loss of business would impact Hubify's business and financial results.</p> <p>Hubify has dedicated relationship managers engaged with key enterprise partners and perform regular reporting against annual objectives to shape these partnerships.</p>
Cyber Threats	<p>Hubify relies on the availability of its websites, hosting servers and the websites and systems of various third-party partners to provide services to existing and new clients. Such websites, servers and systems could be subject to data theft, disruption, or denial of service (DoS) attacks and unauthorised access from hackers.</p> <p>Hubify has a core capability in providing to customers a full-service Cyber SaaS including Firewalls, intrusion detection & prevention and monitoring of a customer's full technology stack. This includes working with our key partners who are equipped to provide cyber threat intelligence and these measures are employed within the Hubify network to safeguard our systems and ensure we address the security of our customers data.</p>

Reputation

The success of Hubify's business depends on the maintenance of good client relationships and its reputation for providing high quality products and services. Hubify's reputation could be significantly damaged if Hubify does not meet customer expectations; it is involved in litigation claims relating to its product performance or customer service; or it is subject to negative media coverage.

Hubify currently tracks key performance metrics that include Customer analytics and measures on customer satisfaction, which identifies and highlights the ways in which we can improve. Hubify on-boards all staff to ensure they adhere to the code of conduct and conducts regular compliance updates with staff. This includes regular updates to the Corporate Governance statement, customer engagement policies and Privacy law training to ensure that the Hubify business ethics employed are of a standard exceeding customer expectations.

Reliance on Key Personnel

Hubify relies on the experience and knowledge of its management team and the loss of key personnel which Hubify is unable to replace with suitable staff or within a reasonable timeframe could have a materially adverse effect on Hubify's business and its operations.

Hubify has strengthened its leadership and management team with a number of external recruitments at the executive level together with additional expertise in building enterprise managed services capability required for new and existing customer and expected growth opportunities. These roles are tasked with systemization of processes and development of Hubify employees that will enable the company to continue to scale its operations to respond to customer growth.

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



Victor Tsaccounis
Director

27 February 2023
Sydney

ROTHSAY

CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Hubify Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2022 there have been:

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

This declaration is in relation to Hubify Limited and the entities it controlled during the half-year.

Rothsay Chartered Accountants



Graham Webb

Partner

Sydney, 27 February 2023

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Hubify Limited
Contents
31 December 2022

Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11
Directors' declaration	20
Independent auditor's review report to the members of Hubify Limited	21

General information

The financial statements cover Hubify Limited as a consolidated entity consisting of Hubify 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 Hubify Limited's functional and presentation currency.

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

Suite 1.03, Level 1
6-10 Talavera Road
Macquarie Park
NSW 2113

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 24 February 2023.

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

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Revenue	3	11,848,940	11,549,769
Net fair value gain on financial assets at fair value through profit or loss	5	1,073,323	-
Interest revenue		3,123	169
Expenses			
Cost of sales		(3,424,347)	(3,041,440)
Marketing		(228,932)	(368,998)
Occupancy		(277,579)	(312,464)
Administration		(8,229,918)	(7,261,676)
Other expenses		(1,307,619)	(558,048)
Finance costs		(11,127)	(26,266)
Total expenses		<u>(13,479,522)</u>	<u>(11,568,892)</u>
Loss before income tax (expense)/benefit		(554,136)	(18,954)
Income tax (expense)/benefit		<u>(705,854)</u>	159,801
(Loss)/profit after income tax (expense)/benefit for the half-year attributable to the owners of Hubify Limited		(1,259,990)	140,847
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Hubify Limited		<u><u>(1,259,990)</u></u>	<u><u>140,847</u></u>
		Cents	Cents
Basic earnings per share	15	(0.25)	0.03
Diluted earnings per share	15	(0.25)	0.03

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

Hubify Limited
Consolidated statement of financial position
As at 31 December 2022

	Note	31 Dec 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents		2,578,786	2,681,017
Trade and other receivables	4	2,666,926	3,632,645
Contract assets		590,085	622,883
Inventories		150,517	112,382
Financial assets at fair value through profit or loss	5	1,576,573	3,250
Current tax receivable		-	131,771
Other		171,679	179,193
Total current assets		<u>7,734,566</u>	<u>7,363,141</u>
Non-current assets			
Financial assets at fair value through profit or loss	5	-	500,000
Plant and equipment	6	406,750	579,752
Intangibles	7	8,272,406	8,934,684
Deferred tax assets		923,169	1,405,772
Other		230,668	236,042
Total non-current assets		<u>9,832,993</u>	<u>11,656,250</u>
Total assets		<u>17,567,559</u>	<u>19,019,391</u>
Liabilities			
Current liabilities			
Trade and other payables	8	3,260,475	3,482,439
Contract liabilities		372,897	272,386
Borrowings		39,525	44,142
Lease liabilities		123,903	289,041
Income tax		3,379	-
Provisions	9	2,151,931	2,543,249
Total current liabilities		<u>5,952,110</u>	<u>6,631,257</u>
Non-current liabilities			
Borrowings		194,870	-
Lease liabilities		86,551	103,616
Deferred tax liabilities		1,276,171	1,169,225
Provisions	9	229,872	243,907
Total non-current liabilities		<u>1,787,464</u>	<u>1,516,748</u>
Total liabilities		<u>7,739,574</u>	<u>8,148,005</u>
Net assets		<u>9,827,985</u>	<u>10,871,386</u>
Equity			
Issued capital	10	8,303,280	8,123,280
Reserves		94,861	58,272
Retained profits		1,429,844	2,689,834
Total equity		<u>9,827,985</u>	<u>10,871,386</u>

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

Hubify Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	8,123,280	20,000	3,926,722	12,070,002
Profit after income tax benefit for the half-year	-	-	140,847	140,847
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	140,847	140,847
<i>Transactions with owners in their capacity as owners:</i>				
Transaction costs (note 10)	(72,237)	-	-	(72,237)
Balance at 31 December 2021	<u>8,051,043</u>	<u>20,000</u>	<u>4,067,569</u>	<u>12,138,612</u>
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	8,123,280	58,272	2,689,834	10,871,386
Loss after income tax expense for the half-year	-	-	(1,259,990)	(1,259,990)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,259,990)	(1,259,990)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	180,000	-	-	180,000
Share-based payments	-	36,589	-	36,589
Balance at 31 December 2022	<u>8,303,280</u>	<u>94,861</u>	<u>1,429,844</u>	<u>9,827,985</u>

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

Hubify Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		14,148,198	11,161,582
Payments to suppliers and employees (inclusive of GST)		<u>(14,060,038)</u>	<u>(11,789,576)</u>
		88,160	(627,994)
Interest received		3,123	169
Government grants		-	755,750
Interest and other finance costs paid		(11,127)	(42,728)
Income taxes refunded/(paid)		<u>18,845</u>	<u>(6,434)</u>
Net cash from operating activities		<u>99,001</u>	<u>78,763</u>
Cash flows from investing activities			
Payment for purchase of business	9	(125,000)	-
Payments for plant and equipment	6	(40,156)	(97,031)
Payments for intangibles	7	(49,500)	(72,911)
Proceeds from release of security deposits		<u>5,374</u>	<u>8,514</u>
Net cash used in investing activities		<u>(209,282)</u>	<u>(161,428)</u>
Cash flows from financing activities			
Proceeds from borrowings		239,348	-
Repayment of borrowings		(49,095)	-
Repayment of lease liabilities		(182,203)	(181,958)
Share issue transaction costs		-	(72,237)
Other loan repayment		<u>-</u>	<u>(51,284)</u>
Net cash from/(used in) financing activities		<u>8,050</u>	<u>(305,479)</u>
Net decrease in cash and cash equivalents		(102,231)	(388,144)
Cash and cash equivalents at the beginning of the financial half-year		<u>2,681,017</u>	<u>5,067,489</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>2,578,786</u></u>	<u><u>4,679,345</u></u>

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

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 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 30 June 2022 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, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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.

Note 2. Operating segments

Identification of reportable operating segments

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

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

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

Note 3. Revenue

	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	667,923	604,937
Services	<u>11,181,017</u>	<u>10,189,082</u>
	<u>11,848,940</u>	<u>10,794,019</u>
<i>Other revenue</i>		
Government grants - Jobkeeper and Cash Flow Boost	-	577,502
Government grants - R&D incentive, Export Market Market Development Grant and other	-	178,248
	<u>-</u>	<u>755,750</u>
Revenue	<u><u>11,848,940</u></u>	<u><u>11,549,769</u></u>

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 3. Revenue (continued)

Disaggregation of revenue

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

	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Major streams</i>		
Mobility	3,081,680	4,251,517
Voice & Data	3,115,828	3,709,764
Managed services	4,477,647	2,080,558
Other	1,173,785	752,180
	<u>11,848,940</u>	<u>10,794,019</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	816,845	645,957
Services transferred over time	2,634,323	2,924,083
Services transferred at a point in time	8,397,772	7,223,979
	<u>11,848,940</u>	<u>10,794,019</u>

Note 4. Trade and other receivables

	31 Dec 2022	30 June 2022
	\$	\$
<i>Current assets</i>		
Trade receivables	2,753,954	3,667,795
Less: Allowance for expected credit losses	(158,000)	(146,858)
	<u>2,595,954</u>	<u>3,520,937</u>
Other receivables	70,972	111,708
	<u>2,666,926</u>	<u>3,632,645</u>

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 5. Financial assets at fair value through profit or loss

	31 Dec 2022	30 June 2022
	\$	\$
<i>Current assets</i>		
Investment in listed entities	5,867	3,250
Investment in unlisted entity	1,570,706	-
	<u>1,576,573</u>	<u>3,250</u>
<i>Non-current assets</i>		
Investment in unlisted entity	-	500,000
	<u>1,576,573</u>	<u>503,250</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	503,250	506,183
Revaluation increments	1,073,323	-
Revaluation decrements	-	(2,933)
Closing fair value	<u>1,576,573</u>	<u>503,250</u>

Refer to note 12 for further information on fair value measurement.

Note 6. Plant and equipment

	31 Dec 2022	30 June 2022
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	74,832	63,557
Less: Accumulated depreciation	(57,930)	(55,291)
	<u>16,902</u>	<u>8,266</u>
Furniture, fixtures and fittings - at cost	128,815	128,815
Less: Accumulated depreciation	(72,200)	(64,833)
	<u>56,615</u>	<u>63,982</u>
Motor vehicles - at cost	70,376	70,376
Less: Accumulated depreciation	(70,376)	(70,376)
	<u>-</u>	<u>-</u>
Computer equipment - at cost	373,148	344,267
Less: Accumulated depreciation	(224,652)	(178,943)
	<u>148,496</u>	<u>165,324</u>
Right-of-use assets - property leases	1,102,169	1,102,169
Less: Accumulated depreciation	(917,432)	(759,989)
	<u>184,737</u>	<u>342,180</u>
	<u>406,750</u>	<u>579,752</u>

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 6. Plant and equipment (continued)

Reconciliations

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

	Plant and equipment \$	Furniture, fixtures and fittings \$	Computer equipment \$	Right-of-use assets - property leases \$	Total \$
Balance at 1 July 2022	8,266	63,982	165,324	342,180	579,752
Additions	11,275	-	28,881	-	40,156
Depreciation expense	(2,639)	(7,367)	(45,709)	(157,443)	(213,158)
Balance at 31 December 2022	<u>16,902</u>	<u>56,615</u>	<u>148,496</u>	<u>184,737</u>	<u>406,750</u>

Note 7. Intangibles

	31 Dec 2022 \$	30 June 2022 \$
<i>Non-current assets</i>		
Goodwill - at cost	2,440,691	2,437,497
Patents, trademarks and other rights - at cost	8,073	108,073
Web development - at cost	1,257,729	1,208,229
Less: Accumulated amortisation	(1,103,719)	(1,060,418)
	154,010	147,811
Customer lists - at cost	7,245,850	7,145,850
Less: Accumulated amortisation	(1,591,767)	(946,239)
	5,654,083	6,199,611
Software - at cost	2,729,801	2,729,801
Less: Accumulated amortisation	(2,714,252)	(2,688,109)
	15,549	41,692
	<u>8,272,406</u>	<u>8,934,684</u>

Reconciliations

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

	Goodwill \$	Patents, trademarks and other rights \$	Web development costs \$	Customer lists \$	Software \$	Total \$
Balance at 1 July 2022	2,437,497	108,073	147,811	6,199,611	41,692	8,934,684
Additions	3,194	-	49,500	-	-	52,694
Reclassification	-	(100,000)	-	100,000	-	-
Amortisation expense	-	-	(43,301)	(645,528)	(26,143)	(714,972)
Balance at 31 December 2022	<u>2,440,691</u>	<u>8,073</u>	<u>154,010</u>	<u>5,654,083</u>	<u>15,549</u>	<u>8,272,406</u>

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 8. Trade and other payables

	31 Dec 2022	30 June 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,424,427	1,220,488
Accruals	892,265	1,156,941
GST payable	313,871	357,571
Other payables	629,912	747,439
	<u>3,260,475</u>	<u>3,482,439</u>

Note 9. Provisions

	31 Dec 2022	30 June 2022
	\$	\$
<i>Current liabilities</i>		
Annual leave	682,960	774,158
Long service leave	168,971	219,091
Contingent consideration	1,300,000	1,550,000
	<u>2,151,931</u>	<u>2,543,249</u>
<i>Non-current liabilities</i>		
Long service leave	229,872	243,907
	<u>2,381,803</u>	<u>2,787,156</u>

Movements in provisions

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

31 Dec 2022	Contingent consideration \$
Carrying amount at the start of the half-year	1,550,000
Cash payments - Sennah Pty Ltd acquisition	(125,000)
Equity settled (note 10) - Sennah Pty Ltd acquisition	<u>(125,000)</u>
Carrying amount at the end of the half-year	<u>1,300,000</u>

The balance at 31 December 2022, represents the contingent consideration for the Connected Intelligence acquisition.

Note 10. Issued capital

	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>496,136,295</u>	<u>491,460,971</u>	<u>8,303,280</u>	<u>8,123,280</u>

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 10. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	491,460,971		8,123,280
Shares issued to vendors of Sennah Pty Ltd (note 9)	18 July 2022	3,246,753	\$0.039	125,000
Shares issued to key personnel (a)	22 July 2022	<u>1,428,571</u>	<u>\$0.039</u>	<u>55,000</u>
Balance	31 December 2022	<u><u>496,136,295</u></u>		<u><u>8,303,280</u></u>

(a) Shares issued to key personnel

On 22 July 2022, the company issued 1,428,571 ordinary shares valued at \$0.039 per share totalling \$55,000, for \$nil consideration to key personnel reflecting retention bonuses.

Note 11. Dividends paid/payable

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. 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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 Dec 2022				
<i>Assets</i>				
Equity securities	5,867	-	1,570,706	1,576,573
Total assets	<u>5,867</u>	<u>-</u>	<u>1,570,706</u>	<u>1,576,573</u>
<i>Liabilities</i>				
Contingent consideration	-	-	1,300,000	1,300,000
Total liabilities	<u>-</u>	<u>-</u>	<u>1,300,000</u>	<u>1,300,000</u>
30 June 2022				
<i>Assets</i>				
Equity securities	3,250	-	500,000	503,250
Total assets	<u>3,250</u>	<u>-</u>	<u>500,000</u>	<u>503,250</u>
<i>Liabilities</i>				
Contingent consideration	-	-	1,550,000	1,550,000
Total liabilities	<u>-</u>	<u>-</u>	<u>1,550,000</u>	<u>1,550,000</u>

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

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 12. Fair value measurement (continued)

Equity securities:

Level 3

The balance in equity securities represents shares held in Internet 2.0 Pty Ltd (an unlisted entity). The shares were acquired in April 2021 and Hubify Limited currently holds 5% of the issued capital of Internet 2.0. The fair value was determined by reference to recent capital raisings undertaken by Internet 2.0 and its net asset backing at 31 December 2022.

Contingent consideration:

The contingent consideration on the Connected Intelligence acquisition of \$1,300,000 is based on performance criteria weighted mainly on the retention of customers. The potential undiscounted amount payable is dependent upon the early payment discount being exercised, therefore between \$1,210,000 and \$1,300,000 is payable. If the deferred consideration is settled, at the request of Connected, within 12 or 18 months of the completion date, a \$90,000 or \$45,000 early payment discount, respectively, applies.

The contingent consideration liability at 30 June 2022 relating to the Sennah Pty Ltd acquisition of \$250,000 was settled in the half-year ended 31 December 2022 (refer note 9).

Level 3 assets and liabilities

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

	Equity securities \$	Contingent consideration \$	Total \$
Balance at 1 July 2022	500,000	(1,550,000)	(1,050,000)
Gains recognised in profit or loss	1,070,706	-	1,070,706
Settled contingent consideration	-	250,000	250,000
Balance at 31 December 2022	<u>1,570,706</u>	<u>(1,300,000)</u>	<u>270,706</u>

Note 13. Business combinations

Summary of acquisition

On 1 April 2022, Hubify Limited acquired 100% of the managed services and telco business of Connected Intelligence (Connected). The total consideration for the acquisition consisted of a cash payment of \$1,590,508 and a deferral of the remaining \$1,300,000 contingent consideration, to be settled 24 months from completion.

As at 30 June 2022, this business combination had initially been accounted for on a provisional basis in accordance with AASB 3 *Business combinations*. Therefore the fair value of assets acquired and liabilities assumed were initially estimated by the consolidated entity taking into consideration all available information at the reporting date. The provisional accounting has been revised however is not yet finalised.

Details of the fair value of the net assets acquired as recorded on a provisional basis as at 30 June 2022 and a revised provisional basis as at 31 December 2022 impacting the fair value of net assets acquired, are as follows:

	Initial fair value \$	Movement \$	Adjusted provisional fair value \$
Customer lists	3,006,553	-	3,006,553
Deferred tax liability	(713,928)	-	(713,928)
Employee benefits	-	(119,239)	(119,239)
Net identifiable assets acquired	<u>2,292,625</u>	<u>(119,239)</u>	<u>2,173,386</u>
Goodwill	<u>713,928</u>	<u>3,194</u>	<u>717,122</u>
Net assets acquired	<u>3,006,553</u>	<u>(116,045)</u>	<u>2,890,508</u>

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 13. Business combinations (continued)

	Cash used \$
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,890,508
Less: contingent consideration	<u>(1,300,000)</u>
Net cash used	<u><u>1,590,508</u></u>

Note 14. Events after the reporting period

On 20 January 2023, the consolidated entity entered into a lease agreement for an office at City Views Business Park, Macquarie Park, NSW. The lease agreement has a commencement date of 1 March 2023 for a term of 5 years to 29 February 2028.

No other 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.

Note 15. Earnings per share

	31 Dec 2022 \$	31 Dec 2021 \$
(Loss)/profit after income tax attributable to the owners of Hubify Limited	<u>(1,259,990)</u>	<u>140,847</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>495,670,750</u>	<u>491,460,971</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>495,670,750</u>	<u>491,460,971</u>
	Cents	Cents
Basic earnings per share	(0.25)	0.03
Diluted earnings per share	(0.25)	0.03

Note 16. Share-based payments

Share options

On 21 October 2020, the Board granted 2,000,000 options to the advisor in relation to the company's share placement. The options were granted as more than \$4 million was raised in the placement. The options vested on 21 October 2020 and expire on 21 October 2023.

Set out below are summaries of options granted:

31 Dec 2022							
Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the half-year
21/10/2020	21/10/2023	\$0.150	2,000,000	-	-	-	2,000,000
			<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>

Performance rights

Hubify Limited
Notes to the consolidated financial statements
31 December 2022

Note 16. Share-based payments (continued)

On 16 July 2021, the Board resolved to establish a new Performance Rights Plan, under which eligible employees and directors would be offered the opportunity to be issued performance rights that will vest into shares if certain performance criteria are met.

The performance rights vest upon the satisfaction of any performance criteria or any other conditions contained in the offer, following which the trustee of the Performance Rights Plan will allocate to the participant the number of shares to which the participant is entitled under the terms of the offer.

On 1 July 2022, the company issued a further 2,326,336 performance rights under the Performance Rights Plan to other key personnel. The total fair value of the rights granted was \$4,182.

Set out below are summaries of performance rights granted under the plan:

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the half-year
15/11/2021	30/06/2024	\$0.160	13,012,500	-	-	-	13,012,500
31/03/2022	30/06/2024	\$0.160	25,956,349	-	-	-	25,956,349
01/07/2022	01/07/2024	\$0.160	-	2,326,336	-	-	2,326,336
			<u>38,968,849</u>	<u>2,326,336</u>	<u>-</u>	<u>-</u>	<u>41,295,185</u>

For the performance rights granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2022	01/07/2024	\$0.040	\$0.160	100.00%	-	3.50%	\$0.009

Other share-based payments

On 18 July 2022, 3,246,753 ordinary shares in Hubify Limited with a value of \$125,000 were issued as part-settlement of the contingent consideration payable on the acquisition of Sennah Pty Ltd.

On 22 July 2022, 1,428,571 ordinary shares in Hubify Limited with a value of \$55,000 were issued to key personnel for \$nil consideration reflecting retention bonuses.

Share-based payments expense

The total share based payments expense for the half-year was \$91,589 (2021: \$nil).

Hubify Limited
Directors' declaration
31 December 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 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



Victor Tsaccounis
Director

27 February 2023
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HUBIFY LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Hubify Limited, which comprises the consolidated statement of financial position as at 31 December 2022, and 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, notes to the financial statements including a summary of significant accounting policies, 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 Hubify 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 31 December 2022 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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 our audit of the financial report in Australia. We have also fulfilled our other ethical requirements 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 Hubify Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HUBIFY LIMITED

(continued)

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility for the Review of the Half Year 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 company's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with 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.

Rothsay Chartered Accountants

A handwritten signature in black ink, appearing to read 'G Webb', written in a cursive style.

Graham Webb

Partner

Sydney, 27 February 2023