



ANNUAL REPORT | **2022**



HUBiFY
UNIFYING PEOPLE AND TECHNOLOGY

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FY22 HIGHLIGHTS

Record sales revenue delivered as Hubify continues to grow organically & accretively in line with our strategic plan.

We have undergone a year of transformational change as Hubify continued to deliver on strategic acquisitions, establish our Managed Services practice, and build capability in our people and systems to deliver IT and Telco Solutions for Australian businesses.

New enterprise customers

As the company continues significant expansion into Managed Services, Hubify has secured over 25 new enterprise-sized customers.

Accretive acquisitions

Complementary acquisitions within Managed Services and an investment in systems and product development that will further fulfil the needs of our customers at margins that deliver accretive earnings for the company.



“

Strong growth to our sales, with over \$4 million of new Managed Services revenue.

We've had another progressive year of growth as we continue to execute our strategic plan to deliver shareholder value by growing the business both organically and through new acquisitions.

We're pleased to report that we've ended the year with growth in revenue, and a positive cash position.

A handwritten signature in white ink.

Victor Tsaccounis
CEO

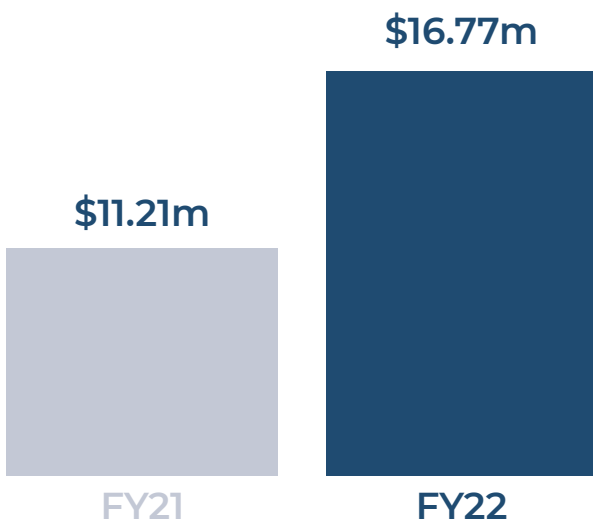


+36.3%

Growth in Customer revenue

Revenue from customers has grown to \$23.81 million with 33.6% attributable to organic growth.

Recurring revenue has grown 49.6% to \$16.77 million, representing 68.2% of total revenue.



Hubify has undergone a transformational year, with heavy investment into the re-shaping of the organisation toward focusing on higher-profit Managed Services.

We have invested heavily into new talent & accretive acquisitions that leave Hubify poised to reap the rewards of greater Gross Margins in future years.

The Gross Margin on Revenue from Customers has risen by 38.5%, which has been largely driven by the additional Managed Services business & new enterprise customers.

Despite substantial investments into staff recruitment & systems consolidation, related to the expansion of customer service capability, Hubify is debt free, ending the year with cash balances of over \$2.6 million & positive underlying cashflow. Hubify is equipped to drive future accretive & organic growth.

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Hubify has continued to improve our Gross Margin on Customer Revenue, rising from \$12.16 million to \$16.84 million in FY22.

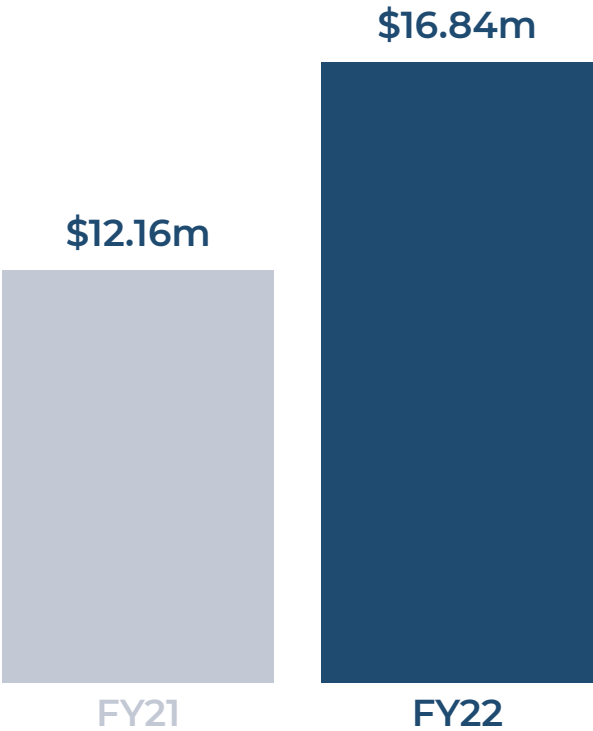
Solid Divisional Growth across Recurring & Customer Revenues.

Hubify has undergone a transformational year of investment in staff headcount & accretive acquisitions, whilst growing recurring revenue across most major divisions.

Our Internet & Networks division has experienced recurring revenue growth of 14%. The Voice division has risen against the Covid headwinds to maintain growth in recurring revenue by 3%. Transformational growth in our Managed Services division, growing from \$0.1 million to \$4.59 million, alongside a Gross Margin improvement up to 70.7%.



The company exited FY22 with an advanced pipeline of \$3.6m in Annual Recurring Revenue, of which \$0.5m, across 10 customers, is signed to be delivered in FY23 & an additional \$0.5 in FY24.



DIRECTOR'S REVIEW



Anthony Ghattas
Non-Executive Chairman



Victor Tsaccounis
CEO & Executive Director

Letter to Shareholders

We are pleased to present the Hubify Limited Annual Report for the Financial Year 2022.

It was another progressive year for the company as we execute our strategic plan to deliver shareholder value by growing the business both organically and through new acquisitions. As part of our strategy, to be the trusted partner across IT and Telco Solutions for Australian businesses, the addition of our MSP and Professional Services practice was transformational and now represents 35% of the company's revenue.

In a further year of pandemic related disruptions, we're pleased to report that we've ended the Financial Year 2022 with solid growth in revenue, profit, zero debt and a positive cash position.

Customer revenues improved by 36% to \$23.8m with associated gross margins improving to 71%. Recurring revenues increased by 50% to \$16.8m and now represent 68% of total revenue run rate basis. The positive Underlying EBITDA of \$1m represents the Company's recent focus on organic growth in the MSP and Professional Services division and takes into account additional capability and headcount to support new enterprise customer contracts and our growing sales pipeline.

Total organic revenue growth was 33.6%, driven by growth across all divisions except for Mobility, which has faced a challenging environment within the small business area during the period related to COVID disruptions.

In line with the Company's medium term growth strategy, the MSP and Professional Services business continues to grow strongly, with the expansion of Enterprise customer offerings in Business IT, Cloud services and IT infrastructure, fuelling a pipeline of telco voice and data opportunities for the Company.

During the year additional resources and associated costs were incurred with onboarding staff to support new customer contracts and the necessary building of expertise in the Enterprise managed services space. This is predominately the result of a full period attribution of costs from businesses acquired in prior periods.

However, with the divisional cost base normalising post this result, and strong revenue growth in this division, as well as the accelerating sales pipeline looking into FY23 and beyond, we remain highly confident on this continuing to be a strong growth pillar for the Company going forward.

Notwithstanding an increasingly strong sales pipeline in all divisions (excluding Mobility), largely COVID related backlogs and industry-wide labour shortages also impacted revenue recognition during the period. This impacted several areas from the provisioning and billing of clients, sales calls to customer prospects, and new client on-boarding. In addition, the Company continued to support staff throughout a difficult labour market, even with reduced assistance from government, which, in addition to the above, impacted profitability during the period.

During the year the company successfully executed the acquisition of Connected Intelligence, an IT services business and signed a new managed services agreement with Optus to manage services for their strategic enterprise accounts.

Like most businesses, the company faced challenges during the year. Despite this we continued to find opportunities through acquisitions which have delivered strong revenue growth and a solid sales pipeline.

Our investment in systems and product development will see new bundled products launched in the Financial Year 2023 that will further fulfil the needs of our customers at margins that deliver accretive earnings for the company.

As a Board we continue to see solid growth in this coming year through a combination of both organic growth and synergies from the acquisitions. The company also remains committed to continue strategic acquisitions in each of our strategic pillars.

We'd like to thank our customers, team, and shareholders for their continued support, and we look forward to another great year of growth and success at Hubify.



Anthony Ghattas
Non-Executive Chairman



Victor Tsaccounis
CEO & Executive Director

OUR COMPANY

A hub enabled by partnerships with industry leading companies.

The hub for all
your business
Telco, IT &
Technology
needs

With over 20 years of experience, Hubify seeks to continue to unify people & technology.

Our purpose is to help business and people perform & live better through technology. This is achieved by providing Australian businesses with a one stop shop for all their telco and IT needs.



Our Purpose: Helping business & people to perform & live better through technology

Our Niche: We provide Australian Business a one stop shop for all their Telco & IT needs

WHAT MAKES US UNIQUE?

We have you covered with secure software & hardware that is trusted by industry-leading business & large enterprises.

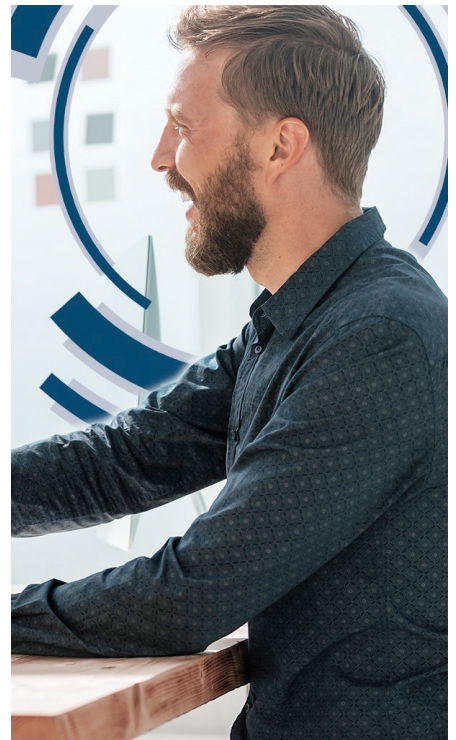
Utilise the efficiency of all 5 spokes of our hub & streamline your business operations. We truly care about your business & will act as your trusted advisor. Our team deliver the best service & performance that is efficient & reliable.



**Agile & fit for purpose
solutions**



**Proactive & Responsive
Customer Experience -
We Care**



**Reliability - We do what
we say we will do**

MANAGED SERVICES

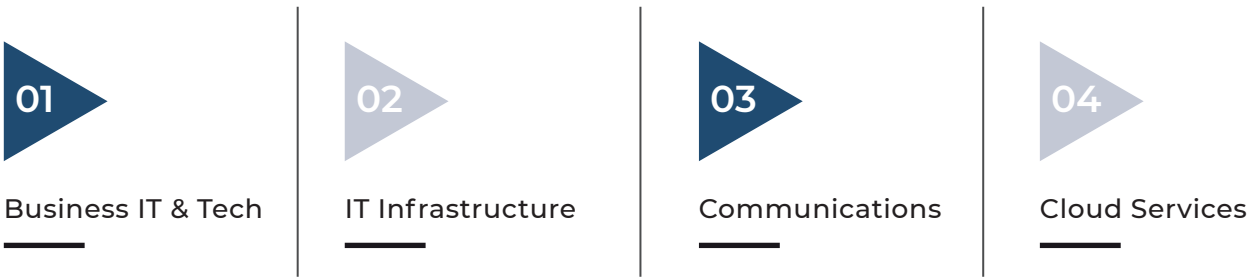
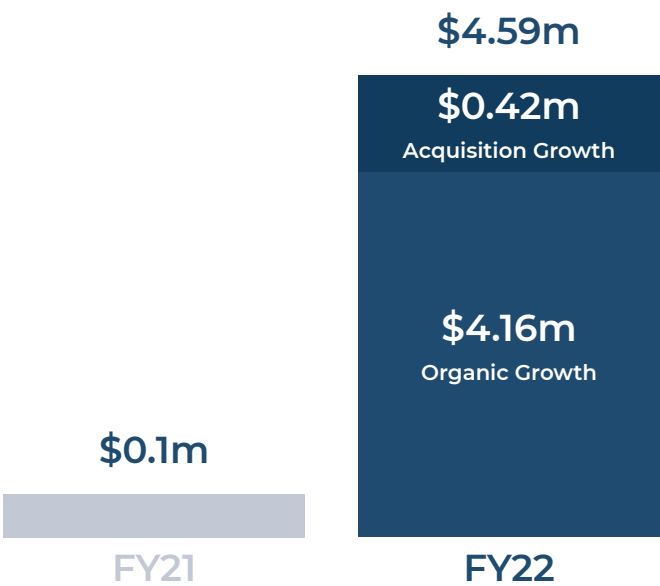
MANAGED SERVICES

Hubify has achieved high rates of organic growth, as the company has reshaped over the past year.

Our Managed Services division has seen tranformational growth in FY22 through both organic growth & the acquisitions of ICNE (June 2021) & Connected Intelligence (April 2022).

All new services have been rebranded as Hubify Managed Services; we have heavily invested, onboarded 60 new employees & established a 24/7 Network Operations Centre.

Hubify has successfully onboarded over 25 new enterprise clients with recurring annual revenue of over \$4 million.



Our Partners



VOICE

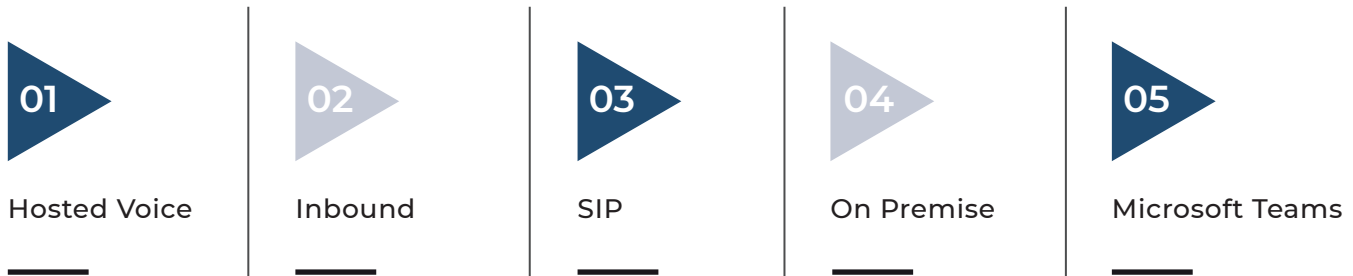
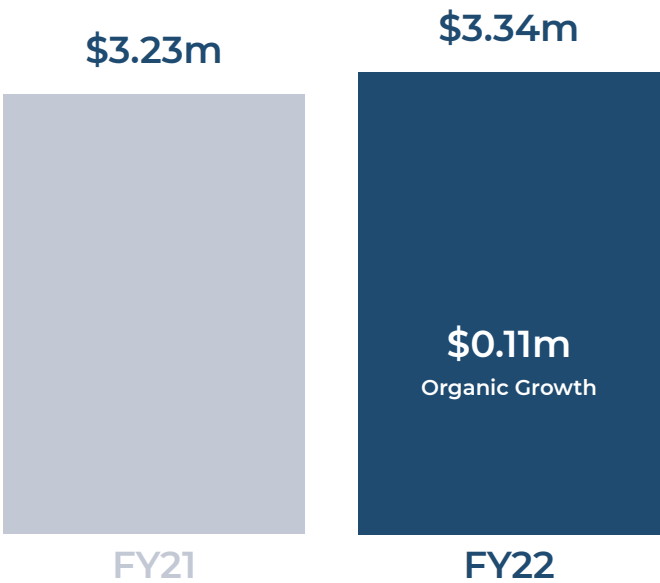


VOICE

Hubify has experienced a increased demand for Cloud Voice Solutions...

... as a result of changes in the way we work & new modern workplace requirements, driven by the need to stay connected. Cloud Solutions allow business to drive increased collaboration with the flexibility of working anywhere at anytime.

In FY22 we introduced our Direct Connect MS Teams Solutions that enables customers to sign up & automatically connect. A seamless customer experience, created by a smooth & simple onboarding process.



Our Partners



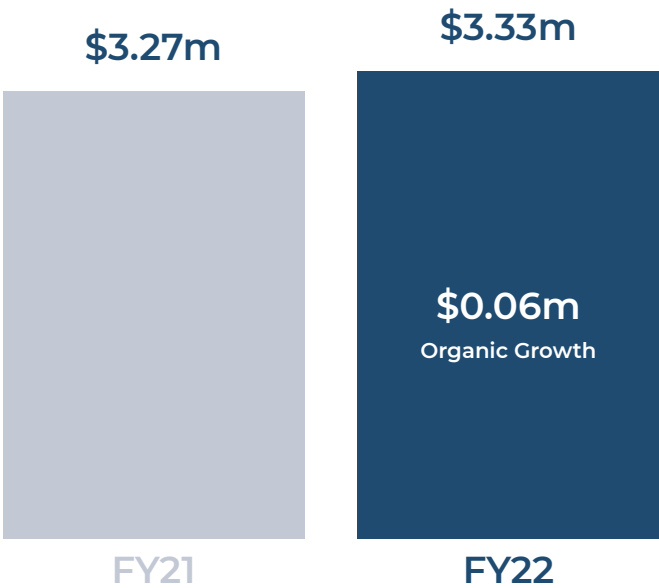
INTERNET & **NETWORKS**

INTERNET & NETWORKS

Hubify provides its customers the full range of enterprise grade connectivity solutions.

As enterprises embark on their transformational journeys, many external technology trends are causing the need to migrate to SD-WAN. As the ways of doing business evolve, increased bandwidth requirements are driving the adoption of better quality and secure networks.

Hubify has formed a strategic partnership with Fortinet a global leader in SD-WAN and Edge security. Our newly acquired Managed Service business, and strategic partnership with Fortinet has Hubify poised to offer customers an end to end solution.



Our Partners



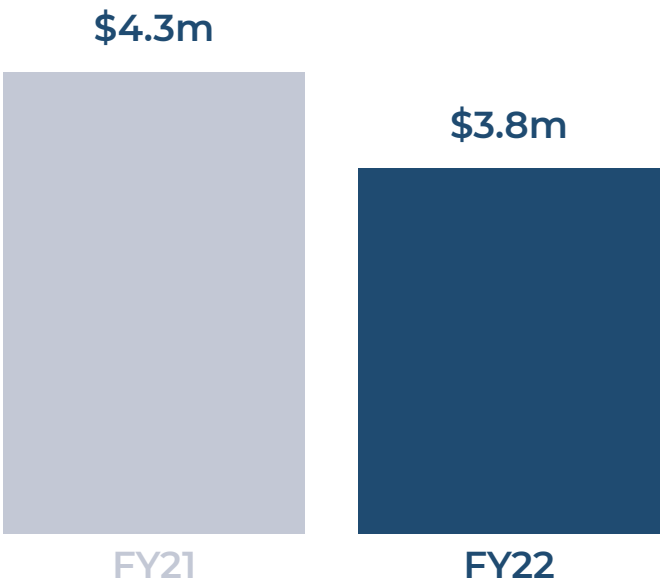
MOBILITY

MOBILITY

An Optus Business & Optus Enterprise Partner, acquiring & managing Mobility customers.

Hubify has been an award winning and leading partner of Optus Business over the last 7 years across both business and enterprise. In addition, Hubify's Global Mobility division provides a complete white label solution for travel businesses and enterprises. Our full-service platform with app, web and back-end support lends assistance to the management of people and assets on an international scale.

We continuously strive to evolve & invest in research & development, ensuring our services are supported by innovative & reliable technology.



Our Partners

OPTUS



OUR LEADERSHIP



Anthony Ghattas

Non-Executive Chairman

Anthony is the former CEO of ASX listed, digital and mobile content development company HWW Limited is the Founder and Managing Director of United Lifestyle Group.



Charbel Nader

Non-Executive Director

Charbel is an investment banker with extensive experience in corporate finance, strategic advisory roles and mergers & acquisitions.



Victor Tsaccounis

CEO & Executive Director

Victor is a high achieving Company Executive Officer with experience in mergers and acquisitions as well as working in senior leadership roles for Tier 1 Telecommunications companies.



Nick Fitzgerald

CFO & Head of Strategy

Nick joined Hubify in March 2021 as the CFO and Strategy lead. He has worked in the healthcare industry for a number of years predominantly at J&J, in both Finance and Customer roles.



Nicholas Ghattas

CRO - Core Business

Nicholas has over 20 years of experience in the telecommunications industry as trusted partner to his Enterprise clients.



Jonathan Perrin

CRO - Partnerships

Jonathan is a Senior Executive with 20 years of experience in the telecommunications industry.



Daman Storkey

Chief People Officer

Daman joined Hubify in May 2022 as the Chief People Officer. He has worked in both the Healthcare and Supply & Logistics Industries for over 25 years with over 17 years in Senior HR executive roles with multinational organisations.



John Martin

CTO

John joined Hubify in June 2021 as part of the ICNE acquisition and has over 20 years of experience in IT and Managed Services in delivering full service MSP and telco solutions.

+\$4M

MANAGED SERVICES
RECURRING REVENUE

OVER 25

NEW ENTERPRISE
MSP CLIENTS

CORPORATE DIRECTORY

For the Year ended 30 June 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/

DIRECTOR'S REPORT

For the Year ended 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 Hubify Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

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

Anthony Ghattas

Victor Tsaccounis

Charbel Nader

Principal activities

During the financial 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 year.

Review of operations

HFY achieved an EBITDA of \$0.3m for FY22 with an annual statutory net loss after tax of \$1.2m. This loss was generated on revenue of \$24.6 million, a 31.2% increase compared to the prior year. Final cash position at the end of the year was \$2.7m.

Review of operations cont.

Reconciliation of profit before income tax to EBITDA and Adjusted EBITDA (unaudited):

	2022 \$	2021 \$
(Loss) / Profit before income tax expense	(1,451,316)	1,245,631
Finance costs	40,533	19,293
Interest revenue	(357)	(1,765)
Depreciation expense	452,399	326,220
Amortisation expense	1,300,248	474,302
EBITDA	<u>341,507</u>	<u>2,063,681</u>
Acquisition costs	<u>650,190</u>	<u>43,313</u>
Adjusted EBITDA	<u>991,697</u>	<u>2,106,994</u>

EBITDA and adjusted EBITDA are non-IFRS earnings measures which do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. These measures, which are unaudited, are important to management as an additional way to evaluate the consolidated entity's performance.

Acquisitions completed in the last 12 months

- Connected Intelligence (Managed Services – MSP)

Business transformation achievements FY2022

- Managed Service Division Expansion
- Customer retention and stabilisation
- Internal operating system consolidation

Significant changes in the state of affairs

On 1 October 2021, Hubify Limited entered into a Master Supplier Agreement with Optus whereby Hubify was to supply Optus Enterprise customers IT services and management of their technology products. This required Hubify to recruit specialist technical and project management staff to fulfill the increase in services. The Hubify and Optus partnership is expected to accelerate Hubify's growth expectations in the Managed Services division, adding to the expertise in Enterprise managed services and leveraged the acquisition of IT managed services company ICNE Pty Ltd in June 2021.

On 1 July 2021, 14,000,000 share options expired without conversion.

On 12 November 2021, 2,000,000 share options expired without conversion.

Under the company's Performance Rights Plan, that was newly established during the 30 June 2022 financial year, 13,012,500 performance rights were issued on 15 November 2021 to key management personnel, with a value of \$0.025 attributable to each performance right, and on 31 March 2022 25,956,349 performance rights were issued to key personnel with a value of \$0.032 attributable to each performance right.

Effective 1 April 2022, the company executed a Business Sale Deed with Connected Intelligence to acquire its Managed Services and Telco Business. Consideration per the Business Sale Deed is \$3,000,000, being \$1,700,000 cash and a 2-year deferred payment comprising 50% cash and 50% shares in Hubify. The deferred \$1,300,000 payment includes an earn out component based on performance criteria weighted mainly on retention of customers.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 18 July 2022, Hubify Limited issued 3,246,753 ordinary shares, reflecting the earn-out consideration for the acquisition of Sennah Pty Ltd that was announced on 8 June 2021.

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.

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

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.

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.

Supplier and Vendor Relationship	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. A dedicated procurement team together with executive sponsored account management reviews with key suppliers maintains and develops productive partnerships.
Loss of Key Enterprise Partners	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. Hubify has dedicated relationship managers engaged with key enterprise partners and perform regular reporting against annual objectives to shape these partnerships.
Cyber Threats	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. 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.
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.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Anthony Ghattas
Title:	Non-executive Chairman
Qualifications:	None
Experience and expertise:	Anthony Ghattas is the former CEO of ASX listed, digital and mobile content development company HWW Limited. Anthony is the Founder and Managing Director of United Lifestyle Group, he has extensive experiences in direct to customer marketing in Australia and overseas which retails consumer direct wines under multiple brands in Australia and New Zealand. Over the last 17 years, Anthony has seen to the growth of United Lifestyle Group across multiple continents.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman
Interests in shares:	39,599,235
Interests in options:	Nil
Interests in rights:	1,800,000

Name:	Victor Tsaccounis
Title:	Director and Chief Executive Officer
Qualifications:	None
Experience and expertise:	Victor Tsaccounis has over 20 years' experience in the telecommunications industry. He has held senior roles including Head of Business at Vodafone where he successfully integrated his 2 business units during the merger of 3 Mobile and Vodafone in Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer
Interests in shares:	73,908,316
Interests in options:	Nil
Interests in rights:	4,687,500
Name:	Charbel Nader
Title:	Non-executive Director
Qualifications:	BCom (University of Melbourne), Master of Applied Finance (University of Melbourne)
Experience and expertise:	Charbel Nader is an investment banker with extensive experience in corporate finance and strategic advisory roles, including experience in mergers and acquisitions. Charbel was the Founding Chairman of Metro Media Publishing Pty Ltd. Charbel is a Director of Madman Entertainment Pty Ltd and Chairman of New Talisman Gold Mines Limited.
Other current directorships:	Chairman - New Talisman Gold Mines Limited (since 24/08/2016)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	205,000
Interests in options:	Nil
Interests in rights:	900,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

The company secretary is Nick Fitzgerald. Nick brings a breadth of senior leadership experience gained across complex organisations including demonstrated capability on strategy development, financial stewardship and business growth across sales and marketing organisations. Nick holds a Bachelor of Commerce, is a member of Chartered Accountants Australia & New Zealand and is a Graduate Member of the Australian Institute of Company Directors.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held	Remuneration committee Attended	Remuneration committee Held
Anthony Ghattas	10	10	1	1
Victor Tsaccounis	10	10	1	1
Charbel Nader	10	10	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness

- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors are entitled to receive share options under the Employee Share Option Plan.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The approval of a maximum annual aggregate remuneration for non-executive directors will be tabled at a general meeting of the company. The amount paid to non-executive directors of the parent entity (Hubify Limited) during the year to 30 June 2022 was \$166,341.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

(i) Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

(ii) Short-term incentives

Chief Executive Officer

The Chief Executive Officer is eligible for short-term incentive (STI) cash bonus payments based on the achievement of the KPIs specified in his executive service agreement. The KPIs for bonus purposes are determined for each financial year of the term of his service agreement. The aim of the STI is to link the achievement of the consolidated entity's annual and/or immediate financial and broader operational targets with the remuneration received by the Chief Executive Officer. The total potential STI is set at a level so as to provide sufficient incentive to achieve the operational targets and at a cost to the consolidated entity that is reasonable in the circumstances. Actual STI payments awarded to the Chief Executive Officer depend on the extent to which specific targets prescribed in the performance agreement for a financial year are met and is limited to a maximum of \$75,000 (2021: \$75,000). The total cash bonus is \$75,000 if the key performance indicators are achieved.

The Chief Executive Officer was not entitled to a bonus in respect of the 30 June 2022 financial year (30 June 2021 financial year: \$37,500).

The target for the financial year ended 30 June 2022 was an EBITDA of \$2.25m - weighting: 100% (2021: EBITDA of \$2.1m - weighting: 100%). The use of EBITDA is considered an appropriate measure as it is a reliable indicator of core operating performance that can be easily determined and

benchmarked and reflects improvements in both revenue and cost control.

(iii) Long-term incentives

The long-term incentives include share-based payments. Options and performance rights to acquire shares may be awarded to Directors and executives. There were no options granted in the 2022 financial year. On 15 December 2021, the company issued a total of 13,012,500 performance rights to the Directors and the company's Chief Financial Officer. The company obtained shareholder approval for the issue of performance rights to the Directors at the company's annual general meeting held on 12 November 2021.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders' return for the last five years.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2022.

Voting and comments made at the company's 12 November 2021 Annual General Meeting ('AGM')

At the 12 November 2021 AGM, 99.8% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Hubify Limited:

- Anthony Ghattas - Non-executive Chairman
- Victor Tsaccounis - Director and Chief Executive Officer
- Charbel Nader - Non-executive Director

And the following person:

- Nick Fitzgerald - Chief Financial Officer

		Short-term benefits		Post-employment benefits		Long-term benefits		
	Cash salary and fees	Bonus	Other Benefits	Annual leave accrual (i)	Super- annuation	Long service leave (i)	Share- based payments	Total
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Anthony Ghattas	96,000	-	-	-	9,600	-	5,294	110,894
Charbel Nader	48,000	-	-	-	4,800	-	2,647	55,447
<i>Executive Directors:</i>								
Victor Tsaccounis	250,000	-	-	6,935	28,544	16,917	13,787	316,183
<i>Other Key Management Personnel:</i>								
Nick Fitzgerald	694,000	-	-	13,859	72,944	16,917	38,272	835,992
	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>6,924</u>	<u>30,000</u>	<u>-</u>	<u>16,544</u>	<u>353,468</u>

(i) Represents the net movement in the leave entitlement balances.

			Short-term benefits		Post-employment benefits	Long-term benefits		
	Cash salary and fees	Bonus	Other Benefits	Annual leave accrual (i)	Super- annuation	Long service leave (i)	Share- based payments	Total
2021	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Anthony Ghattas	96,000	-	1,996	-	9,120	-	-	107,116
Charbel Nader	48,000	-	2,000	-	4,560	-	-	54,560
<i>Executive Directors:</i>								
Victor Tsaccounis	200,000	37,500	2,000	2,191	22,751	13,171	-	277,613
<i>Other Key Management Personnel:</i>								
Nick Fitzgerald	100,000	-	-	3,076	9,500	-	-	112,576
	195,186	-	-	(14,315)	12,166	(1,325)	34,000	225,712
	<u>639,186</u>	<u>37,500</u>	<u>5,996</u>	<u>(9,048)</u>	<u>58,097</u>	<u>11,846</u>	<u>34,000</u>	<u>777,577</u>

(i) Michael Potts resigned on 1 March 2021 and Nick Fitzgerald was appointed on the same date.

(ii) Represents the net movement in the leave entitlement balances.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Anthony Ghattas	95%	100%	-	-	5%	-
Charbel Nader	95%	100%	-	-	5%	-
<i>Executive Directors:</i>						
Victor Tsaccounis	96%	86%	-	14%	4%	-
<i>Other Key Management Personnel:</i>						
Nick Fitzgerald	95%	100%	-	-	5%	-
Michael Potts*	-	100%	-	-	5%	-

(i) Michael Potts resigned on 1 March 2021 and Nick Fitzgerald was appointed on the same date.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2022	2021	2022	2021
<i>Executive Directors:</i>				
Victor Tsaccounis	-	50%	100%	50%
<i>Other Key Management Personnel:</i>				
Nick Fitzgerald	-	-	100%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Victor Tsaccounis
Title:	Chief Executive Officer
Agreement commenced:	22 October 2019
Term of agreement:	On-going
Details:	Base salary of \$250,000 (2021: \$200,000) per annum to be reviewed annually by the Board and an annual cash bonus of up to \$75,000. The cash bonus is dependent on the achievement of KPI's. The contract may be terminated by the company giving 12 months notice and the CEO giving the greater of 4 weeks and the notice required under the Fair Work Act. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments.
Name:	Nick Fitzgerald
Title:	Chief Financial Officer
Agreement commenced:	1 March 2021
Term of agreement:	On-going
Details:	Base salary of \$300,000 per annum to be reviewed annually by the Board and an annual cash bonus of up to \$100,000. The cash bonus is dependent on the achievement of KPI's. The contract may be terminated by either party giving to the other party notice in accordance with an applicable Industrial Instrument of the Fair Work Act. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments.

Key management personal have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 (2021: nil).

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022.

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Grant date	Vesting date	Number of options granted \$	Value of options granted \$	Value of options vested \$	Number of options lapsed \$	Value of options lapsed \$
Anthony Ghattas	1 July 2016	1 July 2018	-	-	- (5,250,000)	-	-
Charbel Nader	1 July 2016	1 July 2018	-	-	- (3,500,000)	-	-

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant Data	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
15/11/2021	30/06/2024	30/06/2024	\$0.16	\$0.025
31/03/2022	30/06/2024	30/06/2024	\$0.16	\$0.032

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Number of right granted during the year 2022	Number of right granted during the year 2021	Number of right vested during the year 2022	Number of right vested during the year 2021
Anthony Ghattas	1,800,000	-	-	-
Charbel Nader	900,000	-	-	-
Victor Tsaccounis	4,687,500	-	-	-
Nick Fitzgerald	5,625,000	-	-	-

Additional information

The following data for the 2019 and prior financial years, relates to Hubify Limited and its controlled entities (HFY) only and does not include any data from Broadland Solutions Pty Ltd (BLS). The 2020 data represents the results of BLS for period from 1 July 2019 to 30 June 2020 and the results of HFY and for the period 21 October 2019 to 30 June 2020.

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Sales revenue	23,806,140	16,667,014	14,469,167	2,335,694	2,617,734
EBITDA	341,507	2,063,681	1,739,401	(71,988)	(17,865,504)
EBIT	(1,411,140)	1,263,159	1,043,054	(1,115,980)	(18,840,274)
Profit/(loss) after income tax	(1,236,888)	918,913	2,626,165	(1,132,092)	(19,268,609)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Anthony Ghattas	38,349,235	-	1,250,000	-	39,599,235
Victor Tsaccounis	72,508,316	-	1,400,000	-	73,908,316
Charbel Nader	205,000	-	-	-	205,000
Nick Fitzgerald	420,000	-	-	-	400,000
	<u>111,482,551</u>	<u>-</u>	<u>2,650,000</u>	<u>-</u>	<u>114,132,551</u>

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>	5,250,000	-	-	(5,250,000)	-
Anthony Ghattas	3,500,000	-	-	(3,500,000)	-
Charbel Nader	8,750,000	-	-	(8,750,000)	-

On 1 July 2021, all of the above options lapsed.

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Anthony Ghattas	-	1,800,000	-	-	1,800,000
Charbel Nader	-	900,000	-	-	900,000
Victor Tsaccounis	-	4,687,500	-	-	4,687,500
Nick Fitzgerald	-	5,625,000	-	-	5,625,000
	-	13,012,500	-	-	13,012,500

Loans to key management personnel and their related parties

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, at 30 June 2022 and 30 June 2021.

Other transactions with key management personnel and their related parties

The consolidated entity sold telephone and internet services during the year in the sum of \$80,406 (2021: \$68,819) to 1 entity (2021: 1 entity) in which Mr Anthony Ghattas is a director and a controlling shareholder. The contracts were based on normal commercial terms and conditions.

The consolidated entity purchased goods and services (rent, parking, shared office services and amenities and HR services) during the year in the sum of \$nil (2021: \$6,345) from 1 entity (2021: 1 entity) in which Mr Anthony Ghattas is a director and a controlling shareholder. The contracts were based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel and their related entities:

Amounts recognised as revenue

Services: \$80,406 (2021: \$68,819)

Amounts recognised as expenses

Administration: \$nil (2021: \$6,345)

Interest paid: \$nil (2021: \$2,304)

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2022.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Hubify Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise Price	Number under option
21 October 2020*	21 October 2023	\$0.15	2,000,000

* Options granted to the advisor assisting with the share placement on 21 October 2020

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

Shares under performance rights

Unissued ordinary shares of Hubify Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Expiry Price	Number under rights
15 November 2021	30 June 2024	\$0.16	13,012,500
31 March 2022	30 June 2024	\$0.16	25,956,349

Shares issued on the exercise of options

There were no ordinary shares of Hubify Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Hubify Limited issued on the exercise of performance rights during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Victor Tsaccounis **28th September 2022**

Director **Sydney**



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

To the Directors of Hubify Limited

As lead auditor of Hubify Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Hubify Limited and the entities it controlled during the year.

Rothsay Chartered Accountants

A handwritten signature in black ink, appearing to read "Donovan Odendaal".

Donovan Odendaal
Partner
Sydney, 28 September 2022

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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 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 28th September 2022. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income**For the year ended 30 June 2022**

	Note	2022 \$	2021 \$
Revenue	4	24,606,566	18,759,777
Other income	5	183	50,000
Interest revenue		357	1,765
Expenses			
Cost of sales		(6,968,405)	(5,302,412)
Marketing		(607,742)	(950,523)
Occupancy		(711,946)	(445,492)
Administration	31	(14,563,349)	(9,833,542)
Acquisition costs		(650,190)	(43,313)
Other expenses	6	(2,516,257)	(971,336)
Finance costs		(40,533)	(19,293)
Profit/(loss) before income tax (expense)/benefit	7	(1,451,316)	1,245,631
Income tax (expense)/benefit		214,428	(326,718)
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Hubify Limited		(1,236,888)	918,913
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Hubify limited		(1,236,888)	918,913
		Cents	Cents
Basic earnings per share	35	(0.25)	0.20
Diluted earnings per share	35	(0.25)	0.20

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

Statement of financial position

As at 30 June 2022	Note	2022 \$	2021 \$
Assets			
Current Assets			
Cash and cash equivalents	8	2,681,017	5,067,489
Trade and other receivables	9	3,632,645	1,867,402
Contract assets	10	622,883	208,089
Inventories	11	112,382	104,816
Financial assets at fair value through profit or loss	12	3,250	6,183
Income tax refund due	7	131,771	123,469
Other	13	179,193	52,993
Total current assets		<u>7,363,141</u>	<u>7,430,441</u>
Non-current assets			
Financial assets at fair value through profit or loss	12	500,000	500,000
Plant and equipment	14	579,752	861,195
Intangibles	15	8,934,684	6,439,163
Deferred tax	7	1,405,772	1,187,431
Other	13	236,042	199,603
Total non-current assets		<u>11,656,250</u>	<u>9,187,392</u>
Total assets		<u>19,019,391</u>	<u>16,617,833</u>
Liabilities			
Current liabilities			
Trade and other payables	16	3,482,439	1,965,625
Contract liabilities	17	272,386	-
Borrowings	18	44,142	-
Lease liabilities	19	289,041	360,374
Provisions	20	2,543,249	1,038,350
Total current liabilities		<u>6,631,257</u>	<u>3,364,349</u>
Non-current liabilities			
Borrowings	18	-	183,711
Lease liabilities	19	103,616	392,872
Deferred tax	7	1,169,225	451,384
Provisions	20	243,907	155,515
Total non-current liabilities		<u>1,516,748</u>	<u>1,183,482</u>
Total liabilities		<u>8,148,005</u>	<u>4,547,831</u>
Net assets		<u>10,871,386</u>	<u>12,070,002</u>
Equity			
Issued capital	21	8,123,280	8,123,280
Reserves	22	58,272	20,000
Retained profits		<u>2,689,834</u>	<u>3,926,722</u>
Total equity		<u>10,871,386</u>	<u>12,070,002</u>

Refer to note 31, Business combinations, for details of the restatement of the comparative period for finalisation of provisional accounting for a business combination.

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

Statement of changes in equity**For the year ended 30 June 2022**

	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	2,333,049	-	3,007,809	5,340,858
Profit after income tax expense for the year	-	-	918,913	918,913
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	918,913	918,913
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	5,790,231	-	-	5,790,231
Share-based payments (note 22)	-	20,000	-	20,000
Balance at 30 June 2021	<u>8,123,280</u>	<u>20,000</u>	<u>3,926,722</u>	<u>12,070,002</u>

For the year ended 30 June 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 expense for the year	-	-	(1,236,888)	(1,236,888)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,236,888)	(1,236,888)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 22)	-	38,272	-	38,272
Balance at 30 June 2022	<u>8,123,280</u>	<u>58,272</u>	<u>2,689,834</u>	<u>10,871,386</u>

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

Statement of cash flows**For the year ended 30 June 2022**

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		24,235,454	19,205,019
Payments to suppliers and employees (inclusive of GST)		(24,856,196)	(18,853,325)
		(620,742)	351,694
Interest received		357	1,765
Government grants		800,426	1,207,859
Interest and other finance costs paid		(56,995)	(2,831)
Income taxes paid		(8,302)	(5,191)
Net cash from operating activities	34	<u>114,744</u>	<u>1,553,296</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	31	(1,706,553)	(2,154,859)
Payments for investment and deferred consideration		-	(660,000)
Payments for plant and equipment		(182,778)	(163,385)
Payments for intangibles		(75,288)	(170,624)
Payments for security deposits		(36,439)	(95,072)
Loans repaid by other entities		-	184,896
Proceeds from disposal of investments		-	50,000
Net cash used in investing activities		<u>(2,001,058)</u>	<u>(3,009,044)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	5,000,000
Repayment of leases	34	(360,589)	(210,573)
Repayment of promissory note	34	-	(127,841)
Share issue costs		-	(554,769)
Dividends paid	34	-	(482,143)
Other loan repayment	34	(139,569)	(750)
Net cash from/(used in) financing activities		<u>(500,158)</u>	<u>3,623,924</u>
Net increase/(decrease) in cash and cash equivalents		(2,386,472)	2,168,176
Cash and cash equivalents at the beginning of the financial year		<u>5,067,489</u>	<u>2,899,313</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>2,681,017</u></u>	<u><u>5,067,489</u></u>

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

NOTES

To the financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, 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. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is in note 30.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hubify Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Hubify Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or the 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the

Note 1. Significant accounting policies (continued)

liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's

Note 1. Significant accounting policies (continued)

lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Leases

A lease is a contract or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases that the company enters into as lessee, except for short-term leases (leases of 12 months or less) and leases of low-value assets, are recognised in the statement of financial position.

For leases that are recognised in the statement of financial position, a right-of-use asset and a lease liability are measured as the present value of the unavoidable future lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or if that rate cannot be readily determined, the company's incremental borrowing rate. After the initial recognition of the lease liability, the lease liability is remeasured to reflect changes to the lease payments and the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

The company accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

A depreciation charge for the leased asset (included in 'other expenses') and an interest expense on the recognised lease liability (included in 'finance costs') is recognised. If the lease transfers ownership of the underlying asset to the company by the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise a purchase option, the company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For short-term leases or leases for which the underlying asset is of low value, the lease payments associated with those leases are recognised as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the company's benefit.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to

Note 1. Significant accounting policies (continued)

amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. Based on the preliminary analysis performed, the consolidated entity does not expect that any of these standards and interpretations will have a material impact on the consolidated entity's financial report.

Note 2. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

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

Estimation of useful lives of assets

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

Goodwill impairment

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

Recovery of deferred tax assets

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

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

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

Incremental borrowing rate

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

Note 3. Operating segments*Identification of reportable operating segments*

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

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

Major customers

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

Note 3. Operating segments (continued)*Accounting policy for operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

	2022 \$	2021 \$
<i>Cash flows from operating activities</i>		
Sale of goods	2,872,529	1,502,883
Services	20,933,611	15,960,354
	<u>23,806,140</u>	<u>17,463,237</u>
<i>Other revenue</i>		
Government grants - Jobkeeper, Cash Flow Boost and JobSaver	784,026	702,150
Government grants - R&D incentive, Export Market Development Grant and other	16,400	505,709
Other revenue	-	88,681
	<u>800,426</u>	<u>1,296,540</u>
Revenue	<u>24,606,566</u>	<u>18,759,777</u>

Disaggregation of revenue

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

	2022 \$	2021 \$
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Major product lines

Mobility	7,861,647	8,923,798
Voice & Data	7,613,179	7,869,061
Managed Services	6,290,474	390,282
Other	2,040,840	280,096
	<u>23,806,140</u>	<u>17,463,237</u>

Timing of revenue recognition

Goods transferred at a point in time	2,872,529	1,502,883
Goods transferred over time	5,893,914	5,771,801
Services transferred over time	15,039,697	10,188,553
	<u>23,806,140</u>	<u>17,463,237</u>

Note 4. Revenue (continued)*Accounting policy for revenue recognition*

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods (telecommunications hardware)

Revenue from the sale of goods is recognised when control of the products has transferred to the customer. This will usually occur on delivery of the goods. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

The consolidated entity generates revenues from after-sales service and maintenance provided as well as construction contracts for telecommunication solutions. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed. In recognising after-sales service and maintenance revenues, the consolidated entity considers the nature of the service and the customer's use of the related products, based on historical experience.

Contracts for telecommunication solutions

Construction contracts for telecommunication systems specify a fixed price for the development

Note 4. Revenue (continued)

and installation of IT and telecommunication systems. When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. When the consolidated entity cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred. In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as revenue over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Other income

	2022 \$	2021 \$
Net fair value gain on financial assets	183	-
Net fair value gain on investment	-	50,000
Other income	<u>183</u>	<u>50,000</u>

Note 6. Expenses

	2022 \$	2021 \$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Aggregate employee benefits expense</i>		
Defined contribution superannuation expense	1,062,794	626,838
Other employee benefits expenses	<u>12,151,091</u>	<u>7,151,168</u>
	<u>13,213,885</u>	<u>7,778,006</u>
<i>Depreciation</i>		
Plant and equipment	22,517	6,817
Furniture, fixtures and fittings	15,722	1,327
Computer equipment	79,522	28,863
Right-of-use assets - property leases	<u>334,638</u>	<u>289,213</u>
Total depreciation	<u>452,399</u>	<u>326,220</u>
<i>Amortisation</i>		
Web development	135,230	182,756
Software	162,549	291,546
Patents, trademarks and other rights	56,230	-
Customer lists	<u>946,239</u>	<u>-</u>
Total amortisation	<u>1,300,248</u>	<u>474,302</u>
<i>Finance costs</i>		
Interest on lease liabilities	32,878	19,022
Interest on other borrowings	<u>7,655</u>	<u>271</u>
Finance costs expensed	<u>40,533</u>	<u>19,293</u>

Note 7. Income tax

	2022 \$	2021 \$
<i>Income tax expense/(benefit)</i>		
Deferred tax - origination and reversal of temporary differences	(214,428)	506,337
Adjustment recognised for prior periods	-	(179,619)
Aggregate income tax expense/(benefit)	<u>(214,428)</u>	<u>326,718</u>
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	(218,341)	564,593
Increase/(decrease) in deferred tax liabilities	<u>3,913</u>	<u>(58,256)</u>
Deferred tax - origination and reversal of temporary differences	(214,428)	506,337
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax (expense)/benefit	<u>(1,451,316)</u>	<u>1,245,631</u>
Tax at the statutory tax rate of 25% (2021: 26%)	(362,829)	323,864
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax effect on research & development	-	(7,984)
Tax effect on non-assessable income	(196,007)	-
Other non-deductible expenses	<u>336,789</u>	<u>(1,923)</u>
	(222,047)	313,957
Prior year temporary differences not recognised now recognised	<u>7,619</u>	<u>12,761</u>
Income tax expense/(benefit)	<u>(214,428)</u>	<u>326,718</u>
	2022 \$	2021 \$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	635,335	909,224
Employee benefits	309,289	185,509
Lease liability	93,164	-
Accrued expenses	294,870	48,058
Other	<u>73,114</u>	<u>44,640</u>
Deferred tax asset	<u>1,405,772</u>	<u>1,187,431</u>
Movements:		
Opening balance	1,187,431	1,752,024
Credited/(charged) to profit or loss	<u>218,341</u>	<u>(564,593)</u>
Closing balance	<u>1,405,772</u>	<u>1,187,431</u>

Note 7. Income tax (continued)

	2022 \$	2021 \$
<i>Deferred tax liability*</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Plant and equipment, and Intangibles	1,083,680	451,384
Right-of-use asset	85,545	-
Deferred tax liability	<u>1,169,225</u>	<u>451,384</u>
Movements:		
Opening balance	451,384	125,098
Charged/(credited) to profit or loss	3,913	(58,256)
Additions through business combinations (note 31)	<u>713,928</u>	<u>384,542</u>
Closing balance	<u>1,169,225</u>	<u>451,384</u>

* Upon finalisation of the acquisition accounting for ICNE Pty Ltd, the deferred tax liability at 30 June 2021 has been restated. For further details see note 31.

	2022 \$	2021 \$
<i>Income tax refund due</i>		
Income tax refund due	<u>131,771</u>	<u>123,469</u>

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only

Note 7. Income tax (continued)

if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Hubify Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 8. Cash and cash equivalents

	2022 \$	2021 \$
<i>Current assets</i>		
Cash at bank	<u>2,681,017</u>	<u>5,067,489</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Trade and other receivables

	2022 \$	2021 \$
<i>Current assets</i>		
Trade receivables	3,667,795	1,898,036
Less: Allowance for expected credit losses	<u>(146,858)</u>	<u>(64,629)</u>
	<u>3,520,937</u>	<u>1,833,407</u>
Other receivables	<u>111,708</u>	<u>33,995</u>
	<u>3,632,645</u>	<u>1,867,402</u>

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	2022 \$	2021 \$
Past due 60+ days	<u>146,858</u>	<u>64,629</u>

Movements in the allowance for expected credit losses are as follows:

	2022 \$	2021 \$
Opening balance	64,629	56,849
Additional provisions recognised	257,717	233,837
Receivables written off during the year as uncollectable	(175,488)	(131,535)
Unused amounts reversed	<u>-</u>	<u>(94,522)</u>
Closing balance	<u>146,858</u>	<u>64,629</u>

Note 9. Trade and other receivables (continued)*Accounting policy for trade and other receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 10. Contract assets

	2022 \$	2021 \$
<i>Current assets</i>		
Contract assets	<u>622,883</u>	<u>208,089</u>

The contract assets are made up of accrued income relating to government training incentives and accrued upfront revenue receivable relating to customer installations.

Accounting policy for contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Note 11. Inventories

	2022 \$	2021 \$
<i>Current assets</i>		
Stock on hand - at cost	<u>112,382</u>	<u>104,816</u>

Accounting policy for inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 12. Financial assets at fair value through profit or loss

	2022 \$	2021 \$
<i>Current assets</i>		
Investment in listed equity securities - held for trading	<u>3,250</u>	<u>6,183</u>
<i>Non-current assets</i>		
Investment in unlisted entity	<u>500,000</u>	<u>500,000</u>
	<u>503,250</u>	<u>506,183</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	506,183	13,384
Additions	-	500,000
Revaluation decrements	<u>(2,933)</u>	<u>(7,201)</u>
Closing fair value	<u>503,250</u>	<u>506,183</u>

Refer to note 25 for further information on fair value measurement.

Note 13. Other

	2022 \$	2021 \$
<i>Current assets</i>		
Prepayments	<u>179,193</u>	<u>52,993</u>
<i>Non-current assets</i>		
Security deposits	<u>236,042</u>	<u>199,603</u>
	<u>415,235</u>	<u>252,596</u>

Note 14. Plant and equipment

	2022 \$	2021 \$
<i>Non-current assets</i>		
Plant and equipment - at cost	63,557	60,384
Less: Accumulated depreciation	<u>(55,291)</u>	<u>(32,774)</u>
	<u>8,266</u>	<u>27,610</u>
Furniture, fixtures and fittings - at cost	128,815	119,139
Less: Accumulated depreciation	<u>(64,833)</u>	<u>(57,120)</u>
	<u>63,982</u>	<u>62,019</u>
Motor vehicles - at cost	70,376	76,960
Less: Accumulated depreciation	<u>(70,376)</u>	<u>(66,626)</u>
	<u>-</u>	<u>10,334</u>
Computer equipment - at cost	344,267	183,835
Less: Accumulated depreciation	<u>(178,943)</u>	<u>(99,421)</u>
	<u>165,324</u>	<u>84,414</u>
Right-of-use assets - property leases	1,102,169	1,102,169
Less: Accumulated depreciation	<u>(759,989)</u>	<u>(425,351)</u>
	<u>342,180</u>	<u>676,818</u>
<i>Reconciliations</i>	<u>579,752</u>	<u>861,195</u>

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

	Plant and equipment \$	Furniture, fixtures and fittings \$	Motor vehicles \$	Computer equipment \$	Right-of-use assets - property leases \$	Total \$
Balance at 1 July 2020	27,127	4,818	-	15,450	771,799	819,194
Additions	5,812	59,746	-	97,827	172,010	335,395
Additions through business combinations	1,488	-	10,334	-	22,222	34,044
Write-off	-	(1,218)	-	-	-	(1,218)
Depreciation expense	<u>(6,817)</u>	<u>(1,327)</u>	<u>-</u>	<u>(28,863)</u>	<u>(289,213)</u>	<u>(326,220)</u>
Balance at 30 June 2021	27,610	62,019	10,334	84,414	676,818	861,195
Additions	4,661	17,685	-	160,432	-	182,778
Disposals	<u>(1,488)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,488)</u>
Write-off	-	-	(10,334)	-	-	(10,334)
Depreciation expense	<u>(22,517)</u>	<u>(15,722)</u>	<u>-</u>	<u>(79,522)</u>	<u>(334,638)</u>	<u>(452,399)</u>
Balance at 30 June 2022	<u>8,266</u>	<u>63,982</u>	<u>-</u>	<u>165,324</u>	<u>342,180</u>	<u>579,752</u>

Note 14. Plant and equipment (continued)*Accounting policy for plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a reducing balance basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	20% - 50%
Furniture, fixtures and fittings	10% - 50%
Computer equipment	50%
Right-of-use assets - property leases	Lease term

Depreciation of right-of-use assets

If the lease transfers ownership of the underlying asset to the consolidated entity by the end of the lease term or if the cost of the right-of-use asset reflects that the consolidated entity will exercise a purchase option, the consolidated entity depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the consolidated entity depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 15. Intangibles

	2022 \$	2021 \$
<i>Non-current assets</i>		
<i>Goodwill - at cost</i>	<u>2,437,497</u>	<u>1,723,569</u>
<i>Patents, trademarks and other rights - at cost</i>	<u>108,073</u>	<u>164,303</u>
<i>Web development - at cost</i>	1,208,229	1,132,941
<i>Less: Accumulated amortisation</i>	<u>(1,060,418)</u>	<u>(925,188)</u>
	<u>147,811</u>	<u>207,753</u>
<i>Customer lists - at cost</i>	7,145,850	4,139,297
<i>Less: Accumulated amortisation</i>	<u>(946,239)</u>	<u>-</u>
	<u>6,199,611</u>	<u>4,139,297</u>
<i>Software - at cost</i>	2,729,801	2,729,801
<i>Less: Accumulated amortisation</i>	<u>(2,688,109)</u>	<u>(2,525,560)</u>
	<u>41,692</u>	<u>204,241</u>
	<u>8,934,684</u>	<u>6,439,163</u>

Note 15. Intangibles (continued)*Reconciliations*

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

	Goodwill	Patents, trademarks, and other right	Web development costs	Customer lists	Software	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	1,217,203	12,643	290,675	26,406	495,787	2,042,714
Additions	-	151,660	99,834	39,130	-	290,624
Additions through business combinations and asset acquisitions	806,366	-	-	3,773,761	-	4,580,127
Transfer in/(out)	(300,000)	-	-	300,000	-	-
Amortisation expense	-	-	(182,756)	-	(291,546)	(474,302)
Balance at 30 June 2021	1,723,569	164,303	207,753	4,139,297	204,241	6,439,163
Additions	-	-	75,288	-	-	75,288
Additions through business combinations (note 31)	713,928	-	-	3,006,553	-	3,720,481
Amortisation expense	-	(56,230)	(135,230)	(946,239)	(162,549)	(1,300,248)
Balance at 30 June 2022	<u>2,437,497</u>	<u>108,073</u>	<u>147,811</u>	<u>6,199,611</u>	<u>41,692</u>	<u>8,934,684</u>

Upon finalisation of the acquisition accounting for Sennah Pty Ltd and ICNE Pty Ltd, intangible assets at 2021 have been restated. For further details see note 31.

Amortisation of the customer lists acquired during the 2021 financial year commenced from 1 July 2021.

Impairment testing

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit, among others, from the synergies of the business combination. The consolidated entity's cash-generating units are defined on the basis of the geographical market, normally country-related. The consolidated entity operates in primarily one geographical segment - Australia, and the carrying amount of goodwill has been allocated to Australia.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Note 15. Intangibles (continued)

The following key assumptions were used in the discounted cash flow model:

- (a) Pre-tax discount rate of 10% per annum;
- (b) Revenue growth is based on management projections for 2023, and 8% increases for 2024 - 2027;
- (c) Budgeted gross margin of 70% for 2023, and 65% thereafter;
- (d) Operating expenses is based on management projections for 2023, and 4% increases for 2024 - 2027;
- (e) Long-term growth rate of 2.5%.

The pre-tax discount rate reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the 2023 revenue projection and 8% increases through to 2027 are achievable and justified, based on the projected growth of new products and partners.

The budgeted gross margin is based on past performance and management's expectations for the future.

Operating expenses do not vary significantly with revenue. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost-saving measures.

The long-term growth rate is used to extrapolate cash flows beyond the 5-year forecast and is based on external forecasts.

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Note 15. Intangibles (continued)*Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Customer lists

Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Software and web development costs

Significant costs associated with software and web development costs are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Note 16. Trade and other payables

	2022 \$	2021 \$
<i>Current liabilities</i>	1,220,488	857,389
Trade payables	1,156,941	201,272
Accruals	-	16,462
Interest payable	357,571	189,566
GST payable	747,439	700,936
Other payables	<u>3,482,439</u>	<u>1,965,625</u>

Refer to note 24 for further information on financial instruments.

Upon finalisation of the acquisition accounting for Sennah Pty Ltd, Other payables at 30 June 2021 have been restated. For further details see note 31.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 17. Contract liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
<i>Contract liabilities</i>	<u>272,386</u>	<u>-</u>

The contract liabilities relate to unearned income for mobility and managed services.

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$272,386 as at 30 June 2022 (\$nil as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	2022 \$	2021 \$
Within 6 months	150,992	-
6 to 12 months	69,589	-
12 to 18 months	<u>51,805</u>	<u>-</u>
	<u>272,386</u>	<u>-</u>

Accounting policy for contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 13. Other

	2022 \$	2021 \$
<i>Current assets</i>		
Prepayments	<u>44,142</u>	<u>-</u>
<i>Non-current assets</i>		
Security deposits	<u>-</u>	<u>183,711</u>
	<u>44,142</u>	<u>183,711</u>

Refer to note 24 for further information on financial instruments.

Note 18. Borrowings (continued)*Loan - other*

The loan is unsecured, interest-free, and has no fixed repayment terms.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 19. Lease liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
Lease liability - buildings	269,041	340,985
Lease liability - motor vehicles	<u>20,000</u>	<u>19,389</u>
	289,041	360,374
<i>Non-current liabilities</i>		
Lease liability - buildings	103,616	372,656
Lease liability - motor vehicles	-	20,216
	103,616	392,872
	392,657	753,246

Refer to note 24 for further information on financial instruments.

Buildings

The consolidated entity has leases for offices. Rental contracts are typically made for a fixed period of 3 – 5 years with options to extend. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the statement of financial position. The consolidated entity classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Most extension options have been included in the lease liability

Motor vehicles

The consolidated entity leases motor vehicles under hire purchase. The leases are secured over the individual motor vehicles that the lease relates to.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially

Note 19. Lease liabilities (continued)

recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 20. Provisions

	2022 \$	2021 \$
<i>Current liabilities</i>		
Annual leave	774,158	644,441
Long service leave	219,091	143,909
Contingent consideration	<u>1,550,000</u>	<u>250,000</u>
	<u>2,543,249</u>	<u>1,038,350</u>
<i>Non-current liabilities</i>		
Long service leave	<u>243,907</u>	<u>155,515</u>
	<u>2,787,156</u>	<u>1,193,865</u>

Upon finalisation of the acquisition accounting for Sennah Pty Ltd, contingent consideration at 30 June 2021 has been restated. For further details see note 31.

Movements in provisions

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

	Contingent consideration \$
2022	
Carrying amount at the start of the year	250,000
Additions through business combinations (note 31)	<u>1,300,000</u>
Carrying amount at the end of the year	<u>1,550,000</u>

Note 20. Provisions (continued)*Accounting policy for provisions*

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

*Accounting policy for employee benefits**Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 21. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>491,460,971</u>	<u>491,460,971</u>	<u>8,123,280</u>	<u>8,123,280</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	392,379,382		2,333,049
Shares issued to acquire the assets of C3 Innovations Pty Ltd	4 August 2020	3,750,000	\$0.06	225,000
Share placement (a)	21 October 2020	79,365,079	\$0.06	5,000,000
Shares issued to share placement advisor (b)	21 October 2020	1,428,571	\$0.06	90,000
Shares issued to acquire intangible assets	18 December 2020	1,455,783	\$0.08	120,000
Shares issued to acquire ICNE Pty Ltd	10 June 2021	13,082,156	\$0.08	1,000,000
Share issue costs				(644,769)
Balance	30 June 2021	<u>491,460,971</u>		<u>8,123,280</u>
Balance	30 June 2022	<u>491,460,971</u>		<u>8,123,280</u>

- (a) On 21 October 2020, HFY placed 79,365,079 new ordinary shares with institutional and sophisticated investors at an issue price of \$0.063 per share. The funds raised through the placement were used to pursue potential acquisition opportunities in the telco and IT/managed services sector, while also accelerating organic growth opportunities.
- (b) On 21 October 2020, HFY issued 1,428,571 ordinary shares to the advisor assisting with the placement ((a) above) for services rendered. The advisor also received 2,000,000 options with an exercise price of \$0.15 and an expiry date of 3 years from the date of the issue. The options were conditional on a minimum of \$4 million being raised in the placement.

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.

Note 21. Issued capital (continued)*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 2021 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2022 was \$731,884 (2021: \$4,066,092).

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 22. Reserves

	2022	2021
	\$	\$
Share-based payments reserve	<u>58,272</u>	<u>20,000</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Note 21. Issued capital

	Share-based payments reserve \$
Balance at 1 July 2020	-
Share-based payment expenses	<u>20,000</u>
Balance at 30 June 2021	20,000
Share-based payment expenses	<u>38,272</u>
Balance at 30 June 2022	<u><u>58,272</u></u>

Note 23. Dividends*Dividends*

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

Franking credits

	2022 \$	2021 \$
Franking credits available for subsequent financial years	<u>760,136</u>	<u>760,136</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 24. Financial instruments***Financial risk management objectives***

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and

Note 24. Financial instruments (continued)

seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk management is carried out under policies set by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas.

Market risk*Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Most of the consolidated entity's transactions are denominated in Australian Dollars.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. These exposures are not significant.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Note 24. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The consolidated entity has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'Trade and other receivables' is considered to be the main source of credit risk for the consolidated entity. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Note 24. Financial instruments (continued)

					Remaining
	1 year or less	Between 1	Between 2	Over	contractual
		and 2 years	and 5 years	5 years	maturities
2022	\$	\$	\$	\$	\$
Non-interest bearing					
Trade and other payables	3,482,439	-	-	-	3,482,439
Other loans	44,142	-	-	-	44,142
Contingent consideration	1,550,000	-	-	-	1,550,000
Interest-bearing					
Lease liability	<u>302,557</u>	<u>37,211</u>	<u>71,600</u>	<u>-</u>	<u>410,828</u>
Total non-derivatives	<u>5,379,138</u>	<u>37,211</u>	<u>71,600</u>	<u>-</u>	<u>5,487,409</u>

					Remaining
	1 year or less	Between 1	Between 2	Over	contractual
		and 2 years	and 5 years	5 years	maturities
2021	\$	\$	\$	\$	\$
Non-interest bearing					
Trade and other payables	1,965,625	-	-	-	1,965,625
Contingent consideration	250,000	-	-	-	250,000
Interest-bearing					
Lease liability	<u>523,342</u>	<u>385,281</u>	<u>108,271</u>	<u>-</u>	<u>1,016,894</u>
Total non-derivatives	<u>2,738,967</u>	<u>385,281</u>	<u>108,271</u>	<u>-</u>	<u>3,232,519</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 25. 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
	\$	\$	\$	\$
2022				
<i>Assets</i>				
Equity securities	3,250	-	500,000	503,250
Total assets	3,250	-	500,000	503,250
<i>Liabilities</i>				
Contingent consideration	-	-	1,550,000	1,550,000
Total liabilities	-	-	1,550,000	1,550,000
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2021				
<i>Assets</i>				
Equity securities	6,183	-	500,000	506,183
Total assets	6,183	-	500,000	506,183
<i>Liabilities</i>				
Contingent consideration	-	-	250,000	250,000
Total liabilities	-	-	250,000	250,000

There were no transfers between levels during the financial year.

Upon finalisation of the acquisition accounting for Sennah Pty Ltd, contingent consideration at 30 June 2021 has been restated. For further details see note 31.

Valuation techniques for fair value measurements categorised within level 2 and level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Note 25. Fair value measurement (continued)*Equity securities:*

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 30 June 2022.

Contingent consideration:

The valuation model for the contingent consideration considers the present value of expected future payments, discounted using a risk-adjusted discount rate. The significant unobservable inputs are the assumed probability-adjusted revenue and EBITDA. The minimum and maximum earn-out amounts are \$250,000 and \$750,000 respectively relating to the Sennah Pty Ltd contingent consideration. The contingent consideration liability at 30 June 2022 relating to the Sennah Pty Ltd acquisition was \$250,000.

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.

Level 3 assets and liabilities

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

	Equity securities \$	Contingent Consideration \$	Total \$
Balance at 1 July 2020	-	-	-
Additions	500,000	(250,000)	250,000
Balance at 30 June 2021	500,000	(250,000)	250,000
Additions	-	(1,300,000)	(1,300,000)
Balance at 30 June 2022	500,000	(1,550,000)	(1,050,000)

There were no gains or losses relating to level 3 assets and liabilities held at 30 June 2022 and at 30 June 2021.

Note 25. Fair value measurement (continued)*Accounting policy for fair value measurement*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 26. Key management personnel disclosures*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2022	2021
	\$	\$
<i>Short-term employee benefits</i>	707,859	673,634
<i>Post-employment benefits</i>	72,944	58,097
<i>Long-term benefits</i>	16,917	11,846
<i>Termination benefits</i>	-	34,000
<i>Share-based payments</i>	38,272	-
	<u>835,992</u>	<u>777,577</u>

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Rothsay Chartered Accountants, the auditor of the company:

	2022 \$	2021 \$
<i>Audit services - Rothsay Chartered Accountants</i>		
Audit or review of the financial statements	<u>67,834</u>	<u>52,500</u>
<i>Other services - Rothsay Chartered Accountants</i>		
Taxation compliance services	29,950	31,970
Due diligence services	3,500	14,500
Consulting services	<u>14,806</u>	<u>8,650</u>
	<u>48,256</u>	<u>55,120</u>
	<u>116,090</u>	<u>107,620</u>

Note 28. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2022 and 30 June 2021, other than those disclosed in note 20 and note 31.

Note 29. Related party transactions*Legal Parent entity*

Hubify Limited is the parent entity.

Accounting parent entity

Broadland Solutions Pty Ltd is the accounting parent of the group.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

Note 29. Related party transactions (continued)

	2022 \$	2021 \$
<i>Sale of goods and services:</i>		
Sale of services to related party	80,406	68,819
<i>Payment for goods and services:</i>		
Payment for services from related party	-	6,345
<i>Payment for other expenses:</i>		
Interest paid to related party	-	2,304

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Parent entity information

Set out below is the supplementary information of the legal parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	\$	\$
Loss after income tax	<u>(79,051)</u>	<u>(7,380)</u>
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(79,051)</u>	<u>(7,380)</u>

Statement of financial position

	Parent	
	2022	2021
	\$	\$
Total current assets	<u>2,916,804</u>	<u>3,128,887</u>
Total non-current assets	<u>6,484,352</u>	<u>5,818,700</u>
Total assets	<u>9,401,156</u>	<u>8,947,587</u>
Total current liabilities	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>4,230,571</u>	<u>3,524,118</u>
Total liabilities	<u>4,230,571</u>	<u>3,524,118</u>
Net assets	<u>5,170,585</u>	<u>5,423,469</u>
Equity		
Issued capital	14,292,750	14,292,750
Share-based payments reserve	58,272	20,000
Accumulated losses	<u>(9,180,437)</u>	<u>(8,889,281)</u>
Total equity	<u>5,170,585</u>	<u>5,423,469</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Note 30. Parent entity information (continued)*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Legal parent entity disclosures

The above information has been extracted from the books and records of the legal parent entity, Hubify Limited. Accordingly, the information does not relate to the 'accounting parent' - Broadland Solutions Pty Ltd.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Business combinations**(a) Summary of acquisitions***Acquisition of Connected Intelligence Managed Services & Telco Business*

On 1 April 2022, the consolidated entity acquired the managed services and telco business of Connected Intelligence (Connected). Connected is an established managed services provider with a presence in Sydney, Melbourne and Brisbane. The acquisition allows the consolidated entity to execute on its growth strategy in enterprise managed services and supports the growing pipeline of prospects in this space. All Connected employees also transitioned to Hubify, increasing Hubify's capability and capacity for growth.

The total consideration for the acquisition consisted of a cash payment of \$1,706,553 and a deferral of the remaining \$1,300,000 contingent consideration, to be settled 24 months from completion. The remaining consideration will be settled in both cash and shares in Hubify. The contingent consideration 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.

Note 31. Business combinations (continued)

The contingent consideration payable would be reduced in the following events:

- *Client Contract Loss*
In the event of the loss of a client contract within 6 months from the completion date, the contingent consideration will be reduced by the client contract income (being 33% of revenue from the client contract) multiplied by the acquisition multiple of 3.45. The total reduction shall not exceed \$570,000.
- *Key Employee Loss*
In the event of either of the two key employees ceasing their employment within 6 months from the completion date, the contingent consideration will be reduced by the relevant employee costs for the key employee that ceased their employment.

The full \$1,300,000 contingent consideration has been recognised as a liability at 30 June 2022, as no discounts or other reductions are expected as at 30 June 2022.

	Fair value \$
Customer lists	3,006,553
Deferred tax liability	<u>(713,928)</u>
Net assets acquired	2,292,625
Goodwill	<u>713,928</u>
Acquisition-date fair value of the total consideration transferred	<u><u>3,006,553</u></u>
Representing:	
Cash paid to the vendor	1,706,553
Contingent consideration	<u>1,300,000</u>
	<u><u>3,006,553</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	3,006,553
Less: contingent consideration	<u>(1,300,000)</u>
Net cash used	<u><u>1,706,553</u></u>

Revenue and profit contribution

If the acquisition had occurred on 1 July 2021, the consolidated results for the year ended 30 June 2022 would have been as follows:

Note 31. Business combinations (continued)

	Connected Intelligence \$	Other controlled entities \$	Total \$
Revenue	<u>2,131,136</u>	<u>24,131,362</u>	<u>26,262,498</u>
Net profit/(loss) for the period after tax	<u>583,633</u>	<u>(1,324,519)</u>	<u>(740,886)</u>

The amounts in the above table have been calculated using the results of each subsidiary and adjusting them for:

- differences in the accounting policies between the consolidated entity and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2021, together with the consequential tax effects.

The acquired business contributed the following revenues and net profit to the consolidated entity from the date of acquisition to 30 June 2022:

	\$
Revenue	<u>475,204</u>
Net profit/(loss) for the period after tax	<u>87,631</u>

Acquisition-related costs

Acquisition-related costs totalling \$650,190 are included in the statement of profit or loss and other comprehensive income as acquisition costs.

(b) Summary of acquisitions - finalisation of provisional accounting**Sennah Pty Ltd**

On 10 June 2021, the consolidated entity acquired Sennah Pty Ltd ("Smile" Telemarketing). The total consideration for the acquisition consisted of a cash settlement of \$40,000 and contingent consideration of \$250,000.

For 30 June 2021, 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. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and therefore may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 31. Business combinations (continued)

The consolidated entity has finalised the accounting for this business combination and in doing so has now reduced contingent consideration provision and other payables and reduced the goodwill by the same amount. As noted above the finalisation accounting is retrospective and therefore the adjustment impacts the statement of financial position at 30 June 2021. This adjustment had no impact on the 30 June 2021 statement of profit or loss and other comprehensive income.

Details of the fair value of the net assets acquired as recorded on a provisional basis and the final position as impacting the fair value of net assets acquired as at 30 June 2021, are as follows:

	Provisional fair value \$	Movement \$	Final fair value \$
Cash and cash equivalents	156,239	-	156,239
Trade receivables	41,658	-	41,658
Income tax refund due	50,181	-	50,181
Other receivables	1,880	-	1,880
Prepayments	30,115	-	30,115
Other current assets	19,506	-	19,506
Plant and equipment	1,488	-	1,488
Motor vehicles	10,334	-	10,334
Security deposits	2,034	-	2,034
Other payables	(160,571)	12,451	(148,120)
Employee benefits	(100,681)	-	(100,681)
Other provisions	(12,000)	-	(12,000)
Other loan	(184,461)	-	(184,461)
Net identifiable liabilities acquired	<u>(144,278)</u>	<u>12,451</u>	<u>(131,827)</u>
Goodwill	<u>634,278</u>	<u>(212,451)</u>	<u>421,827</u>
Net assets acquired	<u>490,000</u>	<u>(200,000)</u>	<u>290,000</u>

ICNE Pty Ltd

On 10 June 2021, the consolidated entity acquired ICNE Pty Ltd (ICNE). The total consideration for the acquisition consisted of a cash settlement of \$1,015,595 and shares to the value of \$1,000,000.

For 30 June 2021, 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. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and therefore may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 31. Business combinations (continued)

The consolidated entity has finalised the accounting for this business combination and in doing so has recognised a deferred tax liability and goodwill of the same amount. As noted above the finalisation accounting is retrospective and therefore the adjustment impacts the statement of financial position at 30 June 2021. This adjustment had no impact on the 30 June 2021 statement of profit or loss and other comprehensive income.

Details of the fair value of the net assets acquired as recorded on a provisional basis and the final position as impacting the fair value of net assets acquired as at 30 June 2021, are as follows:

	Provisional fair value \$	Movement \$	Final fair value \$
Cash and cash equivalents	444,497	-	444,497
Trade receivables	276,362	-	276,362
Loans to related parties	184,896	-	184,896
Right-of-use assets	22,222	-	22,222
Customer lists	1,848,761	-	1,848,761
Trade payables	(185,787)	-	(185,787)
Other payables	(88,668)	-	(88,668)
Provision for income tax	(111,522)	-	(111,522)
Employee benefits	(86,723)	-	(86,723)
Dividends payable	(225,000)	-	(225,000)
Lease liability	(63,443)	-	(63,443)
Deferred tax liability	-	(384,542)	(384,542)
Net identifiable assets acquired	<u>2,015,595</u>	<u>(384,542)</u>	<u>1,631,053</u>
Goodwill	-	384,542	384,542
Net assets acquired	<u>2,015,595</u>	<u>-</u>	<u>2,015,595</u>

The final fair value reflects the adjustments during the measurement period of 12 months and the final value of goodwill in the financial report, however management are currently in discussion with the seller to determine the final payout on the acquisition. Any further adjustments will be included in the statement of profit or loss and other comprehensive income.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree

Note 31. Business combinations (continued)

and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 32. Interests in subsidiaries

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

Legal subsidiaries Name of entity	Principal place of business / Country of Incorporation	Ownership Interest	
		2022 %	2021 %
United Lifestyle Group Networks Pty Ltd	Australia	100%	100%
United Global Sim Limited*	Hong Kong	100%	100%
Broadland Victoria Pty Limited	Australia	100%	100%
Broadland Solutions Pty Limited	Australia	100%	100%
Hubify Communications Pty Limited	Australia	100%	100%
ICNE Pty Limited	Australia	100%	100%
Sennah Pty Limited	Australia	100%	100%
Connected Intelligence Pty Limited*	Australia	-	-

*Subsidiary of United Lifestyle Group Networks Pty Ltd

Note 33. Events after the reporting period

On 18 July 2022, Hubify Limited issued 3,246,753 ordinary shares, reflecting the earn-out consideration for the acquisition of Sennah Pty Ltd that was announced on 8 June 2021.

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.

Note 34. Cash flow information*Reconciliation of profit/(loss) after income tax to net cash from operating activities*

	2022 \$	2021 \$
Profit/(loss) after income tax (expense)/benefit for the year	(1,236,888)	918,913
Adjustments for:		
Depreciation and amortisation	1,752,647	800,522
Revaluation decrement on financial assets	2,933	7,201
Share-based payments	38,272	20,000
Write off of assets	10,334	1,218
Net gain on disposal of non-current assets	-	(50,000)
Other expenses classified as investing and financing cash flows	1,488	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,765,243)	(86,145)
Increase in contract assets	(414,794)	(208,089)
Increase in inventories	(7,566)	(81,483)
Increase in income tax refund due	(8,302)	(73,288)
Decrease/(increase) in deferred tax assets	(218,341)	564,593
Decrease/(increase) in prepayments	(126,200)	70,780
Decrease in other operating assets	-	19,506
Increase/(decrease) in trade and other payables	1,516,814	(304,707)
Increase/(decrease) in contract liabilities	272,386	(20,000)
Decrease in provision for income tax	-	(111,522)
Increase/(decrease) in deferred tax liabilities	3,913	(58,256)
Increase in employee benefits	293,291	156,053
Increase in other provisions	1,300,000	438,000
Decrease in other operating liabilities	(1,300,000)	(450,000)
Net cash from operating activities	<u>114,744</u>	<u>1,553,296</u>

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

	2022 \$	2021 \$
Shares issued to acquire the assets of C3 Innovations Pty Ltd	-	225,000
Shares issued to share placement advisor	-	90,000
Shares issued to acquire intangible assets	-	120,000
Shares issued to acquire the assets of ICNE Pty Ltd	-	1,000,000

Note 34. Cash flow information

<i>Changes in liabilities arising from financing activities</i>	Issued capital \$	Promissory note \$	Lease liability \$	Total \$
Balance at 1 July 2020	-	127,841	728,366	856,207
Net cash used in financing activities	(750)	(127,841)	(210,573)	(339,164)
Acquisition of leases	-	-	172,010	172,010
Changes through business combinations	184,461	-	63,443	247,904
Balance at 30 June 2021	183,711	-	753,246	936,957
Net cash used in financing activities	(139,569)	-	(360,589)	(500,158)
Balance at 30 June 2022	44,142	-	392,657	436,799

Dividends paid

There were no dividends paid, recommended, or declared during the current financial period by Hubify Limited. The amounts paid during the 30 June 2021 financial period represent pre-acquisition dividends payable to the shareholders of Broadland Solutions Pty Limited and to the shareholders of ICNE Pty Limited relating to the period prior to their acquisition by Hubify Limited.

	2022 \$	2021 \$
Dividends paid to former shareholders of:		
Broadland Solutions Pty Ltd	-	257,143
ICNE Pty Ltd	-	225,000
	-	482,143

Note 35. Earnings per share

	2022 \$	2021 \$
Profit/(loss) after income tax attributable to the owners of Hubify Limited	(1,236,888)	918,913
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	491,460,971	453,312,660
Weighted average number of ordinary shares used in calculating diluted earnings per share	491,460,971	453,312,660
	Cents	Cents
Basic earnings per share	(0.25)	0.20
Diluted earnings per share	(0.25)	0.20

Note 35. Earnings per share (continued)

Share options and performance rights are considered to be potential ordinary shares but were anti-dilutive in nature for the 30 June 2022 financial year and were not included in the calculation of diluted earnings per share. These options and performance rights could potentially dilute basic earnings per share in the future.

*Accounting policy for earnings per share**Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Hubify Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 36. Share-based payments*(a) Options**Employee Share Option Plan*

On 17 November 2015 the company established an employee share option plan to provide eligible employees with a means of receiving options to subscribe for shares and a means of receiving rights to receive shares. Eligible employees includes:

- (a) an employee, director or secretary of the company or any subsidiary of the company;
- (b) and a contractor, consultant, agent, advisor other person retained, engaged or nominated by company or any subsidiary of the company.

The purpose of the plan is to provide eligible employees with an opportunity to share in the growth in value of the company and to encourage them to improve the longer-term performance of the company and its return to shareholders. Participation in the plan is at the Board of Director's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The Board has the discretion to determine the exercise price of the options and any exercise conditions. Unless otherwise determined by the Board, no payment is required for the grant of options or rights under the plan. Options granted under the plan carry no dividend or voting rights.

On 1 July 2016, a total of 14,000,000 options were granted to the company's Directors. The options vested on 1 July 2018, were exercisable at 30 cents and expired on 1 July 2021 without being

Note 36. Share-based payments (continued)

exercised. There are no performance conditions attaching to these options. The fair value of the options granted was \$nil.

Other share-based payments

On 2 November 2016, the Board granted 1,000,000 options at an exercise price of 30 cents per option to the Lead Manager in relation to the company's initial public offer of shares (IPO). The options were granted as more than \$5 million was raised in the IPO. The options vested on 2 November 2019 and expired on 2 November 2021 without being exercised. The fair value of the options granted was \$nil.

On 11 November 2016, the Board granted 1,000,000 options at an exercise price of 30 cents per option to the Corporate Adviser in consideration for consultancy services in relation to the company's initial public offer of shares (IPO). The options were granted as more than \$5 million was raised in the IPO. The options vested on 11 November 2018 and expired on 11 November 2021 without being exercised. The fair value of the options granted was \$nil.

On 21 October 2020, the Board granted 2,000,000 options at an exercise price of 15 cents per option 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. The fair value of the options granted was \$nil.

Set out below are summaries of options granted:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited/ other	Balance at the end of the year
01/07/2016	01/07/2021	\$0.30	14,000,000	-	-	(14,000,000)	-
02/11/2016	02/11/2021	\$0.30	1,000,000	-	-	(1,000,000)	-
11/11/2016	11/11/2021	\$0.30	1,000,000	-	-	(1,000,000)	-
21/10/2020	21/10/2023	\$0.15	2,000,000	-	-	-	2,000,000
			18,000,000	-	-	(16,000,000)	2,000,000
Weighted average exercise price			\$0.28	\$0.00	\$0.00	\$0.30	\$0.15

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited/ other	Balance at the end of the year
01/07/2016	01/07/2021	\$0.30	14,000,000	-	-	-	14,000,000
02/11/2016	02/11/2021	\$0.30	1,000,000	-	-	-	1,000,000
11/11/2016	11/11/2021	\$0.30	1,000,000	-	-	-	1,000,000
21/10/2020	21/10/2023	\$0.15	-	2,000,000	-	-	2,000,000
			16,000,000	2,000,000	-	-	18,000,000
Weighted average exercise price			\$0.30	\$0.15	\$0.00	\$0.00	\$0.28

Note 36. Share-based payments

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.31 years (2021: 0.30 years).

Options were priced using a Black-Scholes pricing model. Expected volatility was based on an evaluation of the historical volatility of other comparable companies based on publicly available information. Options were assumed to be exercised in full on the date of expiry.

(b) *Performance rights*

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 15 December 2021, the company issued a total of 13,012,500 performance rights to the Directors and the company's Chief Financial Officer. The company obtained shareholder approval for the issue of performance rights to the Directors at the company's annual general meeting held on 12 November 2021. The total fair value of the rights granted was \$325,313.

On 31 March 2022, the company issued a total of 25,956,349 performance rights under the Performance Rights Plan to other key personnel. The total fair value of the rights granted was \$830,603.

The performance criteria will be tested based on the:

- (a) Company achieving its target operating profit for 30 June 2024 of \$6 million; and
- (b) Share price of the company increasing by 100% in the 3 years between 1 July 2021 and the end of the performance period on 30 June 2024. That is, the base share price will be the 60 day VWAP of the company's shares as at 1 July 2021. This will be compared to the 60 day VWAP of the company's shares at the end of the performance period.

In addition to meeting the above performance criteria, each Director and the Chief Financial Officer must remain a Director or employee of the company as at the vesting date for the performance rights to vest.

If the above performance criteria and employment conditions are not met as at the vesting date, the performance rights will lapse.

The company will allocate one share for each performance right that vests. Shares may be issued to the trustee of the Performance Rights Plan under the relevant trust deed or acquired on market by the trustee to satisfy the entitlement to shares on vesting of the performance rights.

Note 36. Share-based payments (continued)

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

30 June 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited/ other	Balance at the end of the year
15/11/2021	30/06/2024	\$0.16	-	13,012,500	-	-	13,012,500
31/03/2022	30/06/2024	\$0.16	-	25,956,349	-	-	25,956,349
			-	38,968,849	-	-	38,968,849
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.16

For the performance rights granted during the current financial 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
15/11/2021	30/06/2024	\$0.08	\$0.16	80.00%	-	1.50%	\$0.025
31/03/2022	30/06/2024	\$0.08	\$0.16	100.00%	-	3.00%	\$0.032

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2 years.

(c) Share-based payments expense

The total share based payments expense for the year was \$38,272 (2021: \$nil).

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and

Note 36. Share-based payments (continued)

the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- 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 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Victor Tsaccounis
Director

28th September 2022
Sydney



HUBIFY LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of Hubify Limited

Opinion

We have audited the financial report of Hubify Limited ("Hubify" or the "Company") and its controlled entities (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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of the Group is 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 year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group 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 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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HUBIFY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter - Acquisitions and Business Combinations	How our Audit Addressed the Key Audit Matter
The Group made an acquisition of a business combinations in terms of AASB 3 Business Combinations during the year. The accounting for the Group's acquisition is a key audit matter due to the complexity of the transaction and judgement required to be applied by Management.	We read the sale and purchase agreements between the entities involved and challenged the conclusions reached by Management. We assessed whether the disclosures included in the financial report meet the requirements of Australian Accounting Standards.
Key Audit Matter - Intangible asset Impairment	How our Audit Addressed the Key Audit Matter
The Group's intangible assets made up 77% of the non-current assets by value as at year end. The value of the intangible asset is assessed for recoverability by the directors at least annually or more frequently if events or changes in circumstances indicate that the asset may have suffered an impairment. Recoverability is assessed by firstly determining the assets fair value less costs to sell. The value derived is then compared with the recorded value of the intangible asset and if lower, an impairment charge will be recorded. This was considered a key audit matter given the significant judgement involved in assessing the recoverable amount of the asset.	We reviewed management's assessment of the variables used in their impairment calculations and performed a sensitivity analysis to ascertain the impact a change in the variables would have on the calculations. We considered the appropriateness of the recoverability assessment and considered whether it was in line with Australian Accounting Standards and generally accepted accounting principles. We assessed whether the disclosures included in the financial report meet the requirements of Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



HUBIFY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



HUBIFY LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Hubify Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Rothsay Chartered Accountants

Donovan Odendaal

Partner

Sydney, 28 September 2022

The shareholder information set out below was applicable as at 30 June 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total options issued	Number of holders	% of total performance rights issued
1 to 1,000	25	-	-	-	-	-
1,001 to 5,000	18	0.01	-	-	-	-
5,001 to 10,000	124	0.23	-	-	-	-
10,001 to 100,000	257	2.16	-	-	-	-
100,001 and over	178	97.60	1	100.00	26	100.00
	<u>602</u>	<u>100.00</u>	<u>1</u>	<u>100.00</u>	<u>26</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>198</u>	<u>0.32</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	% of total shares issued
Tsaccounis Holdings Pty Limited	73,908,316	15.04
Jonathan David Perrin	72,931,611	14.84
Shannah Avon	66,457,196	13.52
Temont Pty Ltd	39,569,235	8.05
Autopilot Consulting Pty Ltd	38,139,313	7.76
Vic Spadavecchia	21,043,771	4.28
Citicorp Nominees Pty Limited < DPSL A/C >	9,572,650	1.95
Arizak Investments Pty Ltd	9,312,473	1.89
Mr William James Willmot + Ms Tracey Lee Willmot	9,264,179	1.89
Ilwella Pty Ltd < No 2 A/C >	9,100,000	1.85
Mr Stefano Vincenzo Lorenzo Cagliostro +		
Mrs Alana Eloise Cagliostro < Cagliostro Family A/C >	8,889,179	1.81
JAF Capital Pty Ltd	8,500,000	1.73
HSBC Custody Nominees (Australia) Limited	6,843,602	1.39
J Martin Super Holdings Pty Ltd < J Martin Super Fund A/C >	6,148,614	1.25
J Martin Super Holdings Pty Ltd < J Martin Super Fund A/C >	6,148,614	1.25
Mr Chao Wang	4,641,180	0.94
Wicks Group Pty Ltd < Wicks Family A/C >	4,357,143	0.89
Chao Wang	4,247,708	0.86
Mrs Carmelina Josepina Bianca Farrugia	2,403,423	0.49
Tensoplast Investments Pty Ltd	2,204,947	0.45
	<u>403,683,154</u>	<u>82.13</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	2,000,000	1
Performance rights over ordinary shares issued	38,968,849	26

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares % of total Number held	shares issued
Tsaccounis Holdings Pty Limited	73,908,316	15.04
Jonathan David Perrin	72,931,611	14.84
Shannah Avon	66,457,196	13.52
Temont Pty Ltd	39,569,235	8.05
Autopilot Consulting Pty Ltd	38,139,313	7.76

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

