

# APPENDIX 4D

## Under ASX Listing Rule 4.2A

Current reporting period  
Prior corresponding period

1 July 2020 to 31 December 2020  
1 July 2019 to 31 December 2019

### 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Increase/Decrease	Change %	To \$'000
Revenue from continuing operations	(682)	7.0%	9,067
Profit from ordinary activities after tax attributable to members	(1,336)	89%	159
Net Profit for the period attributable to members	(1,336)	89%	159

#### Dividend

No dividend has been declared.

#### Operating and Financial Review

Whilst operating revenues have declined from the prior year, largely due to the retraction of the Australian economy impacted by the Covid-19 outbreak and its effect on volume based revenues, Underlying EBITDA of \$1.228m has been generated as follows.

	\$'000
Statutory profit for the period before income tax	324
Add: Depreciation and amortisation	420
Add: Finance charges	30
EBITDA	774
Add: Share based payments	92
Add: Business acquisition and integration costs	362
Underlying EBITDA	1,228

In regards to the decrease in Profit from ordinary activities after tax attributable to members, \$0.616m relates to an increase in the Income tax expense from the prior period and \$0.458m in acquisition and one-off legal costs incurred in the current period.

### 2. NET TANGIBLE ASSET PER SECURITY

Net tangible assets per ordinary share: 2.4 cents per share (2019: 0.4). The Group has positive tangible assets as at 31 December 2020.

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

None (control over Next Telecom Pty Ltd was gained in January 2021).

### 4. OTHER

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current period are contained in the Half-Year Financial Report 2020.

The consolidated financial statements contained within the Half-Year Financial Report 2020, of which this report is based upon, have been reviewed by the company's auditors, BDO.



**Comms Group Limited**  
**(formerly Commschoice Group Limited)**  
**Interim Financial Report**  
**For the half year ended 31 December 2020**  
**ACN 619 196 539**

## **Directors' report**

Your directors present their report on the consolidated entity consisting of Comms Group Limited (the "Company") and the entities it controlled (collectively "Comms Group" or "Group") at the end of or during the financial half year ended 31 December 2020.

### **Directors**

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

J A Mackay - Independent Non-Executive Chairman

P J McGrath - Executive Director, Chief Executive Officer

B J Jennings – Non-Executive Director

C E Bibby – Independent Non-Executive Director

Ryan O'Hare – Non-Executive Director (appointed 1 February 2021)

### **Principal activities**

Comms Group is an information and communication technology (ICT) business, providing a comprehensive range of telco and IT related managed services. Comms Group services clients in Australia and internationally including New Zealand and Singapore.

The principal continuing activities of the Comms Group are providing hosted voice, data, enterprise networks and cloud-based communication and communication enablement services to business customers in Australia and internationally.

In the half-year ended 31 December 2020 Comms Group derived revenue from the sale of the above-mentioned communications services. These fees consist of recurring charges for access to facilities and capabilities, as well as consumption charges for variable usage of those facilities. Revenue was also derived from the installation and sale of hardware, equipment, consulting services, connection fees and other one-off items, to support the primary products of the business.

There was no significant change in the nature of the activity of the Comms Group during the reporting period.

### **Dividends**

The Directors have resolved not to pay an interim dividend for the period ended 31 December 2020.

### **Review of operations**

The Group generated revenue of \$9.02m during the period. Whilst this was \$0.70m less than the prior period the business has been impacted by the Covid-19 outbreak and its effect on the Australian economy. Volume based revenues are less than the prior period and new business activity slowed primarily due to delays in customer decision making to be less than expected. Through strict margin and cost control, the Group generated an Underlying EBITDA of \$1.228m.

Subsequent to a capital raising as discussed below, the Group's cash position is \$5.419m cash on hand as at 31 December 2020. Whilst reporting statutory net cash inflow from operations of \$0.02m, the underlying cashflow from operations, excluding payments for restructuring, transaction and acquisition expenses and significant prior year expenses and prepayments for future periods, was significantly greater at \$0.80m.

On 15 December 2021 Comms Group entered into a binding share purchase agreement, to acquire 100% of the shares of Next Telecom Pty Ltd ("Next Telecom"), a telecommunications service provider servicing the SME and mid-sized corporate business markets in Australia. For the year ending 30 June 2021 forecast revenue is approximately \$15.5m and pro-forma annualised EBITDA \$1.5m+.

The acquisition is for a maximum purchase price of \$12.0m. This comprises upfront consideration of \$8.67m and earn out payment of up to \$3.33m. Upfront consideration includes cash consideration of \$2.0m (subject to adjustment for working capital and net debt items) and \$6.67m in Comms Group shares (escrowed for 12 to 18 months from the date of completion). This upfront consideration was settled on 29 January 2021. The earn out payment is based on 6.0 times audited pro-forma EBITDA over \$1.445m up to a maximum of \$2.0m for the year ending 30 June 2021, to also be settled by an issue of Comms Group shares post the audit of the financial result for the year ending 30 June 2021.

To assist with the acquisition of Next Telecom and provide further funds for working capital and other acquisitions being considered, Comms Group raised \$6.25m of new equity comprising a placement to Directors, Management and Professional and Sophisticated investors. The placement was made in two tranches, Tranche 1 raising \$3.7m in December 2020 and Tranche 2 raising \$2.5m in January 2021. At an Extraordinary General Meeting held on 25 January 2021 shareholders ratified the issue of shares under the Tranche 1 placement and approved the issue of shares to the vendors of Next Telecom (as part of the upfront consideration and the earn out) and under the Tranche 2 placement.

Following shareholder approval at the 2020 Annual General Meeting held on 24 November 2020, the Group changed its name from CommsChoice Group Limited to Comms Group Limited. Whilst still recognising the origins of the Group, this name better represents the overall business as it looks to expand into other segments of the Telecommunications industry.

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

	\$000
Revenue	9,016
Reported profit before income tax	324
Add: Depreciation and amortisation <sup>(1)</sup>	420 <sup>(1)</sup>
Add: Finance charges <sup>(1)</sup>	30
<b>EBITDA</b>	<b>774</b>
Add: Share based payments	92
Add: Business acquisition and integration costs	362
<b>Underlying EBITDA</b>	<b>1,228</b>

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

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

### Earnings per share

Earnings per share for the period is as follows:

	Cents per security
Earnings per share (cents)	0.08
Diluted earnings per share (cents)	0.08

### Business integration and simplification

The settlement of the acquisition of Next Telecom took place on 29 January 2021 at which time Comms Group assumed control of the business. With Comms Group Board and Management oversight, the intention of the Group is to run this business until 30 June 2021 as a stand-alone entity with minimal integration with the current business of Comms Group. At this time the pro-forma EBITDA of Next Telecom for the year ending 20 June 2021 can be finalised (that then forms the basis for the earn out consideration).

Post this result it is the intention of Board and Management to implement common purchasing and supply arrangements, leveraging lower supply costs for the overall business. In addition, the Group will look to implement common platforms, systems and products where it makes sense in order to deliver the synergies and other opportunities presented by the acquisition. In the interim, management from Comms Group and Next Telecom will work on these integration plans in order to deliver increased earnings and shareholder value.

#### Operating segment

The Group has one operating segment under AASB 8 Operating Segments. This reflects the way the business is monitored and resources are currently allocated. The Group's revenues from external customers are predominately domiciled in Australia.

#### Significant changes in the state of affairs

The binding share purchase agreement entered into on 15 December 2020 to acquire 100% of the shares of Next Telecom will result in a significant change in the state of affairs of the Group subsequent to year end.

The acquisition is considered transformational with significant increase in scale, product offerings and overall customer base for Comms Group. Post-acquisition the Group will have revenues in excess of \$30.0m and annualised pro-forma EBITDA over \$4.0m including synergies.

The acquisition presents a significant opportunity to lead consolidation within the domestic market and establish a footprint in regional Australia. Next Telecom is recognised for its tailored solutions and high levels of customer services that's expected to significantly benefit the overall Group.

#### Events since the end of the financial year

At an Extraordinary General Meeting held on 25 January 2021 shareholders ratified the issue of shares under the Tranche 1 Placement and approved the issue of shares to the vendors of Next Telecom and issue of shares to all applicants including Directors under the Tranche 2 Placement.

Settlement of the Next Telecom acquisition successfully took place on 29 January 2021 that included a cash payment of \$1.5m and issue of \$6.7m of new equity to the vendors. Subject to the finalisation of working capital and net debt item balances at settlement (29 January 2021), a final cash payment as part of the initial consideration is expected to be made to the vendors of Next Telecom by the mid-March 2021.

The Tranche 2 Placement equity raising was successfully completed on 29 January 2021 raising \$2.5m of new equity.

#### Insurance of officers and indemnities

During the period, Comms Group paid a premium of \$95,000 to insure the directors, officers and secretary of the Group.

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

#### Auditor's independence declaration

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

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

John Mackay  
Director

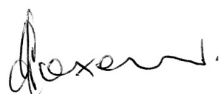
Sydney  
24 February 2021

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

As lead auditor for the review of Comms Group Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Grant Saxon', with a stylized flourish at the end.

**Grant Saxon**  
**Director**

**BDO Audit Pty Ltd**

Sydney, 24 February 2021

# Comms Group Limited

ACN 619 196 539

## Consolidated financial report – for the half year ended 31 December 2020

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**Comms Group Limited**  
(formerly Commschoice Group Limited)  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half year ended 31 December 2020**

	Notes	31 December 2020	31 December 2019
		\$	\$
Revenue	4	9,016,144	9,720,946
Other income		51,122	28,746
		<b>9,067,266</b>	<b>9,749,692</b>
Cost of sales		(4,551,150)	(5,087,371)
Employee benefits expense		(2,168,078)	(1,872,892)
Administration expenses		(216,953)	(467,939)
Sales & marketing expenses		(282,768)	(203,321)
Information technology expenses		(359,901)	(453,734)
Professional fees	5	(195,182)	(86,592)
Property expenses		(20,283)	(28,962)
Business acquisition and integration expenses		(362,448)	-
Share based payments		(91,567)	(51,678)
Other expenses		(45,050)	(7,694)
Finance expenses		(30,070)	(53,897)
Depreciation & amortisation		(420,045)	(392,918)
<b>Profit before income tax</b>		<b>323,771</b>	<b>1,042,694</b>
Income tax (expense) / benefit	6	(164,488)	451,949
<b>Profit for the period</b>		<b>159,283</b>	<b>1,494,643</b>
<b>Other comprehensive income</b>			
Other		16,562	7,707
<b>Total comprehensive profit attributable to shareholders</b>		<b>175,845</b>	<b>1,502,350</b>

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

		Cents	Cents
Basic earnings per share	18	0.08	0.83
Diluted earnings per share	18	0.08	0.83

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



**Comms Group Limited**  
**(formerly Commschoice Group Limited)**  
**Consolidated statement of financial position**  
**As at 31 December 2020**

	Notes	31 December 2020	30 June 2020
<b>Current assets</b>		<b>\$</b>	<b>\$</b>
Cash and cash equivalents		5,419,104	2,407,437
Trade and other receivables	7	1,840,143	1,765,515
Other current assets	8	1,030,554	649,542
<b>Total current assets</b>		<b>8,289,801</b>	<b>4,822,494</b>
<b>Non-current Assets</b>			
Property, plant & equipment		64,667	79,623
Right of use asset	9	904,847	1,067,636
Intangible assets	10	12,074,419	12,014,989
Deferred tax assets	11	1,732,216	1,955,015
<b>Total non-current assets</b>		<b>14,776,149</b>	<b>15,117,263</b>
<b>Total assets</b>		<b>23,065,950</b>	<b>19,939,757</b>
<b>Current liabilities</b>			
Trade and other payables	12	1,809,264	2,201,001
Deferred revenue		994,376	1,029,735
Lease liabilities	13	377,711	388,139
Provisions	14	316,669	293,657
<b>Total current liabilities</b>		<b>3,498,020</b>	<b>3,912,532</b>
<b>Non-current liabilities</b>			
Provisions	14	98,798	102,175
Deferred tax liability	15	906,298	1,018,263
Lease liabilities	13	729,071	897,014
<b>Total non-current liabilities</b>		<b>1,734,167</b>	<b>2,017,452</b>
<b>Total liabilities</b>		<b>5,232,187</b>	<b>5,929,984</b>
<b>Net assets</b>		<b>17,833,763</b>	<b>14,009,773</b>
<b>Equity</b>			
Share capital	16	36,544,841	32,988,263
Share based payment reserves		240,729	489,453
Foreign currency translation reserve		6,721	(9,841)
Accumulated losses		(18,958,528)	(19,458,102)
<b>Total Equity</b>		<b>17,833,763</b>	<b>14,009,773</b>

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

Comms Group Limited  
(formerly Commschoice Group Limited)  
Consolidated statement of changes in equity  
For the half year ended 31 December 2020

	Share capital	Share-based payments reserves	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$		\$	\$
Balance at 1 July 2019	29,692,931	2,192,919	-	(22,472,794)	9,413,056
Reclassification to reserves from retained earnings	-	-	(23,570)	23,570	-
Profit for the period to 31 December 2019	-	-	-	1,494,643	1,494,643
Translation reserve	-	-	7,707	-	7,707
<b>Total comprehensive income for the period</b>			<b>(15,863)</b>	<b>1,518,213</b>	<b>1,502,350</b>
<i>Transactions with owners in their capacity as owners:</i>					
Contributions to equity net of transaction costs	1,810,719	-	-	-	1,810,719
Deferred consideration	1,424,613	(1,424,613)	-	-	-
Performance rights	-	51,678	-	-	51,678
Balance at 31 December 2019	<b>32,928,263</b>	<b>819,984</b>	<b>(15,863)</b>	<b>(20,954,581)</b>	<b>12,777,803</b>
<b>Balance at 1 July 2020</b>	<b>32,988,263</b>	<b>489,453</b>	<b>(9,841)</b>	<b>(19,458,102)</b>	<b>14,009,773</b>
Reclassification to reserves from retained earnings	-	-	-	-	-
Profit for the period to 31 December 2020	-	-	-	159,283	159,283
Translation reserve	-	-	16,562	-	16,562
<b>Total comprehensive income for the period</b>			<b>16,562</b>	<b>159,283</b>	<b>175,845</b>
<i>Transactions with owners in their capacity as owners:</i>					
Transfer of expired warrants to retained earnings	-	(340,291)	-	340,291	340,291
Contributions to equity net of transaction costs	3,556,578	-	-	-	-
Performance rights	-	91,567	-	-	91,567
<b>Balance at 31 December 2020</b>	<b>36,544,841</b>	<b>240,729</b>	<b>6,721</b>	<b>(18,958,528)</b>	<b>17,833,763</b>

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

**Comms Group Limited**  
**(formerly Commschoice Group Limited)**  
**Consolidated statement of cash flows**  
**For the half year ended 31 December 2020**

	<b>Notes</b>	<b>31 December 2020 \$</b>	<b>31 December 2019 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		9,698,119	10,611,626
Payments to suppliers and employees, excluding restructuring (inclusive of GST)		(9,298,643)	(9,114,037)
		<b>399,476</b>	<b>1,497,589</b>
Restructuring expenses		(230,078)	(995,301)
Business acquisition and integration expenses		(150,788)	-
Interest received		303	5,079
Interest paid		-	(53,897)
Income tax paid		-	(31,083)
<b>Net cash inflow from operating activities</b>	<b>17</b>	<b>18,913</b>	<b>422,387</b>
<b>Cash flows from investing activities</b>			
Software purchase and IT systems		(301,120)	(265,834)
Payments for property, plant & equipment		(610)	(18,368)
<b>Net cash outflow from investing activities</b>		<b>(301,730)</b>	<b>(284,202)</b>
<b>Cash flows from financing activities</b>			
Lease Payments		(208,441)	(198,026)
Proceeds from the issue of shares net of transaction costs		3,502,925	1,816,016
Repayments of borrowings		-	(227,897)
<b>Net cash inflows from financing activities</b>		<b>3,294,484</b>	<b>1,390,094</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,011,667</b>	<b>1,528,278</b>
Cash and cash equivalents at the beginning of the period		2,407,437	366,448
<b>Cash and cash equivalents at end of period</b>		<b>5,419,104</b>	<b>1,894,726</b>

## **1 General information**

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with any public announcements made by Comms Group Limited during the half year reporting period.

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

With effect from 25 November 2020 the name of the Company was changed from Commschoice Group Limited to Comms Group Limited.

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

Level 6, 56 Clarence Street  
Sydney NSW 2000  
Australia

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

These condensed interim financial statements were approved for issue on 24 February 2021. The directors have the power to amend and reissue the financial statements.

## **2 Significant accounting policies**

This consolidated interim financial report for the half year ended 31 December 2020 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Comms Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

### **New or amended Accounting Standards and Interpretations adopted**

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

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

### **Going concern**

For the financial half year, the Group generated a profit before tax of \$323,771 (31 December 2019: profit before tax of \$1,042,694) that included significant transaction costs in relation to the acquisition of Next Telecom and one-off legal costs of total \$330,787. Net cash inflow from operating activities were \$18,913 (31 December 2019: net cash inflow of \$422,387) and had net current assets of \$4,791,781 (30 June 2020: net current assets of \$909,962) that includes \$5,419,104 cash on hand (30 June 2020: \$2,407,437).

The directors believe that there are reasonable grounds to conclude that the Group will continue as a going concern after consideration of the following factors:

- The Group underwent a capital raising with cash proceeds of \$3,709,286 received during the half year. A further \$2,515,714 was received on completion of the capital raising on 29 January 2021, substantially improving the current liquidity position.
- In addition to the Groups demonstrated ability to raise further capital, the Group also has access to an approved undrawn overdraft facility of \$350,000 and approved undrawn leasing facility of \$600,000.

## 2 Significant accounting policies (continued)

- A significant improvement in new business won towards the end of the half year, with new service contracts signed with a number of large local and overseas businesses.
- In the event of continuing business challenges associated with COVID-19 pandemic, management's forecast indicate that the Group has available sufficient financial resources in order to continue to pay its debts as and when they become due and payable.

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

## 3 Segment reporting

### (i) Identification of reportable operating segments

The consolidated entity is organised into one operating segment under AASB 8 Operating Segments. The single operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

## 4 Revenue

	Consolidated 31 December 2020	Consolidated 31 December 2019
<i>Sales revenue</i>	\$	\$
Voice revenue	5,715,323	6,095,385
Data revenue	1,719,481	2,351,497
Managed service revenue	1,581,340	1,274,064
	<b>9,016,144</b>	<b>9,720,946</b>

### Disaggregation of revenue

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

## 5 Individually significant profit or loss items

	Consolidated 31 December 2020	Consolidated 31 December 2019
	\$	\$
Legal fees	106,787	11,882

The above item represents a significant professional fee. The total of professional fees of \$195,182 also include ongoing or non-significant fees of total \$88,395.

## 6 Income tax expense / (benefit)

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
<i>Income tax expense / (benefit)</i>		
Deferred tax - origination and reversal of temporary differences	113,392	(451,949)
Write down of deferred tax assets and liabilities from corporate tax rate reduction	51,096	-
<b>Total income tax expense / (benefit)</b>	<b>164,488</b>	<b>(451,949)</b>

The Group has tax losses available for use of \$2,473,142 for which a deferred tax asset of \$643,017 has which have been brought to account on the Statement of Financial Position.

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
<i>Reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit before income tax expense / (benefit)	<b>323,770</b>	<b>1,042,694</b>
At the Group's statutory income tax rate of 26.0% (2019: 27.5%)	84,180	286,741
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	29,212	19,819
Recognition of carried forward losses not previously accounted for	-	(758,509)
Write down of deferred tax assets and liabilities from corporate tax rate reduction	51,096	-
<b>Income tax expense / (benefit)</b>	<b>164,488</b>	<b>(451,949)</b>

## 7 Trade and other receivables

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
Trade receivables	1,905,914	1,836,808
Less: provision for expected credit loss	(71,293)	(71,293)
<b>Total trade receivables</b>	<b>1,834,621</b>	<b>1,765,515</b>
Other receivables	5,522	-
<b>Total trade and other receivables</b>	<b>1,840,143</b>	<b>1,765,515</b>

## 8 Other current assets

	Consolidated 31 December 2020	Consolidated 30 June 2020
	\$	\$
Prepayments	715,267	492,119
Accrued revenue	159,051	23,982
Security Deposits	156,236	133,441
	<b>1,030,554</b>	<b>649,542</b>

## 9 Right of use assets

	Consolidated 31 December 2020	Consolidated 30 June 2020
	\$	\$
Land and buildings - right of use	1,362,299	1,362,299
Less: Accumulated depreciation	(475,574)	(317,050)
	886,725	1,045,249
Plant and equipment - right of use	30,917	30,917
Less: Accumulated depreciation	(12,795)	(8,530)
	18,122	22,387
	<b>904,847</b>	<b>1,067,636</b>

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

## 10 Intangibles

	Customer contract	Brand	Goodwill	Software	Internally generated software	Capital work in progress	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>								
<i>Cost</i>								
Balance at 1 July 2020	6,411,000	3,574,000	18,033,456	2,966,065	246,750	260,778	13,154	31,505,203
Additions during the period	-	-	-	23,452		277,668	-	301,120
Balance at 31 December 2020	6,411,000	3,574,000	18,033,456	2,989,517	246,750	538,446	13,154	31,806,323
<i>Accumulated amortisation</i>								
Balance at 1 July 2020	(5,027,521)	(2,647,918)	(8,831,444)	(2,966,065)	(4,113)	-	(13,154)	(19,490,215)
Amortisation expense	(154,992)	(62,022)	-	-	(24,675)		-	(241,689)
<b>Balance at 31 December 2020</b>	<b>1,228,487</b>	<b>864,060</b>	<b>9,202,012</b>	<b>23,452</b>	<b>217,962</b>	<b>538,446</b>	<b>-</b>	<b>12,074,419</b>

## 11 Deferred tax assets

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Temporary differences	936,086	1,007,407
Carried forward losses	643,017	810,339
Amounts recognised in equity for capital raising	153,113	137,269
<b>Deferred tax asset</b>	<b>1,732,216</b>	<b>1,955,015</b>
<i>Movements in deferred assets:</i>		
Opening balance	1,955,015	443,205
Debited/(credited) to:		
- Relating to prior year losses brought on	-	810,339
- Relating to prior year losses utilised	(123,144)	-
- Relating to corporate tax rate reduction	(106,637)	-
- Relating to temporary differences	6,982	701,471
<b>Closing balance</b>	<b>1,732,216</b>	<b>1,955,015</b>



## 12 Trade and other payables

	Consolidated 31 December 2020	Consolidated 30 June 2020
	\$	\$
Trade payables	840,308	578,187
Accrued expenses	704,674	1,179,905
Payroll liabilities	204,193	224,708
GST liabilities	60,089	186,956
Other payables	-	31,245
	<b>1,809,264</b>	<b>2,201,001</b>

## 13 Lease liabilities

	Consolidated 31 December 2020	Consolidated 30 June 2020
	\$	\$
<b>Current liabilities</b>		
Lease liabilities	<b>377,711</b>	<b>388,139</b>
<b>Non-current liabilities</b>		
Lease liabilities	<b>729,071</b>	<b>897,014</b>

## 14 Provisions

	Consolidated 31 December 2020	Consolidated 30 June 2020
	\$	\$
<b>Current liabilities</b>		
Annual leave	316,669	293,657
	<b>316,669</b>	<b>293,657</b>
<b>Non-current liabilities</b>		
Long service leave	<b>98,798</b>	<b>102,175</b>

## 15 Deferred tax liability

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
<i>Movements in deferred liabilities:</i>		
Opening balance	1,018,263	754,488
Debited/(credited) to:		
- profit or loss	(56,423)	263,775
- Relating to corporate tax rate reduction	(55,542)	-
	<b>906,298</b>	<b>1,018,263</b>

## 16 Share capital

	Consolidated 31 December 2020 Shares	Consolidated 30 June 2020 Shares	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
Ordinary Shares - fully paid	<b>238,070,833</b>	191,392,259	<b>36,544,840</b>	32,988,263

### *Movements in ordinary share capital*

	Date	Shares	\$
Opening balance	1 July 2019	136,839,360	29,692,931
Shares issued in lieu of fees for contracting party	1 July 2019	2,437,500	97,500
Shares issued for restructuring costs	24 July 2019	45,400,000	1,816,000
Less: transaction costs arising on share issues	24 July 2019	-	(102,781)
Claims retention shares issued to vendors	16 October 2019	5,698,450	1,424,613
Shares issued to employee	6 February 2020	1,016,949	60,000
<b>Balance 30 June 2020</b>		<b>191,392,259</b>	<b>32,988,263</b>
Opening balance	1 July 2020	191,392,259	32,988,263
Equity raising	22 December 2020	46,678,574	3,709,286
Less: transaction costs arising on share issues	22 December 2020	-	(206,361)
Add: tax effect of transaction costs arising on share issues	22 December 2020	-	53,653
<b>Balance 31 December 2020</b>		<b>238,070,833</b>	<b>36,544,841</b>

## 17 Reconciliation of operating profit after income tax to net cash from operating activities

	31 December 2020 \$	31 December 2019 \$
Profit for the period	159,283	1,494,643
Adjustments for:		
Share Based Payments	91,567	51,678
Depreciation and amortisation	420,045	392,918
	<b>670,895</b>	<b>1,939,239</b>
Change in assets and liabilities:		
(Increase) in receivables	(69,107)	(43,426)
Increase in payables	262,635	314,203
Increase in provisions	19,635	377,445
Increase / (decrease) in deferred tax assets	222,799	(775,404)
Increase / (decrease) in deferred tax liabilities	(111,965)	323,455
(Decrease) in payroll liabilities	(20,515)	(915,852)
(Decrease) in current liabilities	(784,344)	(423,565)
(Decrease) in other including acquired working capital	(171,120)	(373,708)
Net cash inflow from operating activities	<b>18,913</b>	<b>422,387</b>

## 18 Earnings per share

Reconciliation of earnings used in calculating earnings per share	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
Profit attributable to the ordinary equity holders of the company	<b>159,283</b>	<b>1,494,643</b>
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	193,432,852	180,396,990
Adjustments for calculation of diluted earnings per share:		
Share performance rights	-	-
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	<b>193,432,852</b>	<b>180,396,990</b>

	Cents	Cents
Basic earnings per share	0.08	0.83
Diluted earnings per share	0.08	0.83

## 19 Business combination

On 15 December 2021 Comms Group entered into a binding share purchase agreement, to acquire 100% of the shares of Next Telecom Pty Ltd ("Next Telecom"). The acquisition was completed on 29 January 2021 at which time Comms Group took control of the acquired business per the terms of the share purchase agreement.

Next Telecom provides a full range of telecommunication services including:

- Cloud hosted IP telephony: sophisticated voice and video platform with functionality of a traditional
- phone system with a host of additional features;
- Voice, SIP trunking, business mobile services and inbound telephony services;
- NBN products, fibre services and international data services; and
- Managed services and network security solutions.

The total purchase price is up to a maximum of \$12.0m comprising:

- Upfront consideration of \$8.67m including:
  1. Cash consideration of \$2.0m subject to adjustment for working capital and net debt items.
  2. \$6.67m in Comms Group scrip issued at \$0.0942 per share and escrowed for 12 to 18 months from the date of completion.
- Performance or earn out payment of up to \$3.33m in Comms Group scrip issued at \$0.10 per share (with the same escrow arrangements as upfront consideration) based on any additional audited pro-forma EBITDA over \$1.445m up to a maximum of \$2.0m for the year ending 30 June 2021.

Based on Comms Group management's best estimate at settlement of Next Telecom's forecast EBITDA for the 12 months to 30 June 2021, total consideration of \$9.60m is expected to be paid including (discounted) deferred consideration of \$1.08m.

The fair value of the contingent consideration liability was estimated using level 3 inputs which included an assumption for a discount rate of 12.3%. The potential undiscounted amount of all future payments that Comms Group could be required to make under the contingent consideration arrangement is between \$nil and \$3.33m.

The Company has funded the upfront cash consideration from proceeds received from the capital raising of December 2021 and the balance of the upfront consideration of \$6.67m has been funded by the issue of Comms Group scrip to the vendors of Next Telecom. The performance or earn out payment of up to \$3.33m will also be funded by the issue of Comms Group scrip to the vendors.

The acquisition provides a significant increase in scale, product offerings and overall customer base for the existing Comms Group business. Next Telecom has a complementary customer base, expanding and diversifying the Comms Group's existing customer base with significantly less reliance on any one customer, particularly in the corporate mid-market sector (100 plus seats). There is also significant product and technology fit across Voice, Data and Managed Services. The acquisition will also provide significant opportunities in regards to synergies and the ability to cross-sell each other's complementary product and service offerings.

The Company has incurred acquisition related costs of \$0.42m to settlement, \$0.31m of which has been included in "Professional Fees" in the Consolidated statement of profit and loss.

The purchase price of \$9.60m has been allocated on a provisional basis as set out below, to the assets acquired and liabilities assumed in the business combination.

	<b>\$m</b>
Cash at bank	0.31
Current Assets (excluding DTA)	1.92
Fixed Assets	0.02
Customer contracts	4.69
Brands	3.74
Current Liabilities	(2.33)
DTA acquired	0.10
Goodwill	1.15
<b>Total</b>	<b>9.60</b>

## **19 Business combination (continued)**

Trade receivables acquired comprise gross contractual amounts due of \$1.79m and Comms Group based on its best estimate at the acquisition date expects to collect the entire amount.

Goodwill of \$1.15m is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

The purchase consideration has been allocated on a provisional basis based on management's best estimates. The Group is in the process of making a final determination of the fair value of assets and liabilities. Finalisation of the purchase price allocation may result in certain adjustments to the above allocation and revision of amounts recorded as of 29 January 2021 to reflect the final valuation of assets acquired or liabilities assumed.

## **20 Events since the end of the financial year**

- Issue of additional capital

At an Extraordinary General Meeting held on 25 January 2021 shareholders ratified the issue of shares under the Tranche 1 Placement and approved the issue of shares to the vendors of Next Telecom and issue of shares to all applicants including Directors under the Tranche 2 Placement.

The Tranche 2 Placement equity raising was successfully completed on 29 January 2021, raising \$2.5m of new equity.

- Acquisition of Next Telecom

The acquisition of Next Telecom Pty Ltd was completed on 29 January 2021 at which time Comms Group took control of the acquired business, per the terms of the share purchase agreement. Settlement of the consideration successfully took place on 29 January 2021 which included a cash payment of \$1.5m and issue of \$6.7m of new equity to the vendors. Subject to the finalisation of working capital and net debt item balances at settlement (29 January 2021), a final cash payment as part of the initial consideration is expected to be made to the vendors of Next Telecom by mid-March 2021.

No other matter or circumstance has arisen since 31 December 2020 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.

**Directors' declaration**

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



John Mackay  
Director

Sydney  
24 February 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Comms Group Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Comms Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

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

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

#### Responsibility of the directors for the financial report


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

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

**BDO Audit Pty Ltd**

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

**Grant Saxon**  
**Director**

Sydney, 24 February 2021