N1 Telecommunications Pty Ltd
and controlled entities

ABN 71 638 547 476

Financial Report – Half Year ended 31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of N1 Telecommunications Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during the half year ended 31 December 2020

Directors
The following persons were directors of N1 Telecommunications Pty Ltd during the whole of the half year and up to the date of this report, unless otherwise stated:

- Richard Whiting
- Nicholas Van Namen
- Jodee Van Namen

Principal activities
During the half year the principal activities of the consolidated entity consisted of the provision of internet services in Western Australia.

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest for the half year amounted to $512,121.

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

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the half year ended 31 December 2020.

Events occurring after balance date
The impact of the Coronavirus (COVID-19) pandemic is ongoing but it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

N1 Telecommunications Pty Ltd has entered into a Share Sale Agreement (SSA) with Stemify Ltd for the sale of 100% of the shares in N1 Telecommunications Pty Ltd.

N1 Telecommunications Pty Ltd has entered into a Binding Term Sheet with shareholders of N1 Telecommunications Pty Ltd for a finance facility for a maximum of $1,000,000. The facility will be paid back on the successful listing on the ASX or via a capital raising by 30 June 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.

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

Information on directors

Name:	Richard Whiting
Title:	Chief Executive Officer
Qualifications:	Bachelor of Science (Comp Sci) Grad Dip Finance
Experience and expertise:	40 years in IT and telecommunications industry
Special responsibilities:	Oversee management and growth of the N1 Telecommunications business including sales, marketing, technical, financial

Name:	Nicholas Van Namen
Title:	Executive Director
Qualifications:	Diploma in Computer Systems Engineering
Experience and expertise:	Advanced Layer 2/3 Networking, with a great deal of understanding fundamental protocols working within a multi-vendor network Routing protocols (BGP/OSPF) and related filtering requirements Advanced Firewall (protocol) knowledge, network security RF adaptation and mitigation, working in a Class Licensed spectrum ICT Systems Development Basic web development (PHP) and database structures Cyber security Business Management
Special responsibilities:	Management, Maintenance and Construction of the N1 Network Integration of hardware to software platforms Business opportunity scouting

Name:	Jodee Van Namen
Title:	Executive Director
Experience and expertise:	Bank Reconciliations Accounts Payable Process Refunds Hiring new staff members
Special responsibilities:	Payroll Bank authorisations Assist with Accounts Payable Assist with refunds Employment contract Liaise with site owners Organise new creditor accounts

Company secretary
Melanie Elise Power (B.Com, CA) has held the role of Company Secretary since 5 February 2020. Melanie is a member of the Governance Institute of Australia ('GIA').

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board") held during the half year ended 31 December 2020, and the number of meetings attended by each director were:

	Directors' meetings held whilst in office	***Directors' meetings attended***
Richard Whiting	6	6
Nicholas Van Namen	6	6
Jodee Van Namen	6	6

Shares under option
There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the half year ended 31 December 2020 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 half 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 half year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the half 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.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

Richard Whiting
Director

23 March 2021

Nicholas Van Namen
Director

23 March 2021

Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF N1 TELECOMMUNICATION PTY LTD

In relation to our audit of the financial report of N1 Telecommunication Pty Ltd for the half year ended 31 December 2020, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

SIMON FERMANIS
PARTNER

23 MARCH 2021
WEST PERTH,
WESTERN AUSTRALIA

General information

The financial statements cover N1 Telecommunications Pty Ltd as a consolidated entity consisting of N1 Telecommunications Pty Ltd and the entities it controlled at the end of, or during the half year. The financial statements are presented in Australian dollars, which is N1 Telecommunications Pty Ltd functional and presentation currency.

N1 Telecommunications Pty Ltd is an unlisted proprietary company Ltd by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 2, 232, Churchill Avenue, Subiaco, WA, 6008.

Principal place of business

Suite 4, 97 Hector St W, Osborne Park WA 6017

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 March 2021. The directors have the power to amend and reissue the financial statements.

N1 Telecommunications Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2020

	Note	31/12/2020 $'000
Revenue		
Services rendered		3,750
Other income		46
		3,796
Expenses		
Network access fees		(1,704)
Employee benefits expense		(1,061)
Depreciation and amortisation expense		(589)
Professional fees		(394)
Marketing fees		(234)
Other expenses		(252)
Finance costs		(26)
		(4,260)
Loss before income tax expense		(464)
Income tax expense	3	(48)
Loss after income tax expense for the period		(512)
Other comprehensive income/ (loss)		
Other comprehensive income/ (loss) for the period, net of tax		-
Total comprehensive income/ (loss) for the period		(512)

		Cents
Earnings/ (loss) per share from continuing operations attributable to the owners of N1 Telecommunications Pty Ltd		
Basic loss per share	23	(2.22)
Diluted loss per share	23	(2.22)
Earnings/ (loss) per share attributable to the owners of N1 Telecommunications Pty Ltd		
Basic loss per share	23	(2.22)
Diluted loss per share	23	(2.22)

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

N1 Telecommunications Pty Ltd
Consolidated statement of financial position
For the period ended 31 December 2020

	Note	31/12/2020 $'000	30/06/2020 $'000
Assets			
Current assets			
Cash and cash equivalents	4	441	619
Trade and other receivables	5	453	678
Inventories	6	146	109
Other	7	167	335
Total current assets		1,207	1,741
Non-current assets			
Plant and equipment	8	2,118	1,398
Right-of-use assets	9	735	304
Intangibles	10	558	252
Other		27	28
Total non-current assets		3,438	1,982
Total assets		4,645	3,723
Liabilities			
Current liabilities			
Trade and other payables	11	1,284	1,437
Borrowings	12	55	59
Lease liabilities	13	334	85
Employee benefits	14	122	75
Provisions		82	44
Other		65	16
Total current liabilities		1,942	1,716
Non-current liabilities			
Borrowings	12	201	215
Lease liabilities	13	416	229
Employee benefits		15	11
Deferred tax	3	170	125
Total non-current liabilities		802	580
Total liabilities		2,744	2,296
Net assets		1,901	1,427
Equity			
Issued capital	15	1,500	500
Reserves	16	437	451
Retained profits	17	(36)	476
Total equity		1,901	1,427

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

N1 Telecommunications Pty Ltd
Consolidated statement of changes in equity
For the period ended 31 December 2020

	Issued capital $'000	Reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	500	451	476	1,427
Loss after income tax expense for the period	-	-	(512)	(512)
Other comprehensive income/ (loss) for the period, net of tax	-	-	-	-
		-		
Total comprehensive income/ (loss) for the period	-	-	(512)	(512)
Transactions with owners in their capacity as owners:				
Shares Issued	1,000	-	-	1,000
Share issue costs	-	(14)	-	(14)
Balance at 31 December 2020	1,500	437	(36)	1,901

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

N1 Telecommunications Pty Ltd
Consolidated statement of cash flows
For the year ended 31 December 2020

	Note	31/12/2020 $000
Cash flows from operating activities		
Receipts from customers		4,021
Payments to suppliers and employees		(3,642)
Interest and other finance costs paid		(26)
Net cash from operating activities	22	353
Cash flows from investing activities		
Payments for plant and equipment		(997)
Payments for intangible assets		(339)
Net cash used in investing activities		(1,336)
Cash flows from financing activities		
Proceeds from issue of shares		1,000
Share issue transaction costs		(12)
Repayment of borrowings		(17)
Lease payments		(166)
Net cash from financing activities		805
Net increase in cash and cash equivalents		(178)
Cash and cash equivalents at the beginning of the period		619
Cash and cash equivalents at the end of the period	4	441

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods 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.

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, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Comparatives
As the parent entity was only incorporated as at 5 February 2020, there is no comparatives for the 6 month period ending 31 December 2019, however comparatives have been provided for the statement of financial position as at 30 June 2020.

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.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of N1 Telecommunications Pty Ltd ('company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the period then ended. N1 Telecommunications Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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.

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.

Note 1. Significant accounting policies (continued)

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.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or a daily rate.

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.

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.

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

Note 1. Significant accounting policies (continued)

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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.

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting 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.

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 straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-12 years

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

An item of property, 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 1. Significant accounting policies (continued)

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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.

IP Addresses
Significant costs associated with IP Addresses are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

IT systems upgrade
Significant costs associated with it systems upgrade are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Network
Significant costs associated with network are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Website
Significant costs associated with website are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to 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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company 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.

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.

Borrowings

Loans, borrowings and hire purchase financial liabilities 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 1. Significant accounting policies (continued)

Lease liabilities

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

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.

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.

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 expect 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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.

Note 1. Significant accounting policies (continued)

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.

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.

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.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

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

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, 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 lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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 economical 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.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Common control entities
On 6 March 2020, Fiwi Pty Ltd and the Van Namen Family Trust, who owned 49% and 51% respectively of N1 Wholesale Pty Ltd and Node 1 Pty Ltd, exchanged their respective shares in these 2 companies for shares in N1 Telecommunications Pty Ltd. N1 Telecommunications Pty Ltd was incorporated on the 5th February 2020 and became the parent of the these 2 companies on the 6th March 2020.

The interposing of N1 Telecommunications Pty Ltd into the corporate structure is accounted for as entities under common control as there has not been a change in control. The restructure at the time did not change the ultimate ownership of both N1 Wholesale Pty Ltd and Node 1 Pty Ltd with Fiwi Pty Ltd and the Van Namen Family Trust owning N1 Telecommunications Pty Ltd in the same proportions. This transaction is not deemed to be a business combination under AASB 3. As at 31 December 2020 N1 Telecommunications Pty Ltd continues to hold a 100% interest in N1 Wholesale Pty Ltd and Node 1 Pty Ltd.

Note 3. Income tax expense

	31/12/2020 $'000	30/06/2020 $'000
a) The components of tax expenses/(benefit) comprise:		
Current tax	-	-
Deferred tax	48	125
Income tax expense/(benefit)	48	125
b) Reconciliation of income tax to prima facie tax payable:		
Accounting profit/(loss) before tax	(464)	601
Income tax expense/(benefit) at 27.5%	(121)	165
Add/(Deduct) tax effect of:		
- Non-deductible expenses	-	3
- Non-assessable income	-	(28)
- Recognition of deferred tax attributable to subsidiaries/ prior periods	169	(8)
- Impact of reduction on future corporate tax rate	-	(7)
Income tax expense/(benefit)	48	125
c) The following deferred tax balances have been recognised:		
Deferred Tax Assets @ 26%		
Tax losses	520	245
Other	-	2
Accrual & provisions	35	26
	555	273
Deferred Tax Assets recognised in Equity @ 26%		
Share issue costs	4	-
	4	-
Deferred Tax Liabilities @ 26%		
Prepayments	29	32
Government grants	-	3
Right of use assets	4	-
Plant & equipment and intangibles	695	363
	729	398
Net Deferred Tax Liability	170	125

d) Change in corporate tax rate

There has been a legislated change in the corporate tax rate that will apply to future income years. The impact of this reduction in the corporate tax rate has been reflected in the unrecognized deferred tax positions and the prima facie income tax reconciliation above.

Note 4. Current assets - cash and cash equivalents

	31/12/2020 $'000	30/06/2020 $'000
Cash at bank	441	619
	441	619

Note 5. Current assets - trade and other receivables

	31/12/2020 $'000	30/06/2020 $'000
Trade receivables	453	678
	453	678

Note 6. Current assets - inventories

	31/12/2020 $'000	30/06/2020 $'000
Infrastructure	74	54
Materials	72	55
	146	109

Note 7. Current assets - other

	31/12/2020 $'000	30/06/2020 $'000
Prepayments	131	187
Accrued Income	26	11
Provisions	-	88
GST	10	49
	167	335

Note 8. Non-current assets - plant and equipment

	31/12/2020 $'000	30/06/2020 $'000
Balance at beginning of period	1,398	-
Additions	997	1,566
Disposal	-	-
Depreciation expense	(277)	(168)
Balance at end of period	2,118	1,398

Note 8. Non-current assets - plant and equipment (continued)

Movement	Plant & equipment $'000	Motor vehicles $'000	Perth network installations $'000	Regional network installations $'000	Perth network sites $'000	Regional network sites $'000	Total $'000
Balance at 1 January 2020	-	-	-	-	-	-	-
Additions	129	82	629	123	567	36	1,566
Disposal	-	-	-	-	-	-	-
Depreciation expense	(10)	(18)	(106)	(29)	(4)	(1)	(168)
Balance at 30 June 2020	119	64	523	94	563	35	1,398
Balance at 1 July 2020	119	64	523	94	563	35	1,398
Additions	209	-	421	32	285	50	997
Disposals	-	-	-	-	-	-	-
Depreciation expense	(25)	(10)	(159)	(28)	(53)	(2)	(277)
Balance at 31 December 2020	303	54	785	98	794	84	2,118

Note 9. Non-current assets - right-of-use assets

	31/12/2020 $'000	**30/06/2020 $'000**
Balance at beginning of period	304	-
Right-of-use assets	602	391
Less: depreciation	(171)	(87)
Balance at end of period	735	304

The consolidated entity leases plant and equipment under agreements of between one to ten years.

Note 10. Non-current assets – intangibles

	31/12/2020 $'000	**30/06/2020 $'000**
IP Addresses	120	133
IT Systems Upgrade	205	41
Network Upgrade	126	-
Website	100	77
Other	7	1
	558	252

Note 10. Non-current assets - intangibles (continued)

Movement	IP Addresses $'000	IT System $'000	Network $'000	Website $'000	Other $'000	Total $'000
Balance at 1 January 2020	-	-	-	-	-	-
Additions	133	41	-	78	1	253
Disposals	-	-	-	-	-	-
Amortisation expense	-	-	-	(1)	-	(1)
Balance at 30 June 2020	133	41	-	77	1	252
Balance at 1 July 2020	133	41	-	77	1	252
Additions	-	170	131	32	6	339
Disposals	-	-	-	-	-	-
Amortisation expense	(13)	(6)	(5)	(9)	-	(33)
Balance at 31 December 2020	120	205	126	100	7	558

Note 11. Current liabilities - trade and other payables

	31/12/2020 $'000	30/06/2020 $'000
Trade payables	1,059	1,220
Accrued expenses	225	217
	1,284	1,437

Note 12. Current liabilities - borrowings

	31/12/2020 $'000	30/06/2020 $'000
ANZ Loan	11	12
CBA Loan	22	22
Hire Purchase liabilities	22	24
	55	59

Note 12. Non-current liabilities - borrowings

	31/12/2020 $'000	30/06/2020 $'000
ANZ Loan	-	4
CBA Loan	139	143
Hire Purchase liabilities	62	68
	201	215

Note 13. Current liabilities - lease liabilities

	31/12/2020 $'000	30/06/2020 $'000
Lease liability	334	85
	334	85

Note 13. Non-current liabilities - lease liabilities

	31/12/2020 $'000	30/06/2020 $'000
Lease liability	416	229
	416	229

Note 14. Current liabilities - employee benefits

	31/12/2020 $'000	30/06/2020 $'000
Provision for annual leave	98	63
Superannuation liability	24	12
	122	75

Note 15. Equity - issued capital

	31/12/2020 Shares	30/06/2020 Shares	31/12/2020 $'000	30/06/2020 $'000
Ordinary shares - fully paid	23,250,000	20,750,000	1,500	500

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 January 2020	-		-
Issue of shares	5 February 2020	100	$1.00	-
Issue of shares	6 March 2020	200	$1.00	-
Share Conversion (1:65,000)	27 May 2020	19,499,700		-
Issue of Shares	30 June 2020	1,250,000	$0.40	500
Balance	30 June 2020	20,750,000		500
Issue of shares	14 July 2020	2,500,000	$0.40	1,000
Balance	31 December 2020	23,250,000		1,500

Note 16. Equity - reserves

	31/12/2020 $'000	30/06/2020 $'000
Balance at beginning of period	451	-
Transferred in	-	515
Share issue costs	(14)	(64)
Balance at end of period	437	451

Note 17. Equity - retained profits

	31/12/2020 $'000	30/06/2020 $'000
Balance at beginning of period	476	-
Profit after income tax expense for the period	(512)	476
Balance at end of period	(36)	476

Note 18. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 31/12/2020 %
Node 1 Pty Ltd	Australia	100.00%
N1 Wholesale Pty Ltd	Australia	100.00%

Note 19. 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:

	31/12/2020 $'000
Short-term employee benefits	236
Post-employment benefits	9
	245

Note 20. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2020.

Note 21. Events occurring after balance date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

N1 Telecommunications Pty Ltd has entered into a Share Sale Agreement (SSA) with Stemify Ltd for the sale of 100% of the shares in N1 Telecommunications Pty Ltd.

N1 Telecommunications Pty Ltd has entered into a Binding Term Sheet with shareholders of N1 Telecommunications Pty Ltd for a finance facility for a maximum of $1,000,000. The facility will be paid back on the successful listing on the ASX or via a capital raising by 30 June 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 22. Reconciliation of profit after income tax to net cash from operating activities

	31/12/2020 $'000
Loss after income tax expense for the year	(464)
Adjustments for:	
Depreciation and amortisation	481
Change in operating assets and liabilities:	
Decrease in trade and other receivables	225
Increase in inventories	(37)
Decrease in other operating assets	168
Decrease in trade and other payables	(158)
Increase/(decrease) in deferred tax liabilities	-
Increase in employee benefits	51
Increase in other provisions	38
Increase in other operating liabilities	49
Net cash from operating activities	353

Note 23. Earnings/ (loss) per share

	31/12/2020 $'000
Earnings/ (loss) per share from continuing operations	
Loss after income tax	(512)
Non-controlling interest	-
Loss after income tax attributable to the owners of N1 Telecommunications Ltd	(512)

	Cents
Basic loss per share	(2.22)
Diluted loss per share	(2.22)

Note 23. Earnings/ (loss) per share (continued)

	31/12/2020 $'000
Earnings/ (loss) per share	
Loss after income tax	(512)
Non-controlling interest	-
Profit after income tax attributable to the owners of N1 Telecommunications Ltd	(512)

	Cents
Basic loss per share	(2.22)
Diluted loss per share	(2.22)

	Number
Weighted average number of ordinary shares	
Weighted average number of ordinary shares used in calculating basic earnings/ (loss) per share	23,073,370
Adjustments for calculation of diluted earnings per share:	
Options over ordinary shares	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	23,073,370

Note 24. Related party transactions

Parent entity
N1 Telecommunications Pty Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 18.

Key management personnel
Disclosures relating to key management personnel are set out in note 19.

Transactions with related parties
The following transactions occurred with related parties:

	31/12/2020 $'000
Payment for shared costs on charged by Logit IT Solutions Pty Ltd (director-related entity of Nicholas Van Namen and Jodee Van Namen)	1,793

Payables to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31/12/2020 $'000
Current payables:	
Trade payables to Logit IT Solutions Pty Ltd (director-related entity of Nicholas Van Namen and Jodee Van Namen)	485

Note 24. Related party transactions (continued)

Loans to/from related parties
There were no loans to or from related parties at the current reporting date.

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

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the 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 31 December 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

Richard Whiting
Director

23 March 2021

Nicholas Van Namen
Director

23 March 2021

PKF Perth

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

N1 TELECOMMUNICATIONS PTY LTD

Report on the Financial Report

Opinion

We have audited the accompanying financial report of N1 Telecommunications Pty Ltd (the "Company") and its controlled entities (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 then ended, notes comprising a summary of significant accounting policies, and the Directors' Declaration.

In our opinion the accompanying financial report of N1 Telecommunications Pty Ltd and its controlled entities is in accordance 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 performance for the half year ended on that date; and

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

Independence

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 (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.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Group's annual report for the half year ended 31 December 2020, 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.

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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.

Responsibilities of Directors' for the Financial Report

The Directors of the Group 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 Responsibilities 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 and 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, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with 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 entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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, actions taken to eliminate threats or safeguards applied.

PKF Perth

PKF PERTH

SIMON FERMANIS
PARTNER

23 MARCH 2021
WEST PERTH,
WESTERN AUSTRALIA