CommsChoice Group Limited
6 / 56 Clarence Street Sydney NSW 2000

commschoice
cloud communications for business

4 September 2019

ASX Company Announcements Office
Sydney NSW 2000

Annual Report – updated ASX Additional Information

CommsChoice Group Limited (ASX: CCG) has updated its ASX Additional Information section to comply with ASX Listing Rule 4.10, current as at 3rd September 2019.

No other changes have been made to the Company's Full Year Statutory Accounts announcement released to ASX on 28 August 2019.

Yours sincerely

Andrew Metcalfe
Company Secretary

CommsChoice Group Limited
Consolidated Financial Report
For the year ended 30 June 2019
ACN 619 196 539

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Consolidated Financial Report – for the year ended 30 June 2019

Contents

Directors' report

Your directors present their report on the consolidated entity consisting of CommsChoice Group Limited (the "Company") and the entities it controlled (collectively "CommsChoice Group") at the end of, or during, the year ended 30 June 2019.

Directors and company secretary

The following persons were directors of the Company during the financial year up to the date of this report:

J A Mackay	Appointed 11 October 2017
PJ McGrath	Appointed 11 October 2017
CG Petricevic	Appointed 18 May 2017, resigned 19 November 2018
BJ Jennings	Appointed 11 October 2017
GJF Ellison	Appointed 11 October 2017
SM Bell	Appointed 11 October 2017, resigned on 30 June 2019

The company secretary is Andrew Metcalfe, (FGIA, GAICD, CPA). Andrew was appointed to the position of company secretary on 27 October 2017. Andrew is a Fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia) and a Member of the Australian Institute of Company Directors. Andrew operates through his specialist governance company, Accosec & Associates, providing company secretarial services and advises on corporate governance matters for a number of ASX listed, public and private companies and not for profit organisations. He manages the regulatory function of CommsChoice Group in Australia.

Principal activities

CommsChoice Group is an information and communication technology (ICT) business, providing a comprehensive vendor agnostic ICT managed service. CommsChoice Group services clients in Australia and internationally including New Zealand and Singapore.

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

For the year ended 2019, CommsChoice 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 and consulting services to support the primary products of the business.

There were no significant changes in the nature of the activity of the CommsChoice Group during the reporting period.

Dividends

The Directors have resolved not to pay a final dividend for the year ending 30 June 2019.

Review of operations

The CommsChoice Group was formed on 15 December 2017. The first full year reporting period is therefore for the year ended 30 June 2019.

The year ended 30 June 2019 was a period of transition and transformation for CommsChoice. Significant competition in the small business market delayed the integration of the operations and therefore retained costs within the business. These retained costs in the business were not offset by revenue growth.

The appointment of Peter McGrath as CEO and Managing Director has repositioned the business. The business has undergone significant restructuring and reduced annual budgeted costs in financial year 2020 by $1.8m to $2.0m.

To fund the restructuring of the business, CommsChoice raised $2.35m of new equity comprising a placement to Directors and professional and sophisticated investors, followed by a Share Purchase Plan. In addition to the restructuring of the business, these funds will be used for working capital and investment into new e-commerce capabilities.

Group result

The Group result in the first period of trading is comprised as follows:

Reporting period	Statutory FY19	Statutory FY18
Trading entities	Full year results	15 December 2017 to 30 June 2018
Parent company	Full year results	Full year results

Total revenue from ordinary activities for the year was $21.0m, representing an increase of 100% over the prior reporting period.

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

	30 June 2019 $M	30 June 2018 $M
Revenue	21	10.5
Reported loss before tax	(20.7)	(4.7)
Add: IPO / Business integration costs	-	4.1
Add: Restructuring / Business integration costs	2.7	-
Add: net finance costs	-	-
Add: depreciation and amortisation	2.0	0.9
Add: impairment of intangibles	16.3	-
Underlying EBITDA for period	0.3	0.3

Earnings per share

Loss per share for the period is as follows:

	30 June 2019	30 June 2018
Net loss after tax ($m)	(19.45)	(4.08)
Loss per share (cents)	(17.26)	(7.38)
Diluted earnings per share (cents)	(17.26)	(7.38)
Net profit after tax (ex-amortisation and impairment) ($m)	(1.24)	(3.44)
Earnings / (loss) per share (cents)	(0.01)	(6.21)
Diluted earnings / (loss) per share (cents)	(0.01)	(6.21)

Business integration and simplification

Integration of the business is delivering tangible benefits for our clients and employees. The operations of the five acquired businesses operate out of one trading entity and on one finance platform.

Changes to the management structure and optimising the deployment of resources to focus on delivery and customer support will eliminate up to $2.0m in overhead costs in the financial year ended 30 June 2020.

Operating segment

The Group has one operating segment under AASB 8 Operating Segments. This reflects the way the business is monitored and resources are allocated. The revenue from one customer contributed to 17.8% of total revenue for the year. The Group's revenues from external customers are predominantly domiciled in Australia.

Significant changes in the state of affairs

On 11 June 2019, CommsChoice Group Limited announced plans to restructure its sales and operations areas following a detailed review of the Company's sales and customer facing activities. The structure is focused on cost reductions to deliver a profitable business commencing in the first quarter of the financial year ended 30 June 2020.

Events since the end of the financial year

On the 6 August 2019, a determination was provided in relation to ongoing warranty claim being pursued by the Group. The Group is now considering the result of this claim in full before determining its next steps. Following the resolution of this warranty claim, CommsChoice Group Limited has issued the final tranche of claim retention shares as set out in the Share Purchase Agreements.

An Extraordinary General Meeting (EGM) was held on the 23 July 2019. The EGM was for the approval of the issue of 25.9m shares at 4 cents under the Share Purchase Plan and the approval of the Performance Rights Plan.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the CommsChoice Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Likely developments in the operations of the Group have been included in the Review of Operations section of this report. The CommsChoice Group is presently focused on consolidating and integrating its operations to ensure an effective operating model, and the results for 2019 are expected to continue to grow.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulations under Australian Commonwealth or State law.

Information on directors

The following information is current as at the date of this report.

John Angus Mackay
Independent Non-Executive Chairman

Qualifications:	BA (Admin/Economics), AM
Experience and Expertise:	John has over 15 years' experience as chairman and director of major listed and unlisted companies across the communications, utilities, health, construction and education sectors.
Other current directorships:	Chairman of SpeedCast International (ASX: SDA) and Director of Energy Action (ASX: EAX).
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interest in shares at 30 June 2019:	531,250

Peter McGrath
Executive Director and Chief Executive Officer

Qualifications:	B.Eng, MBA
Experience and Expertise:	Peter's business career spans 30 years in telecommunications, ICT and corporate advisory, with over 15 years in senior leadership positions. Peter has been involved in leadership as CEO of a number of major Australian telecommunications firms and he also has extensive experience in equity capital markets and corporate finance
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Compliance and Risk Management Committee
Interest in shares at 30 June 2019:	250,000

Ben Jennings
Non-Executive Director

Qualifications:	B.Bus, CA
Experience and Expertise:	Ben has spent almost 18 years as an accountant working in both commercial and public practice roles in both Australia and the United Kingdom. Ben established middle market advisory firm Jennings Partners Chartered Accountants in early 2009 to provide commercial advisory, mergers and acquisition, income taxation, and Finance Director/ Chief Financial Officer services to SME businesses, venture capital and private equity groups.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit Compliance and Risk Management Committee
Interest in shares at 30 June 2019:	9,227,289

Grant Ellison
Executive Director & General Manager, Business Development

Qualifications:	L.L.B, B.Comm, GAICD
Experience and Expertise:	Grant founded the Service Provider, CommsChoice Pty Ltd.
Other current directorships:	None
Former directorships (last 3 years):	Founder and CEO of CommsChoice Pty Ltd
Special responsibilities:	None
Interest in shares at 30 June 2019:	21,947,494
Interest in options at 30 June 2019:	3,508,156

Board and Committee Meetings

During the financial year, the Directors held eleven Board meetings, five Audit, Compliance and Risk Management Committee meetings and two Nomination and Remuneration Committee meetings. Each Director's attendance at those meetings during the year were as follows:

	Board		Audit, Compliance & Risk Committee		Nomination & Remuneration Committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
John Mackay	11	11	-	-	2	2
Peter McGrath	11	11	5	5	2	2
Cameron Petricevic	5	5	-	-	-	-
Ben Jennings	11	11	5	5	-	-
Stephen Bell	11	11	5	5	-	-
Grant Ellison	11	11	-	-	-	-

Insurance of officers and indemnities

During the year, CommsChoice Group Ltd paid a premium of $47,280 to insure the directors and company 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 CommsChoice Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Remuneration Report (audited)

This Remuneration Report details remuneration information as it applies to the CommsChoice Group and its controlled entities for the year ended 30 June 2019 in accordance with the requirements of the Corporations Act 2001 (the Act) and has been audited as required by section 308 (3C) of the Act. The report details the remuneration arrangements for the CommsChoice Group's key management personnel (KMP).

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report
(b) Principles used to determine nature and amount of remuneration
(c) Details of remuneration
(d) Share based compensation
(e) Service agreements
(f) Additional disclosures relating to KMP

(a) Key management personnel covered in this report

Non-executive and executive directors (see pages 4 to 6 for details about each director)

John Mackay	Non-Executive Chairman
Peter McGrath	Executive Director, Chief Executive Officer (commencing 23 April 2019)
Ben Jennings	Non-Executive Director
Grant Ellison	Executive Director, General Manger – Business Development
Cameron Petricevic (resigned)	Non-Executive Director
Stephen Bell (resigned)	Non-Executive Director

Other key management personnel

Patrick Harsas	Chief Financial Officer
Ben Gilbert	Chief Executive Officer (resigned 17 April 2019)

Patrick Harsas, Chief Financial Officer has resigned from CommsChoice to take up another role in an unrelated industry, effective 27 August 2019.

(b) Principles used to determine nature and amount of remuneration

Remuneration policy

The Board's objective is to ensure that CommsChoice Group's remuneration supports achievement of the Company's strategy and drives performance and behaviours which are in the Company's best interests. Remuneration matters will be handled by the Nomination and Remuneration Committee, which is a sub-committee of the Board.

Nomination and Remuneration Committee

The objective of the Nomination and Remuneration Committee is to help the Board achieve its objective to ensure the Company:

- has a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Company, the performance of the executives and the general external pay environment.

In carrying out its duties the Nomination and Remuneration Committee will assess the appropriateness of the nature and amount of remuneration on an annual basis, by reference to relevant local employment market conditions. The overall objective is to ensure maximum stakeholder benefits from the attraction and retention of a high quality executive team. The Nomination and Remuneration Committee forms its own independent decisions on KMP remuneration.

The key principles which govern the Company's remuneration framework are to:

- Link executive rewards to the creation of shareholder value;
- Provide market competitive remuneration package, with appropriate balance of fixed and variable remuneration;
- Ensure variable portion of executive remuneration is dependent upon meeting pre-determined performance objectives;
- Allow for Board discretion to be applied, in order to ensure that remuneration outcomes are appropriate for the Company's circumstances; and
- Ensure that performance objectives for variable remuneration are aligned to the drivers of the Group's success and the achievement of overall business objectives.

The Group has not been operating for a sufficient period of time to determine the full relationship between executive remuneration arrangements and company performance.

(c) Details of remuneration

Remuneration of Key Management Personnel

Each of the Non-Executive Directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the Company's Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, subject to the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed an aggregate maximum amount of $400,000 per annum or such other maximum amount determined by the Company in general meeting.

Independent non-executive director remuneration currently consist of:

- a base fee of $49,950 per annum to John Mackay for serving as chairman, increasing to $74,950 for the financial year ended 30 June 2020. and $39,950 to Peter McGrath whilst he was an independent non-executive director; and
- statutory superannuation, equivalent to the Government Superannuation Guarantee amount.

The other non-executive directors who were also part of the legacy ownership structure of the acquired entities do not receive a fee for their role as a Board Director.

Details of remuneration of the KMPs of the CommsChoice Group is set out in the following table. Cash salary and fees include annual leave entitlements.

	Year	Short-term benefits			Long-term benefits	
		Cash salary & fees $	Superannuation $	Shares $	Options $	Total $
Non-executive Directors						
John Mackay	2019	45,617	4,334	-	-	49,951
	2018	34,213	3,250	-	-	37,463
Cameron Petricevic	2019	-	-	-	-	-
	2018	-	-	1,790,000	-	1,790,000
Stephen Bell	2019	-	-	-	-	-
	2018	-	-	10,000	-	10,000
Executive Directors						
Peter McGrath	2019	78,056	7,415	-	-	85,471
	2018	27,364	2,600	-	-	29,964
Grant Ellison	2019	115,296	10,953	-	-	126,250
	2018	106,133	10,083	-	-	116,216
Other KMP					-	
Benjamin Gilbert	2019	200,913	19,087	-	-	220,000
	2018	160,346	15,233	300,000	12,610	488,189
Patrick Harsas	2019	168,306	15,989	-	-	184,295
	2018	106,779	10,144	100,000	4,203	221,126
Total 2019		**608,188**	**57,778**	**-**	**-**	**665,966**
Total 2018		434,835	41,310	2,200,000	16,813	2,692,958

Grant Ellison has been on leave and subsequently leave without pay since November 2018.

Ben Gilbert resigned as CEO of CommsChoice on 17 April 2019. Termination benefits of $162,350 will be paid to Ben Gilbert for the financial year ended 30 June 2020.

(d) Share based compensation

Long Term Incentive Scheme

A total of 18,600,000 performance rights have been issued to Directors and management under the performance Rights Plan, 50% subject to vesting at 12.5 cents per share, earliest of 18 months from grant date and 50% subject to vesting at 20 cents per share, earliest 30 months from grant date.

Name	Number of performance rights allocated
John Mackay	1,500,000
Peter McGrath	9,000,000
Ben Jennings	1,000,000
Grant Ellison	1,000,000
Other management	6,100,000

Issue of shares

There was no issue of shares to directors or other KMP as part of compensation during the year.

Issue of options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Grant date	Name	Options issued	Expiry date	Option exercise price	Fair value per option at grant date
21 December 2017	Patrick Harsas	240,000	21 December 2020	$0.31	$0.0975

- Patrick Harsas has options with an exercise price of $0.3125 and will vest in equal tranches commencing on 21 December 2018 for 3 years following the Company releasing its accounts if the Company has both positive share price performance for the period since the listing date and the Company's total shareholder return ranks it in or above the 75th percentile in comparison with a comparator group. The options have a strike price of 125% of the offer price and cannot be exercised until after three years has elapsed since the listing date. Patrick Harsas is eligible to exercise a pro rata number of the options which have vested upon a change of control event occurring within three years of the listing date.

(e) Service agreements

Director related entity remuneration

Ben Jennings is a director of Jennings Partners Chartered Accountants which has provided accounting and bookkeeping services to the CommsChoice Group. Total fees paid by the Group for the year ended 30 June 2019 were $119,826 (2018: $198,534). The total fees outstanding as trade payables as at 30 June 2019 was nil.

Ben Jennings is a director of Outforce Staffing Solutions which provide Business Process Outsourcing services. Total amounts paid by the Group for the year ended 30 June 2019 were $779,693 (2018: $86,629). There was no fee outstanding as trade payables as at 30 June 2019. The total fees outstanding as trade payables as at 30 June 2019 was nil.

The Company had engaged an entity associated with Cameron Petricevic to provide advisory services to the Company. This contract was terminated by CommsChoice on 28 June 2019. Total amounts paid by the Group for the year ended 30 June 2019 were $106,553 (2018: $53,325). Other than fees payable under this advisory arrangement, Cameron Petricevic was not paid any base Non-Executive Director fees. The total fees outstanding as trade payables as at 30 June 2019 was nil.

All transactions with these entities have been made on an arms-length basis.

Interim Chief Executive Officer (CEO) and Managing Director employment contract

CommsChoice Group has entered into an executive contract with Peter McGrath to govern his employment with CommsChoice Group as CEO which includes:

- no fixed term;
- base salary of $275,000 per annum (including superannuation entitlements);
- Short term incentive $100,000 per annum subject to achievement of KPIs based on business and group company objectives as determined by the Board;
- 9,000,000 performance rights under the performance Rights Plan, 50% subject to vesting at 12.5 cents per share, earliest of 18 months from grant date and 50% subject to vesting at 20 cents per share, earliest 30 months from grant date;
- the right to terminate the CEO's employment is three months' notice by CommsChoice and one month notice by the CEO. In the event of a change of control both parties may terminate with six months notice; and
- non-compete restrictions on the employee for a period of up to six months post-employment.

Chief Financial Officer (CFO) employment contract

CommsChoice Group has entered into an executive contract with Patrick Harsas to govern his employment with CommsChoice Group as Chief Financial Officer (CFO) which includes:

- total compensation of $186,500 per annum (including superannuation entitlements);
- an ability to receive a short-term incentive bonus of up to $40,000 in respect of each financial year subject to the CFO's achievement of KPIs as assessed by the Nomination and Remuneration Committee;
- a right for the CFO to be granted 240,000 options prior to listing. These options will vest in 3 equal tranches each year following the Company releasing its annual financial accounts if the Company has both positive share price performance for the period since the listing date and the Company's total shareholder return

ranks it in or above the 75th percentile in comparison with a comparator group. The options have a strike price of 125% of the offer price and cannot be exercised until after three years has elapsed since the listing date. The CFO is eligible to exercise a pro rata number of the options which have vested upon a change of control event occurring within three years of the listing date;

- a right for CommsChoice Group or the CFO to terminate the CFO's employment by giving the other party four months' written notice; and
- non-compete restrictions on the CFO for a period of up to 4 months post-employment throughout Australia, New Zealand and Singapore.

Executive Director & General Manager, Business Development

CommsChoice Group has entered into an executive contract with Grant Ellison to govern his employment with CommsChoice Group as Executive Director and General Manager, Business Development which includes:

- total compensation of $195,000 per annum (including superannuation entitlements);
- an initial fixed term of 3 years expiring December 2020;
- an ability to receive a yearly short term incentive bonus of up to $25,000 in respect of each financial year subject to the employee's achievement of KPIs as assessed by the Nomination and Remuneration Committee
- a right for the employee to be granted options on and from the first, second and third anniversary of Listing in three equal tranches each worth $75,000 which will vest subject to achievement of financial targets to be set by the Board for the relevant year. Options can be exercised for a period of one year after vesting and only if the employee is employed by the Company or a Group Company as at the exercise date;
- 1,000,000 performance rights under the performance Rights Plan, 50% subject to vesting at 12.5 cents per share, earliest of 18 months from issue date and 50% subject to vesting at 20 cents per share, earliest 30 months from issue date;
- a right for CommsChoice Group or the employee to terminate the employee's employment after the initial term by giving the other party six months' written notice; and
- non-compete restrictions on the employee for a period of up to 6 months post-employment throughout Australia and New Zealand.

In addition, if the employee's relevant interest in shares falls below 5% then he must resign from the Board.

(f) Additional disclosures relating to KMP

Shareholding

Key Management Personnel equity disclosures relate only to equity instruments of the Company.

The number of shares held in the Company during the year by each director or KMP of the Group including their personally related parties, is set out below:

Ordinary shares	Total shares held 30 June 2018	Shares acquired during year	Completion accounts retention shares	Claim retention shares[1]	Total shares held 30 June 2019	Shares acquired under Share Purchase Plan July 2019	Total shares at date of this report	Claim retention shares available
John Mackay	531,250				531,250	375,000	906,250	
Peter McGrath	250,000				250,000	7,875,000	8,125,000	
Benjamen Jennings	7,471,423	47,001		1,708,865	9,227,289		9,227,289	
Stephen Bell	40,000				40,000		40,000	
Cameron Petricevic	3,986,811	1,658,318		455,497	6,100,626	375,000	6,475,626	
Grant Ellison	21,845,510		101,984		21,947,494		21,947,494	6,241,574
Benjamin Gilbert	1,750,001				1,750,001		1,750,001	
Patrick Harsas	460,000	250,000			710,000		710,000	
Total	**36,334,995**	**1,955,319**	**101,984**	**2,164,362**	**40,556,660**	**8,625,000**	**49,181,660**	**6,241,574**

[1] These shares were issued under the share sale agreements in place with vendors of the acquired businesses in Note 24, as announced to the market on 8 March 2019.

Warrants issued on completion of IPO

Following the completion of the acquisition of CommsChoice Pty Ltd, Grant Ellison was issued 3,508,156 warrants each having an exercise price of $0.3125 and an expiry date of 3 years after the listing date of 21 December 2017. The fair value of total warrants issued were $340,291.

End of Remuneration Report

Proceedings on behalf of the Company

No person has applied for leave of a Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Non-audit services

BDO East Coast Partnership is the Group's auditor in accordance with section 327 of the Corporations Act 2001.

The Board of Directors, in accordance with advice from the Audit, Compliance and Risk Management Committee are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in note 26 do not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed by the Audit, Compliance and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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 11.

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 dollar.

Corporate governance statement

CommsChoice Group Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. CommsChoice Group Limited has reviewed its corporate governance practices against the Corporate Governance Principles & Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2019 corporate governance statement reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 corporate governance statement which is approved at the same time as the Annual Report can be viewed at https://www.commschoice.com.au/wp-content/uploads/2017/11/ASX-Corporate-Governance-Compliance-Table-4G-FINAL.pdf

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

John Mackay
Director

Sydney
27 August 2019

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor of Commschoice Group Limited for the year ended 30 June 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Grant Saxon
Partner

BDO East Coast Partnership

Sydney, 27 August 2019

	Notes	30 June 2019 $	30 June 2018 $
Revenue	4	20,966,519	10,470,928
Other income		17,255	35,588
		20,983,774	**10,506,516**
Cost of sales		(12,027,564)	(5,824,332)
Employee benefits expense		(5,699,933)	(2,964,565)
Share based payments to management and directors	5	-	(2,200,000)
Discount on note conversion	5	-	(250,000)
Administration expenses		(983,787)	(572,382)
Sales & marketing expenses		(432,778)	(344,446)
Information technology expenses		(943,894)	(442,813)
Professional fees		(288,828)	(1,439,552)
Property expenses		(291,621)	(176,354)
Other expenses		(29,709)	(59,799)
Restructuring costs	5	(2,706,329)	-
Finance expenses		(36,595)	(24,446)
Depreciation & amortisation	5	(1,955,271)	(906,616)
Impairment expenses	5	(16,250,173)	-
Loss before income tax		(20,662,707)	(4,698,789)
Income tax benefit	6	1,214,564	616,112
Loss for the period		**(19,448,143)**	**(4,082,677)**
Other comprehensive income			
Other		-	-
Total comprehensive profit or loss attributable to shareholders		**(19,448,143)**	**(4,082,677)**

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

		Cents	
Basic loss per share	19	(17.26)	(7.38)
Diluted loss per share	19	(17.26)	(7.38)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	30 June 2019 $	30 June 2018 $
Current assets			
Cash and cash equivalents		366,448	1,705,251
Trade and other receivables	8	2,071,577	1,316,466
Other current assets	9	807,959	837,229
Total current assets		3,245,984	3,858,946
Non-current Assets			
Investments		1,991	1,991
Property, plant & equipment	10	121,938	203,043
Intangible assets	11	11,945,605	29,497,991
Deferred tax assets	12	443,205	1,031,045
Total non-current assets		12,512,739	30,734,070
Total assets		15,578,723	34,593,016
Current liabilities			
Trade and other payables	13	3,876,991	2,774,868
Deferred revenue	15	666,985	269,681
Provisions	16	500,706	270,212
Income tax payable		358,263	361,138
Total current liabilities		5,402,945	3,675,899
Non-current liabilities			
Provisions	16	159,428	116,903
Deferred tax liability	17	754,488	2,556,892
Other liabilities	14	28,806	28,806
Total non-current liabilities		942,722	2,702,601
Total liabilities		6,345,667	6,378,500
Net assets		9,413,056	28,214,516
Equity			
Share capital	17	29,692,931	26,274,193
Share based payment reserves	18	2,192,919	6,214,974
Accumulated losses		(22,472,794)	(4,274,651)
Total Equity		9,413,056	28,214,516

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

	Share capital	Share-based payments reserves	Accumulated losses	Total
	$	**$**	**$**	**$**
Balance at 1 July 2017	**2**	**-**	**(191,974)**	**(191,972)**
Loss for the period to 30 June 2018	-	-	(4,082,677)	(4,082,677)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(4,274,651)**	**(4,274,651)**
Transactions with owners in their capacity as owners:				
Contributions to equity net of transaction costs	26,274,191	-	-	26,274,191
Warrants issued	-	340,291	-	340,291
Deferred consideration	-	4,607,870	-	4,607,870
Options	-	16,813	-	16,813
Director bonus	-	1,250,000	-	1,250,000
Balance at 30 June 2018	**26,274,193**	**6,214,974**	**(4,274,651)**	**28,214,516**
Balance at 1 July 2018	**26,274,193**	**6,214,974**	**(4,274,651)**	**28,214,516**
Loss for the period to 30 June 2019	-		(19,448,143)	(19,448,143)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period			**(19,448,143)**	**(19,448,143)**
Transactions with owners in their capacity as owners:				
Contributions to equity net of transaction costs	651,533	-	-	651,533
Transfer to accumulated losses	-	(1,250,000)	1,250,000	-
Options	-	(4,850)	-	(4,850)
Deferred consideration	2,767,205	(2,767,205)	-	-
Balance at 30 June 2019	**29,692,931**	**2,192,919**	**(22,472,794)**	**9,413,056**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		22,723,246	10,047,992
Payments to suppliers and employees (inclusive of GST)		(24,554,635)	(11,025,883)
Interest paid		(36,595)	(18,136)
Income tax (paid) / refund		(2,877)	28,370
Net cash inflow (outflow) from operating activities	7	**(1,870,861)**	**(967,657)**
Cash flows from investing activities			
Software purchase and IT systems		(469,499)	(764,720)
Receipts / (payments) for property, plant & equipment		30,493	(56,325)
Payment for acquisition of subsidiaries, net of cash acquired		-	(1,840,722)
Payment to suppliers for IPO and transaction related costs		-	(1,572,304)
Net cash outflow from investing activities		**(439,006)**	**(4,234,071)**
Cash flows from financing activities			
Proceeds from issue of convertible notes net of fees		-	957,000
Other IPO share raising costs		-	(1,246,707)
Proceeds from the issue of shares net of fees		585,200	-
Proceeds from IPO net of fees		-	7,500,000
Net proceeds / (repayments) of hire purchase		385,864	(303,314)
Net cash inflows from financing activities		**971,064**	**6,906,979**
Net (decrease) / increase in cash and cash equivalents		**(1,338,803)**	**1,705,251**
Cash and cash equivalents at the beginning of the period		1,705,251	-
Cash and cash equivalents at end of period		**366,448**	**1,705,251**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Corporate Information

The consolidated financial statements and notes represent those of CommsChoice Group Limited (the "Company") and its controlled entities (collectively, the "Group") for the year ended 30 June 2019. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

CommsChoice Group Limited is a company limited by shares, incorporated and domiciled in Australia. The Company was listed on the Australian Securities Exchange (ASX) on 21 December 2017 and is the ultimate parent entity in the Group.

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial report was authorised for issue by the Board of Directors on 27 August 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Accounting Standards and Interpretations issued by the Australian Standards Board (AASB) and the Corporations Act 2001. CommsChoice Group is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The Financial statements of CommsChoice Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention unless otherwise indicated.

(iii) New standards and interpretations adopted

AASB 15: Revenue from contracts with customers

AASB 15 is a new standard which replaces AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 establishes a principle-based approach for goods, services, and construction contracts, which requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to those obligations. Revenue is recognised only when the performance obligation is satisfied and the control of goods or services is transferred, typically at the point of sale.

The Group adopted AASB 15 during the current year, using the modified retrospective approach, which requires a cumulative catch-up adjustment to retained earnings and no restatement of comparative amounts. The Group performed a detailed assessment of the impact of AASB 15 in accordance with the five-step model. The timing and amount of revenue recognised was consistent with existing accounting standards as a majority of transactions are for sale of telecommunication services where no judgement is required in assessing when the performance obligation is satisfied and transfer of control occurs. Accordingly, no adjustment to retained earnings has been made.

AASB 9: Financial Instruments

The entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

No adjustments to the provision for impairment of receivables has been recognised with transition to the ECL model. Accordingly, no adjustment to retained earnings has been made.

(iv) New standards and interpretations not yet adopted

Accounting Standards and Interpretations issued by AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 16 - Leases

The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and its impact on adoption is expected to result in an increase in total assets, total liabilities and net assets of the Group.

The standard must be adopted for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

(iv) Going concern

For the year ended 30 June 2019, the Group generated a loss before tax of $20,662,707 (2018: $4,698,789 loss) and recorded a net cash outflow from operating activities of $1,870,861 (2018: $967,657 outflow). This loss included an impairment expense in relation to goodwill and other intangible assets of $16,250,173. At 30 June 2019, the group has net current liabilities of $2,156,961 (30 June 2018: $183,047 net current assets). These conditions represent a material uncertainty in relation to going concern.

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 current period result includes one-off restructuring costs totaling $2,706,329 associated with the final steps of the business integration.
- The Group completed a successful capital raising with cash proceeds of $2,432,000 of which $1,816,000 was received after balance date, substantially improving its current liquidity position.
- Management's forecasts indicate that the Group has available sufficient financial resources in order to pay its debts as and when they become due and payable.
- The Group maintains a number of significant customer contracts and is confident in the forecast pipeline of revenue growth to support management's forecasts.

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. In the event that the forecasts are not achieved, significant uncertainty would exist as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded assets amounts, nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2019 and the results of all subsidiaries for the year then ended. The Company 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 gained by 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 changes 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.

A list of controlled entities is contained in note 24 to the financial statements.

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Details of the Group’s business combinations is contained in note 25 to the financial statements.

(d) Critical accounting estimates and judgements

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

(ii) Estimation of useful lives of assets

The Group reviews the estimated useful lives of property plant and equipment at the end of each financial year. The Group adjusts the remaining effective useful life of its assets to better reflect their actual usage and future economic benefit.

(iii) Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 11. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

(iv) Recoverable amount of customer contracts and brands

The Group tests, if circumstances indicate impairment, whether customer contracts and brands have suffered any impairments, in accordance with the fair value valuation methods and assumptions described in note 11.

(v) Recognition of deferred tax assets

The Group is expected to join as members of a tax consolidated group under Australian taxation law subsequent to the publication of the financial statements. At this time, historical losses accumulated by the operating subsidiaries in the group prior to acquisition by the Company have not been recognised as a deferred tax asset.

The Board has made a judgement to recognise a deferred tax asset in respect of current year tax losses and black hole expenditure.

(vi) Business combinations

As discussed in (c) above, business combinations are initially accounted for at fair value on acquisition**.** The assessment of fair value can be provisional depending upon the date of the acquisition and the reporting end date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

(vii) Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

(e) Revenue recognition

The Group recognises revenue as follows:

(i) Revenue from customers

Revenue recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

Contracts with customers can be summarised into the following distinct and separate transactions (there is no bundling of hardware, installation and monthly ongoing fees. The key driver for keeping these separate is efficiency of working capital; meaning it is advantageous to invoice separately upfront hardware and installation costs rather than finance them internally for later recovery from the monthly usage charges. By keeping the performance obligations separate it reduces the working capital drain on the business whilst making separation of transactions easier to identify for revenue recognition):

- Voice network income;
- Data network income; and
- Managed services income.

The total price that is contracted to be paid for the above transactions are allocated to the contract stages and recognised as follows:

- Services which include - hosted voice, data and enterprise networks and cloud based communication enablement services are recognised over the term of the contract; and
- Hardware sales are recognised at the point in time where delivery has been made and control has been transferred to the customer.

(ii) Interest

Bank interest is recognised when received.

(f) Income tax

The Group is expected to join as members of a tax consolidated group under Australian taxation law subsequent to the publication of the financial statements and income tax has been accounted for on that basis. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(g) Leases

(i) Finance leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(i) Trade 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 15-30 days. They are presented as current assets.

The Group 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.

See note 8 for further information about the Group's accounting for trade receivables.

(j) Deferred revenue

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

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line or diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The depreciation rates used for each class of depreciable assets are follows:

	Method	**Rate**
• Plant and equipment	Diminishing value	25-33%
• Computer software	Straight line	20%
• Computer equipment	Straight line	25 - 33%
• Leasehold improvements	Diminishing value	13%
• Furniture and fittings	Diminishing value	15-40%
• Motor vehicles	Straight line	8%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(l) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units (CGU) that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is measured as described in note 2 (c).

(ii) Customer contracts and brand

Customer contracts and brand acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Internally generated software

All assets reported as internally generated software are held at cost less accumulated amortisation and impairment losses. Intangibles include costs in relation to the development of software systems and products where future benefits are expected to exceed these costs. Costs capitalised include external direct costs of materials and service and direct payroll and payroll-related costs of employees' time spent on the project during the development phase.

Software and product development costs are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Amortisation is calculated on a straight-line basis on all internally generated software products commencing from the time the asset is ready for use.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the consolidated statement of comprehensive income in the expense category 'depreciation and amortisation'.

Intangible assets with a finite life are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually at the CGU level or groups of CGU's. This requires an estimation of the recoverable amount of the CGU's to which the intangible with finite life is allocated. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss.

(iv) Amortisation

Amortisation is calculated on a straight-line basis on all intangibles commencing from the time the asset is ready for use. The estimated useful life of intangibles is as follows:

• Customer contracts and brands	7-10 years
• Internally generated software	5 years

(m) Impairment of assets

Goodwill and 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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowing are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use for sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

(q) Provisions

Provisions for legal claims, service warranties and other obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Short term employee benefits

Liabilities for employee benefits expected to be settled within 12 months of reporting date are measured at the amounts expected to be paid when the liabilities are settled. These liabilities are presented as current employee benefit obligations in the balance sheet.

The Group has a short term benefit plan in place where the employee will be eligible to receive a short term incentive benefit of up to the Maximum Short Term Incentive amount in respect to the forecast period, and each year following the end of the Forecast Period, subject to the employees achievement of the KPI's as assessed by the Audit and Remuneration Committee of the Board.

(ii) Other long-term employee benefits

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

(iii) Defined contribution superannuation expense

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

(iv) Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

(v) Employee options

The fair value of options granted is recognised as an employee benefit expense with the corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (eg the entity's share price), including the impact of any service and non-market performance vesting performance conditions (eg sales growth targets), and including the impact of any non-vesting conditions.

(s) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities

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.

(t) Dividends

Dividends will be recognised when declared during the financial year and no longer at the discretion of the Company.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flow.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to members of the Group, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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.

(ii) Major customers

During the year ended 30 June 2019, approximately $3,700,000 (2018: $1,600,000) of the consolidated entity's external revenue was derived from sales to a leading national not-for-profit community service.

4 Revenue

	Consolidated	Consolidated
	30 June 2019	**30 June 2018**
Sales revenue	**$**	**$**
Voice revenue	13,400,857	8,171,172
Data revenue	5,093,836	1,547,033
Managed service revenue	2,471,826	752,724
	20,966,519	**10,470,929**

5 Individually significant profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	Consolidated	Consolidated
	30 June 2019	**30 June 2018**
	$	**$**
Restructuring costs consist of the following expenses		
Professional fees	770,710	-
Employee benefits	1,186,244	-
Onerous lease	418,765	-
IT software	244,843	-
Other	85,767	-
Total restructuring costs	**2,706,329**	**-**
Depreciation & amortisation		
Depreciation expense	50,611	18,579
Amortisation - customer contracts	915,858	494,312
Amortisation - brand	357,400	192,898
Amortisation - software	631,402	200,827
Total depreciation & amortisation	**1,955,271**	**906,616**

Impairment of intangibles		
Impairment - customer contracts	3,307,362	-
Impairment - brand	1,973,576	-
Impairment - goodwill	8,831,445	-
Impairment - software	2,124,636	-
Impairment - other	13,154	-
Total impairment of intangibles	**16,250,173**	**-**
Other costs		
Share based payments	-	2,200,000
Discount on note conversion on IPO	-	250,000
Superannuation guarantee expense	393,029	215,391

The Company is planning to restructure its sales and operations areas following a detailed review of the Company's sales and customer facing activities. Restructuring costs incurred relate to the following initiatives –

- Restructure of Australian operations removing non-core costs from operations and sales areas in Australia;
- Offshore call centre downsized and key functions moved back to Australia with the workload to be taken up largely by existing resources;
- Additional resources deployed into the Company's "Key Partners and Indirect Sales" group which has been experiencing strong positive momentum with channel partners, dealers, IT service providers; and
- Investment in enhanced e-commerce capability allowing businesses, corporates and our partners to order directly from our website and providing the Company with a greater level of customer prospects and improved efficiency.

6 Income tax expense

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Income tax (benefit)		
Deferred tax - origination and reversal of temporary differences	(1,214,564)	(616,112)
Total income tax (benefit)	**(1,214,564)**	**(616,112)**

The Group has tax losses available for use of $1,708,819 (2018: $368,905) which have not been brought to account on the balance sheet

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax benefit	**(20,662,707)**	**(4,698,789)**
At the Group's statutory income tax rate of 27.5%	(5,682,244)	(1,292,167)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	4,467,680	676,055
Income tax (benefit)	**(1,214,564)**	**(616,112)**

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

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Loss for the period	(19,448,143)	(4,082,677)
Adjustments for:		
Transaction costs relating to IPO and acquisition of subsidiaries	-	1,572,305
Share based payments	-	2,200,000
Discount on convertible note issue	-	250,000
Depreciation and amortisation	1,955,271	906,605
Impairment of Intangibles	16,250,173	-
	(1,242,699)	**846,233**
Change in assets and liabilities:		
Decrease in receivables	(754,380)	415,448
(Increase) in inventory	28,538	(3,452)
(Decrease) in payables	714,844	(768,720)
(Decrease) in provisions	273,019	(439,021)
(Decrease) in other including acquired working capital	(890,183)	(1,018,144)
Net cash outflow from operating activities	**(1,870,861)**	**(967,657)**

8 Trade and other receivables

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Trade receivables	2,166,041	1,846,882
Less: provision for expected credit loss	(94,526)	(532,522)
	2,071,515	**1,314,360**
Other receivables	62	2,106
Total trade and other receivables	**2,071,577**	**1,316,466**

(i) Classification of trade and other receivables
Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally settled within 30 days and therefore are all classified as current.

(ii) Fair values of trade and other receivables
Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as the fair value.

8 Trade and other receivables (continued)

The expected credit losses (ECL) model directs the approach to determine the allowance for ECL on trade receivables to the lifetime ECL as there is no financing component in the receivable, nor is it a lease receivable.

This requires an allowance matrix be established that takes into account historical observed default rates which is adjusted for forward looking estimates.

Default rates do not exist in a structured or repetitive form. The nature of the service provided reduces the risk of default as opposed to a dispute. This is because;

- Credit ratings being applied on all contract wins;
- The ability to stop or disrupt telecom services for non-payment. For small businesses their phone (and phone number) is a vital tool for business survival. For larger businesses the phone or cloud based network is key to how they provide services and operate; and
- Disrupting payment is preceded by unpaid bill notices, the last ones which set out that non-payment activity is registered with a credit rating agency.

Since acquisition there has been one default that lasted for 2 invoices before it stopped paying and tried to move to another provider. The customer was won prior to the post acquisition rule of credit ratings for all new contracts.

Based on what has been observed, the following allowance matrix has been determined:

Non-past-due:	0.1%
30 days past due:	1.0%
60-90 days past due	5.0%
More than 90 days	100%

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

	Expected credit loss rate		Carrying amounts		Allowance for expected credit losses	
	2019	2018	**2019**	2018	**2019**	2018
	%	%	**$**	$	**$**	$
Not overdue	**0.1**	-	1,889,547	1,030,286	14,607	-
0 to 1 months overdue	**1**	-	160,669	171,903	1,607	-
1 to 3 months overdue	**5**	-	40,540	112,171	2,027	-
Over 3 months overdue	**100**	100	75,285	532,522	72,285	532,522
			2,166,041	1,846,882	**94,526**	532,522

(iii) Expected credit losses
Expected credit losses are recognised in the profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

The aging of expected credit losses for above are as follows:

	Consolidated	**Consolidated**
	30 June 2019	**30 June 2018**
	$	**$**
Over 3 months overdue	**72,285**	**532,522**

8 Trade and other receivables (continued)

Movements in expected credit losses of receivables are as follows:

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Opening balance 1 July 2018	532,340	-
Provision for expected credit losses recognised during the year	-	592,764
Receivables written off during the year as uncollectible	-	(60,424)
Unused amount reversed	(437,814)	-
Balance 30 June 2019	**94,526**	**532,340**

9 Other current assets

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Prepayments	671,853	512,123
Accrued revenue	38,707	170,001
Security Deposits	97,399	126,567
Inventory	-	28,538
	807,959	**837,229**

10 Property, plant and equipment

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Plant and Equipment	-	112,594
Less: Accumulated Depreciation	-	(16,693)
	-	12,444
Computer Software	-	64,053
Less: Accumulated Depreciation	-	(14,407)
	-	49,646
Computer Equipment	37,256	8,066
Less: Accumulated Depreciation	(21,422)	(657)
	15,834	7,409
Leasehold Improvements	17,380	20,349
Less: Accumulated Depreciation	(1,448)	(1,428)
	15,932	18,921
Office Furniture and Equipment	27,672	83,457
Less: Accumulated Depreciation	(3,858)	(48,077)
	23,814	35,380
Motor Vehicles	93,117	93,117
Less: Accumulated Depreciation	(26,759)	(13,875)
	66,358	79,243
Total property, plant and equipment	**121,938**	**203,043**

10 Property, plant and equipment (continued)

Plant and equipment has been reclassified as transferred to office furniture and equipment. Computer software has been reclassified and transferred to intangibles – software.

	Plant & equipment	Computer software	Computer equipment	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
Consolidated	$	$	$	$	$	$	$
Balance at 1 July 2017	-	-	-	-	-	-	-
Acquired with subsidiary	1,862	4,959	1,325	20,233	41,180	23,901	93,460
Additions	12,547	47,547	8,066	-	-	60,000	128,161
Disposals	-	-	-	-	-	-	-
Depreciation expense	(1,965)	(3,850)	(993)	(1,312)	(5,800)	(4,659)	(18,579)
Balance at 30 June 2018	12,444	48,657	8,398	18,921	35,380	79,242	203,043

	Plant & equipment	Computer software	Computer equipment	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
Consolidated	$	$	$	$	$	$	$
Balance at 1 July 2018	12,444	48,657	8,398	18,921	35,380	79,242	203,043
Additions	-	43,137	7,965	17,380	28,928	-	97,410
Disposals	-	(4,069)	(4,431)	(15,063)	(27,436)	-	(50,899)
Reclassifications	-	(8,135)	13,326	-	1,805	-	6,996
Reclassifications to intangibles	(12,444)	(71,557)	-	-	-	-	(84,001)
Depreciation expense	-	(8,033)	(9,424)	(5,306)	(14,863)	(12,884)	(50,611)
Balance at 30 June 2019	**-**	**-**	**15,834**	**15,932**	**23,814**	**66,358**	**121,938**

11 Intangibles

Consolidated	**Customer contract** $	**Brand** $	**Goodwill** $	**Software** $	**Other** $	**Total** $
Cost						
Balance at 1 July 2018	6,411,000	3,574,000	17,871,894	2,487,364	41,770	30,386,028
Fair value adjustment on acquisition final accounting	-	-	161,562	-	(28,616)	132,946
Reclassification of fixed assets software to intangibles	-	-	-	76,903	-	76,903
Addition during the period	-	-		401,798	-	401,796
Balance at 30 June 2019	6,411,000	3,574,000	18,033,456	2,966,065	13,154	30,997,673
Accumulated amortisation						
Balance at 1 July 2018	(494,312)	(192,898)	-	(200,827)	-	(888,037)
Reclassification of fixed assets software to intangibles	-	-	-	(9,200)	-	(9,200)
Amortisation expense	(915,858)	(357,400)	-	(631,402)	-	(1,904,660)
Impairment expense	(3,307,362)	(1,973,576)	(8,831,445)	(2,124,636)	(13,154)	(16,250,173)
Balance at 30 June 2019	**1,693,468**	**1,050,126**	**9,202,011**	**-**	**-**	**11,945,605**

Determination of CGU's

Goodwill is allocated to the one cash-generating unit (CGU), which is the single unit expected to benefit from the synergies of the business combinations in which the goodwill arises.

The CGU has been defined based on the underlying integrated business.

Key assumptions used for fair value calculations:

The fair value of customer contracts and brands have been determined using the following valuation methodologies:

- Customer contracts: residual earnings after contributory asset changes method
- Brands: capitalised royalty

Management used the following key assumptions in determining the recoverable amounts:

Revenue	5.0%
Cost of goods sold	5.0%
Operating expenses	5.0%
Pre-tax weighted average cost of capital (WACC) (actual not CAGR)	15.0%
Terminal growth rate (actual not CAGR)	2.5%
Depreciation and amortization margin	4.7%
Brand notional royalty	2.5%
Notional brand stream	1.0%

Key assumptions used for value-in-use calculations

When testing for impairment, the discounted future cash flows are assessed to determine the value-in-use of the CGU. The recoverable amount under the value-in-use method is then are compared to the carrying value of the CGU to evaluate whether there is any impairment.

The recoverable amounts of the CGU were determined based on a value-in-use calculation, reflecting management budget for the first year and longer range projections for years two to five. Cash flows beyond the five-year period are extrapolated using a suitable growth rate determined by management, not exceeding the anticipated long-term average growth rate for the business in which the CGU operates.

11 Intangibles (continued)

The Group is in the early stage of its life cycle and the budget and projections used represent management's current projected growth expectations following on from the proposed restructure. In determining such assumptions, factors such as competitive dynamics, market opportunities and cost control were all contemplated.

The inputs used have been classified as level three fair values due to the use of non-observable inputs.

Management has forecasted savings growth in the initial period of cash flow projections, as a result of substantial restructuring and cost saving measures undertaken during the year-ended 30 June 2019. Cash flow projections for the business for the period remaining five year period apply the key assumptions as set out below;

Revenue	5.0%
Cost of goods sold	5.0%
Operating expenses	5.0%
Pre-tax weighted average cost of capital (WACC) (actual not CAGR)	15.0%
Terminal growth rate (actual not CAGR)	2.5%

During the period, management have revised their growth forecasts and assumptions as a result of the Group's underperformance against initial forecasts. This underperformance has led to an impairment charge on the Group's intangible assets being recognised during the period, as disclosed in note 4 of the financial statements.

Sensitivity analysis
As disclosed in Note 2(m), management have made judgements and estimates in respect of impairment testing of goodwill and other indefinite life intangibles. Should these judgements and estimates not occur the resulting carrying amount may decrease.

The value of the total assets including the intangibles have been written down to their recoverable amount. If the compound annual growth rate of revenue over the test period falls below 5.0% and assuming no corresponding reduction in operating costs the assets would become impaired.

12 Deferred tax asset

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Deferred tax asset comprises temporary differences attributable to:		
Temporary differences	237,301	261,127
Losses	-	426,744
Amounts recognised in equity for capital raising	205,904	343,174
Deferred tax asset	**443,205**	**1,031,045**
Movements in deferred assets:		
Opening balance	1,031,045	-
Debited/(credited) to:		
- Current year losses	-	426,799
- De-recognition of prior year losses	(495,379)	-
- Relating to temporary differences	(92,461)	343,174
- acquisitions	-	261,072
Closing balance	**443,205**	**1,031,045**

13 Trade and other payables

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Trade payables	935,932	1,680,444
Accrued expenses	1,043,476	354,347
Hire purchase payable	385,863	-
Payroll liabilities	1,270,986	203,294
GST liabilities	150,373	259,821
Other payables	90,361	276,963
	3,876,991	**2,774,869**

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

14 Other liabilities

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Non-current liabilities		
Lease liabilities	28,806	28,806

The lease liability is secured against the motor vehicle that has been financed.

15 Deferred revenue

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Deferred revenue	**666,985**	**269,681**

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $ 666,985 as at 30 June 2019 (2018: $269,681) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Within 12 months	**666,985**	**269,681**

16 Provisions

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Current liabilities		
Annual leave	290,352	270,212
Provision for onerous lease	210,354	-
	500,706	**270,212**

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Non-current liabilities		
Long service leave	**159,428**	**116,903**

17 Deferred tax liability

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Movements in deferred liabilities:		
Opening balance	2,556,892	-
Debited/(credited) to:		
- profit or loss	188,983	(188,983)
- intangible assets acquired on acquisition	(1,991,387)	2,745,875
	754,488	**2,556,892**

18 Share capital

	Consolidated 30 June 2019 Shares	Consolidated 30 June 2018 Shares	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Ordinary Shares - fully paid	**136,839,360**	108,712,221	**29,692,932**	26,274,193

Movements in ordinary share capital

	Date	Shares	$
Opening balance	1 July 2017	2	-
Acquisition of subsidiaries	15 December 2017	64,089,127	16,022,282
Notes converted on IPO	21 December 2017	5,000,000	1,250,000
Shares issued on IPO	21 December 2017	33,800,000	8,450,000
Less: transaction costs arising on share issues	21 December 2017	-	(1,246,707)
Additional shares issued as part of true-up	6 April 2018	5,823,092	1,455,774
Deferred tax credit recognised directly in equity	30 June 2018	-	342,844
Balance 30 June 2018		**108,712,221**	**26,274,193**
Opening balance	1 July 2018	108,712,221	26,274,193
Completion accounts shares issued	5 September 2018	120,302	30,074
Claims retention shares issued to vendors	8 March 2109	10,948,519	2,737,130
Shares issued for restructuring costs	19 June 2019	15,400,000	616,000
Less: transaction costs arising on share issues	19 June 2019	-	(30,800)
Shares issued in lieu of fees for contracting party	28 June 2019	1,658,318	66,334
Balance 30 June 2019		**136,839,360**	**29,692,931**

Issue costs of $30,800 which were directly attributable to the issue of the shares have been netted against the deemed proceeds in equity.

(i) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

19 Reserves

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Opening balance	6,214,974	-
Warrants issued	-	340,291
Options issued	(4,850)	16,813
Deferred consideration	(2,767,205)	4,607,870
Directors remuneration	-	1,250,000
Transfer to accumulated losses	(1,250,000)	-
Share based payments reserve	**2,192,919**	**6,214,974**

Share-based payment reserve is used to recognise deferred consideration for the acquisition of subsidiaries together with the value of equity benefits provided to employees and directors as part of their remuneration.

20 Loss per share

Reconciliation of earnings used in calculating loss per share	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Loss attributable to the ordinary equity holders of the company	**19,448,143**	**4,082,677**
Weighted average number of ordinary shares used as the denominator in calculating loss per share	112,678,541	55,348,314
Adjustments for calculation of diluted loss per share:		
Deferred shares	**-**	**-**
Weighted average number of ordinary shares used as the denominator in calculating loss per share	**112,678,541**	**55,348,314**
	Cents	**Cents**
Basic loss per share	(17.26)	(7.38)
Diluted loss per share	(17.26)	(7.38)

The Group incurred a loss for the period. There is no dilution impact arising from outstanding deferred consideration shares, warrants, options and performance related shares.

21 Share based payments

The table below sets out details of the share options on issue during the year ended 30 June 2019:

Options over ordinary shares	Balance at 30 June 2018	Exercised	Expired / forfeited / other	Balance at 30 June 2019	Date forfeited
Grant Ellison	3,508,156	-	-	3,508,156	
Benjamin Gilbert	720,000	-	(720,000)	-	17.4.2019
Patrick Harsas	240,000	-	-	240,000	
Total	4,468,156	-	(720,000)	3,748,156	

Warrants issued

Following the completion of the acquisition of CommsChoice Pty Ltd, Grant Ellison was issued 3,508,156 warrants each having an exercise price of $0.3125 and an expiry date of 3 years after the listing date of 21 December 2017. The fair value of total warrants issued were $340,291.

Options granted to management

Ben Gilbert and Patrick Harsas were granted 720,000 and 240,000 options on completion of the IPO. Ben Gilbert's options were forfeited on resignation from the Company. These options have an exercise price of $0.3125 and will vest in 3 equal tranches each year following the Company releasing its accounts if the Company has both positive share price performance for the period since the listing date and the Company's total shareholder return ranks it in or above the 75th percentile in comparison with a comparator group. The options have a strike price of 125% of the offer price and cannot be exercised until after three years has elapsed since the listing date. Patrick Harsas is eligible to exercise a pro rata number of the options which have vested upon a change of control event occurring within three years of the listing date.

22 Financial risk management

The Group's financial instruments consist of cash at bank, trade and other receivables, and trade and other payables and a loan facility.

The main risks arising from the Groups financial instruments are interest rate risk, liquidity risk and credit risk. The Board has delegated the responsibility for assessing and monitoring financial risk to management. Management monitors these risks daily.

(i) Interest rate risk

The Groups interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(ii) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due. The Group regularly monitors current and expected cash requirements to ensure that it maintains sufficient reserves of cash and adequate funding from banks to meet its liquidity requirements in the short and longer term.

The Directors of the Company regularly review the Group's cash flow projections prepared by management.

22 Financial risk management (continued)

	1 year or less	1-5 years	Over 5 years	Total contractual flows	Carrying amount
	$	$	$	$	$
Financial assets					
As at 30 June 2018					
Trade and other receivables	1,316,466	-	-	-	1,316,466
Cash at bank	1,705,251	-	-	-	1,705,251
Total financial assets	3,021,717	-	-	-	3,021,717
As at 30 June 2019					
Trade and other receivables	2,071,577	-	-	-	2,071,577
Cash at bank	366,448	-	-	-	366,448
Total financial assets	**2,438,025**	**-**	**-**	**-**	**2,438,025**
Financial liabilities					
As at 30 June 2018					
Trade and other payables	2,774,868	-	-	-	2,774,868
Total financial liabilities	2,774,868	-	-	-	2,774,868
As at 30 June 2019					
Trade and other payables	3,871,573	-	-	-	3,871,573
Total financial liabilities	**3,871,573**	**-**	**-**	**-**	**3,871,573**

Bank overdraft facility
The Group has a secured business overdraft facility with the Commonwealth Bank of Australia for up to $350,000.

(iii) Credit risk
The Group has no significant exposure to credit risk. For credit sales the Group only trades with recognised creditworthy third parties. It is the Group's policy that all customers who wish trade on credit terms are subject to credit verification procedures. Ageing analysis and ongoing credit evaluation are performed on the financial condition of the Group's customers and where appropriate, an allowance for expected credit losses is raised. In addition, receivable balances are monitored on an ongoing basis so that the Group's exposure to bad debts is not significant.

23 Commitments and contingencies

Operating lease commitments
The Group has entered into commercial leases on computer equipment and rental of premises. These leases have a life of between 3 to 5 years, in some cases options to extend. The leases contain varying terms, escalation clauses and renewal rights.

Future lease rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated 30 June 2019	**Consolidated 30 June 2018**
	$	**$**
Within one year	225,711	312,211
Later than one year but no later than five years	1,211,186	457,755
Later than five years	-	-
Total operating lease commitments	1,436,897	769,967

24 Entities within the consolidated group

The following entities are included within the Consolidated Group:

Entity Name	Country of incorporation	% Consolidated 2019
CommsChoice Group Limited (parent)	Australia	100%
CommsChoice Pty Limited	Australia	100%
Telegate Pty Limited	Australia	100%
Commschoice Operations Pty Limited	Australia	100%
Commschoice Australia Pty Limited		
TelAustralia Pty Limited	Australia	100%
Woffle Pty Limited	Australia	100%
Syntel Pty Limited	Australia	100%
Telegate Singapore Pte Ltd	Singapore	100%
SingVoip Pte Ltd	Singapore	100%

25 Business combinations - final

Summary of acquisition
On 15 December 2017, the Company acquired 100% of the issued share capital of the companies set out above.

Purchase consideration was final at 31 December 2018 as indicated below:

	Cash paid	Ordinary shares issued	Warrants	Deferred consideration	Total purchase consideration
	$	$	$	$	$
CommsChoice Pty Limited	1,201,931	6,442,328	340,291	2,760,998	10,745,548
Telegate Pty Ltd[1]	137,026	5,939,596	-	2,545,541	8,622,163
Oracle Pty Ltd	500,000	1,834,773	-	786,331	3,121,104
TelAustralia Pty Ltd	100,000	1,171,875	-	502,232	1,774,107
Woffle Pty Ltd	40,000	633,710	-	271,590	945,300
	1,978,957	16,022,282	340,291	6,866,692	25,208,222
Shares issued as deferred consideration on issue of completion accounts	-	4,105,694	-	(4,995,951)	(890,257)
Additional shares issued as consideration on issue of completion accounts	-	87,208	-	-	87,208
Total	1,978,957	20,215,184	340,291	1,870,741	24,405,173

[1]The consideration paid for Telegate Pty Limited also includes the acquisition of Telegate Singapore Pte Ltd, Syntel Pte Ltd and SingVoip Pte Ltd.

25 Business combinations – final (continued)

Additional shares issued

Under the Sale and Purchase Agreements a net asset adjustment was required to be calculated by the purchaser and agreed to by the vendor. The exercise is in effect a true-up between the net working capital acquired against a target working capital balance. These shares represent 10% of the purchase consideration. All shares were issued at the $0.25 per share IPO issue price.

Where the net working capital acquired was higher than the target the purchaser could choose to true-up the difference by way of shares or cash. The company has issued additional shares rather than cash.

Where the net working capital was lower than the target the vendor forfeited the number of shares equal to the working capital shortfall at the $0.25 per share IPO issue price.

Under the Share and Purchase Agreements, 20% of the share-based consideration was deferred and retained (Claim Retention Shares) for twelve months subject to any warranty claims.

Fair value of net assets and goodwill acquired is as follows:

	Total
	$
Cash	90,948
Trade receivables	1,128,433
Prepayments	262,827
Inventories	25,086
Property, plant & equipment	100,204
Intangible assets - software	1,720,567
Intangible assets - customer relationships & brands	9,985,000
Less: deferred tax liability on customer relationships & brands	(2,745,875)
Trade payables	(1,893,512)
Bank overdraft	(89,043)
Other	(1,869,755)
Employee provisions	(343,163)
Fair value of net identifiable assets acquired	6,371,717
Add: goodwill	18,033,456
Net assets acquired	24,405,173

CommsChoice Group has finalised the fair value adjustments to the assets and liabilities acquired.

The intangible assets that arise from the acquisition of the five businesses include the customer contracts and branding. The resulting goodwill is attributed to the workforce and the anticipated profitability of the businesses.

The fair value adjustments mainly relate to provisions against aged trade receivables which are not expected to be recovered.

26 Events after reporting date

On 6 August 2019, a determination was provided in relation to an ongoing warranty claim being pursued by the group. The determination found against the claims of the group on the majority of matters included in the claim. The group is now considering the result of this claim in full before determining its next steps. Following the resolution of this warranty claim, CommsChoice Group Limited has issued the final tranche of claim retention shares as set out in the Share Purchase Agreements.

The Company has undertaken a wide-ranging restructure to reset the business back to profitability. As part of this initiative the Company raised $2,432,000 in new equity with $1,816,000 of this being received since balance date.

Other than the above, there have been no significant matters or circumstances not otherwise dealt with in this report between the reporting date and the date the financial statements were approved for issue, that will significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group or subsequent financial years.

27 Auditor's remuneration

The auditor of CommsChoice Group is BDO East Coast Partnership (BDO). The auditor for the prior year was Pricewaterhouse Coopers Australia (PWC).

	Consolidated 30 June 2018 $	Consolidated 30 June 2018 $
Remuneration of auditor BDO (2018 PWC)		
Audit and review of financial statements	105,000	163,200
Taxation services	21,800	420,087
	126,800	583,287

Taxation services paid to Pricewaterhouse Coopers Australia in the prior year relate to IPO and listing costs.

28 Related party transactions

Parent entity
CommsChoice Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 24.

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

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

	Consolidated 30 June 2019 $	Consolidated 30 June 2018 $
Short-term employee benefits	665,966	476,145
Post-employment benefits	162,350	-
Long-term employee benefits	-	16,813
Share-based payments	-	2,200,000
Total key management personnel remuneration	828,316	2,692,958

28 Related party transactions (continued)

Transactions with related parties
Ben Jennings is a director of Jennings Partners Chartered Accountants which provides accounting and bookkeeping services to the CommsChoice Group. Total fees paid by the Group for the period to 30 June 2019 were $119,826 (2018: $198,534).

Ben Jennings is a director of Outforce Staffing Solutions which provide Business Process Outsourcing services. Total amounts paid by the Group for the period to 30 June 2019 were $779,693 (2018: $86,629).

The Company had engaged an entity associated with Cameron Petricevic to provide advisory services to the Company. This service was no longer required by the Group and was terminated on 30 June 2019. Total fees paid by the Group for the period to 30 June 2019 were $106,553 (2018: $53,325).

Receivable from and payable to related parties
None.

Loans to/from related parties
None.

Deferred consideration available with related parties

Ordinary shares	Claim retention shares available to be issued as at 30 June 2019	$ value as at $0.25 listing price
Grant Ellison	6,241,574	1,585,890

29 Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent **30 June 2019**	**Parent** **30 June 2018** **$**
Total comprehensive loss for the year	(18,444,793)	(4,771,574)

Statement of financial position		
Current assets	3,357,001	1,064,590
Total assets	**11,592,866**	**27,685,561**
Current liabilities	1,590,819	136,385
Total liabilities	**1,590,819**	**159,943**
Net assets	10,002,047	27,525,618
Equity		
Issued capital	29,624,627	26,274,193
Share based payment reserve	2,192,918	6,214,974
Accumulated losses	(21,815,498)	(4,963,549)
Total equity	**10,002,047**	**27,525,618**

29 Parent entity information (continued)

Total comprehensive loss for the year includes restructuring costs of $915,052

Guarantees entered into by the parent entity
No guarantees have been provided by the parent for the subsidiaries.

Contingent liabilities entered into by the parent entity
The parent entity had no contingent liabilities as at 30 June 2019.

Capital commitments – property plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2019.

In the Directors' opinion:

1. the financial statements and notes, as set out on pages 12 to 44, are in accordance with the Corporations Act 2001 and:

    (a) comply with the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

2. 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

3. the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

John Mackay
Director

Sydney
27 August 2019

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of CommsChoice Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CommsChoice Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the 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 are independent of the Group in accordance with 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.

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

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

Material uncertainty related to going concern

We draw attention to Note 2(a)(iv) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How the matter was addressed in our audit***
Impairment of Intangible Assets The Group recognises a material balance of goodwill and other intangible assets as a result of historical business combinations within the CommsChoice Group, as detailed in Note 11 to the financial statements. This matter is considered significant to our audit given the historic performance of the Group and the material nature of these intangible assets. Further to this, the assessment of impairment for intangible assets within the identified CGU involves critical accounting estimates and judgements, specifically in relation to forecast revenue and cash flows, which is affected by future market and economic conditions. During the period, management has identified an impairment charge on a number of the individual intangible assets, as well as an overall impairment of the carrying value of the CGU, which has been applied to goodwill. As a focus of our audit work, we have assessed the value in use calculations prepared by management, ensuring that the carrying value of these assets at 30 June 2019 is not in excess of their recoverable amount.	Our audit procedures in order to address this key audit matter included, but were not limited to; • Evaluating management's assessment of the CGU, ensuring this is consistent with our understanding of the Group and internal reporting; • Evaluating the discounted cash flow ('DCF') model prepared by management to determine the value in use of the CGU. This included challenging and substantiating the key assumptions made by management, such as forecast revenue growth, operating costs and discount rates; • Consulting with BDO Corporate Finance valuation experts in order to assess the reasonableness of the methodology applied throughout the model and the discount rate; • Performing sensitivity analysis on the DCF model in order to assess the impact of changes to the key assumptions in the model on the value in use of the CGU; • Ensuring the impairment charge on identifiable intangible assets and goodwill has been appropriately allocated, and has been recognised in accordance with Australian Accounting Standards; and • Ensuring disclosure in the financial statements is adequate and meets the requirements of Australian Accounting Standards.

Key audit matter	*How the matter was addressed in our audit*
Revenue recognition Revenue recognition has been a key focus of our audit, due primarily to the material nature of the balance as disclosed at Note 4 to the financial statements, the complexity of the Group's billing systems and the presence of manual adjustments to recognise amounts from these billing systems in the financial statements. Further, a significant amount of work has been performed during the financial year in relation to the adoption of AASB 15 *Revenue from Contracts with Customer* as disclosed in Note 2 to the financial statements. Of particular focus, has been the recognition of revenue on key customer contracts maintained by the Group.	Our audit procedures in order to address this key audit matter included, but were not limited to; • Obtaining and assessing the Group's accounting policies in relation to revenue recognition, and assessing their compliance with Australian Accounting Standards; • Performing a reconciliation of the billing system to the general ledger, investigating significant reconciling items or manual adjustments; • Substantively testing a sample of individual revenue items recognised during the period to supporting documentation, including evidence of service delivery and payment; • Performing substantive analytical procedures in relation to the Group's key sources of revenue, assessing revenue and gross margins against our expectations; • Reviewing individually significant contracts, ensuring that revenue has been recognised in accordance with Australian Accounting Standards; and • Ensuring disclosures relation to the adoption of the new accounting standards are adequate and meet the requirements of the standard.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's report, ASX additional information and Corporate Directory. The remaining information comprising the Annual Report is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 has 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 10 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of CommsChoice Group Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

Grant Saxon
Partner

Sydney, 27 August 2019

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is listed below.

The information is current as at 3 September 2019.

Distribution of shareholders

Securities
Fully paid ordinary shares

Analysis of numbers of equity holders by size holding:

	Total holders	Number of shares	Percentage
1 to 1,000	3	1,052	0.00
1,001 to 5,000	26	90,254	0.05
5,001 to 10,000	31	258,705	0.14
10,001 to 100,000	199	9,821,185	5.32
100,001 and over	183	174,505,664	94.49
	442	**184,676,860**	**100.00**

Equity Security Holders

Twenty largest quoted equity security holders

	Number held	Percentage of total shares issued
GJFE INVESTMENTS PTY LTD <ELLISON INVESTMENTS A/C>	19,470,884	10.54%
JENNINGS GROUP INVESTMENTS PTY LTD <JENNINGS FAMILY A/C>	10,062,289	5.45%
ORACLE TELECOM PTY LTD <ORACLE TELECOM A/C>	7,933,636	4.30%
BASEJUMP PTY LTD <THE DUNPHY INVESTMENT A/C>	7,110,573	3.85%
TRISTAN PLUMMER PTY LIMITED <TRISTAN PLUMMER FAMILY A/C>	6,832,264	3.70%
WEB PROFITS PTY LTD <WEBPROFITS UNIT A/C>	6,748,080	3.65%
MR MATTHEW WILLIAM BURGE	6,714,068	3.64%
OSS FAMILY SUPERFUND PTY LTD <O'SHAUGHNESSY FAMILY S/F A/C>	5,966,940	3.23%
MR PETER MCGRATH & MRS JANICE MCGRATH <MCGRATH SUPER FUND A/C>	5,625,000	3.05%
TTOR PTY LTD <H M & C PETRICEVIC SUPER A/C>	4,817,308	2.61%
GREENFIELD INVESTMENT MANAGEMENT PTY LTD	3,750,000	2.03%
BOVIDAE SF PTY LTD	3,500,000	1.90%
MR NATHAN MICHAEL LAWRENCE PITMAN	3,465,138	1.88%
TIERNAN O'CONNOR PTY LIMITED <TIERNAN O'CONNOR FAMILY A/C>	2,614,150	1.42%
JAPEM PTY LTD <MCGRATH INVESTMENT A/C>	2,500,000	1.35%
NASHAR SUPER PTY LTD <NASHAR SUPER FUND A/C>	2,500,000	1.35%
NEXT TELCOM PTY LTD	2,500,000	1.35%
MR GRANT ELLISON	2,476,610	1.34%
MR CHRISTOPHER JOHN CARNIE	2,282,138	1.24%
CROWTHORNE PTY LTD <HAVEN COTTAGE SUPERFUND A/C>	2,000,000	1.08%
Total Securities of Top 20 Holdings	108,869,078	58.95%

Substantial shareholders

	Number held	Percentage of total shares issued
MR GRANT ELLISON	21,947,494	11.88%
MR BEN JENNINGS	11,680,289	6.32%

Marketable parcel of ordinary shares
There were 67 shareholders holding less than a marketable parcel of 431,306 ordinary shares.

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	240,000	1
Performance rights	17,600,000	14

Voting rights

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

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options and performance rights
No voting rights.

Other

Since 21 December 2017, being the date the Company's securities were quoted on the Australian Securities Exchange, the Company has used its cash and assets in a way that is consistent with its stated business objectives.

Directors	John Mackay – Independent Non-Executive Chairman Peter McGrath – Executive Director and Chief Executive Officer Ben Jennings – Non-Executive Director Grant Ellison – Executive Director & GM, Business Development
Secretary	Andrew Metcalfe
Executives	Patrick Harsas – Chief Financial Officer
Notice of Annual General Meeting	The Annual General Meeting of CommsChoice Group Limited **will be held at** TBA **time** 11.00 am **date** 12 November 2019
Registered Office	Level 6, 56 Clarence Street Sydney NSW 2000
Principal place of business	Level 6, 56 Clarence Street Sydney NSW 2000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	BDO East Coast Partnership Level 11, 1 Margret Street Sydney NSW 2000
Solicitors	MinterEllison Rialto Towers, 525 Collins Street Melbourne VIC 3000
Bankers	Commonwealth Bank of Australia
Stock exchange listing	CommsChoice Group Limited shares are listed on the Australian Securities Exchange (ASX code: CCG)
Website	www.commschoice.com