CommsChoice Group Limited
Interim Financial Report
For the half year ended 31 December 2019
ACN 619 196 539

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 financial half year end 31 December 2019.

Directors

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

J A Mackay - Independent Non Executive Chair

P J McGrath - Executive Director, Chief Executive Officer

B J Jennings - Non Executive Director

G J F Ellison – Non Executive Director (resigned 8 November 2019)

S M Bell - Non Executive Director (resigned 1 July 2019)

C E Bibby – Non Executive Director (appointed 3 October 2019)

Principal activities

CommsChoice Group is a telecommunication services business, providing a range of latest generation data and voice telecommunication products and services for business customers. CommsChoice Group services mid-tier corporate customers in Australia, Asia and internationally.

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.

In the half-year ended 31 December 2019 CommsChoice Group derived revenue from the sale of the above-mentioned communications services. Revenue consisted of recurring charges for access to voice, data and internet services, as well as usage based charges for variable usage of those services. Revenue was also derived from the installation and sale of hardware, equipment and consulting services to support the primary products of the business.

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

Dividends

The Directors have resolved not to pay an interim dividend for the period ending 31 December 2019.

Review of operations

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 resulted in the repositioning of the business. The business has undergone significant restructuring and reduced annual budgeted costs in financial year 2020 by approximately $2m.

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.

The Group generated revenue of $9,720,946 during the period. Whilst this was $939,473 less than the prior year, one off revenue declined by $1,168,169 whilst recurring and usage revenue have actually increased by $219,083. EBITDA of $1,489,509 was generated, an increase of over $1,417,470 from the prior year.

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

	$000
Revenue	9,721
Profit before income tax	1,043
Add back: Depreciation and amortization	393[1]
Add back: Finance charges	53
EBITDA	1,489
Less: lease repayments	(198)
Add back: share based payments expense	52
Underlying EBITDA	1,343

[1] Includes lease depreciation as per AASB 16

Earnings per share
Earnings per share for the period is as follows:

	Cents per security
Earnings per share (cents)	0.83
Diluted earnings per share (cents)	0.83

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.

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 Group's revenues from external customers are predominately 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 restructure is now largely complete and already delivering tangible benefits to the business as illustrated by the profit generated for the six months to 31 December 2019. Approximately $2m in annual costs savings have been delivered.

Events since the end of the financial year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected the CommsChoice Group's operations, results or state of affairs, or may do so in future years.

Insurance of officers and indemnities

During the period, CommsChoice Group Ltd incurred a premium of $74,930 to insure the directors, officers and secretary of the Group.

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

Auditor's independence declaration

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

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

John Mackay
Director

Sydney
25 February 2020

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Sydney NSW 2000
Australia

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

As lead auditor for the review of Commschoice Group Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 25 February 2020

CommsChoice Group Limited

ACN 619 196 539

Consolidated financial report – for the half year ended 31 December 2019

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	Notes	31 December 2019 $	31 December 2018 $
Revenue	4	9,720,946	10,660,419
Other income		28,746	9,613
		9,749,692	**10,670,032**
Cost of sales		(5,087,371)	(5,944,706)
Employee benefits expense		(1,924,570)	(2,320,471)
Administration expenses		(467,939)	(871,639)
Sales & marketing expenses		(203,321)	(196,299)
Information technology expenses		(453,734)	(428,921)
Professional fees		(86,592)	(76,878)
Property expenses		(28,962)	(143,317)
Other expenses		(7,694)	(25,834)
Restructuring costs	5	-	(589,928)
Finance expenses		(53,897)	(24,739)
Depreciation & amortisation		(392,918)	(981,652)
Profit/(loss) before income tax		1,042,694	(934,352)
Income tax benefit	6	451,949	192,211
Profit/(loss) for the period		**1,494,643**	**(742,141)**
Other comprehensive income			
Other		7,707	-
Total comprehensive profit/(loss) attributable to shareholders		**1,502,350**	**(742,141)**

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

		Cents	Cents
Basic earnings/(loss) per share	18	0.83	(0.68)
Diluted earnings/(loss) per share	18	0.83	(0.68)

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

	Notes	31 December 2019	30 June 2019
		$	**$**
Current assets			
Cash and cash equivalents		1,894,727	366,448
Trade and other receivables	7	2,114,941	2,071,577
Other current assets	8	685,276	807,959
Total current assets		4,694,944	3,245,984
Non-current assets			
Investments		1,991	1,991
Property, plant & equipment		124,863	121,938
Intangible assets	9	11,994,423	11,945,605
Deferred tax assets	10	1,218,609	443,205
Right of use assets	11	1,230,426	-
Total non-current assets		14,570,312	12,512,739
Total assets		19,265,256	15,758,723
Current liabilities			
Trade and other payables	12	2,720,673	3,876,991
Lease Liabilities	13	363,337	-
Deferred revenue		600,905	666,985
Provisions	14	185,599	500,706
Income tax payable		327,180	358,263
Total current liabilities		4,197,694	5,402,945
Non-current liabilities			
Lease Liabilities	13	1,114,726	28,806
Provisions	14	97,090	159,428
Deferred tax liability	15	1,077,943	754,488
Total non-current liabilities		2,289,759	942,722
Total liabilities		6,487,453	6,345,667
Net assets		12,777,803	9,413,056
Equity			
Share capital	16	32,928,263	29,692,931
Share based payment reserves		819,984	2,192,919
Other comprehensive income		(15,863)	-
Accumulated losses		(20,954,581)	(22,472,794)
Total Equity		12,777,803	9,413,056

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

	Share capital	Share-based payments reserves	Foreign currency translation reserve	Accumulated losses	Total
	$	$		$	$
Balance at 1 July 2018	26,274,193	6,214,974	-	(4,274,651)	28,214,516
Loss for the period to 31 December 2018	-	-	-	(742,141)	(742,141)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	**26,274,193**	**6,214,974**	**-**	**(5,016,792)**	**27,472,375**
Transactions with owners in their capacity as owners:					
Transfer to retained earnings	-	(1,250,000)	-	1,250,000	-
Deferred consideration	30,076	(30,076)	-	-	-
Balance at 31 December 2018	**26,304,269**	**4,934,898**	**-**	**(3,766,792)**	**27,472,375**
Balance at 1 July 2019	**29,692,931**	**2,192,919**	-	**(22,472,794)**	**9,413,056**
Reclassification to reserves from retained earnings	-	-	(23,570)	23,570	-
Profit for the period to 31 December 2019	-	-	-	1,494,643	1,494,643
Translation reserve	-	-	7,707	-	**7,707**
Total comprehensive income for the period	**29,692,931**	**2,192,919**	**(15,863)**	**(20,954,581)**	**10,915,406**
Transactions with owners in their capacity as owners:					
Contributions to equity net of transaction costs	1,810,719	-	-	-	1,810,719
Deferred consideration	1,424,613	(1,424,613)	-	-	-
Options	-	51,678	-	-	51,678
Balance at 31 December 2019	**32,928,263**	**819,984**	**(15,863)**	**(20,954,581)**	**12,777,803**

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

	Notes	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,611,626	12,097,444
Payments to suppliers and employees (inclusive of GST)		(9,114,037)	(12,117,396)
Payments for restructuring related costs		(995,301)	-
Interest received		5,079	-
Interest paid		(53,897)	(24,739)
Income tax (paid) / refund		(31,083)	(2,875)
Net cash inflow (outflow) from operating activities	17	**422,387**	**(47,566)**
Cash flows from investing activities			
Software purchase and IT systems		(265,834)	(331,715)
Payments for property, plant & equipment		(18,368)	(29,125)
Payment to suppliers for IPO and transaction related costs		-	(41,675)
Net cash (outflow) from investing activities		**(284,202)**	**(402,515)**
Cash flows from financing activities			
Lease Payments		(198,026)	-
Proceeds from the issue of shares net of fees		1,816,016	-
Repayments of borrowings		(227,896)	-
Net cash inflows (outflow) from financing activities		1,390,094	-
Net increase (decrease) in cash and cash equivalents		**1,528,279**	**(450,080)**
Cash and cash equivalents at the beginning of the period		366,448	1,705,251
Cash and cash equivalents at end of period		**1,894,727**	**1,255,171**

1 General information

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

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

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

Level 6, 56 Clarence Street
Sydney NSW 2000
Australia

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

These condensed interim financial statements were approved for issue on 25 February 2020. The directors have the power to amend and reissue the financial statements.

2 Significant accounting policies

This condensed consolidated interim financial report for the half year ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the CommsChoice Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

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.

Right-of-use assets

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

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Variable lease payments are only included in measuring the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

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

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption not to recognise right-of-use assets and liabilities for short term leases with less than 12 months of lease term;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics, including similar class of assets and remaining lease terms; and
- Relied on its assessment of onerous leases under AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before application date, as an alternative to performing an impairment review. The right of use assets subject to onerous leases at the date of initial application have been adjusted by the amount of existing provisions at the date of initial application.

Impact of adoption
AASB16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The adoption has had no impact on opening retained earnings, and as such no adjustment has been made at the date of initial application.

On transition to AASB 16 on 1 July 2019, the Group recognised a right-of-use asset of $1,393,216 and a lease liability of $1,637,666. An amount of $244,450 was deducted from the value of the right of use assets on date of initial application, under the practical expedient relating to the assessment of onerous leases on applicable assets.

The Group has recognised an additional depreciation charge during the period of $162,790 in relation to depreciation of the right of use assets, as well as an additional finance cost of $38,422 due to interest expense on the lease liability.

When measuring the lease liabilities, the Group discounted these lease payments using its incremental borrowing rate at the date of initial application of AASB 16. The rate applied was 5.0%.

A reconciliation of opening operating lease commitments to lease liabilities recognised at 1 July 2019 is noted as follows:

	1 July 2019
	$
Operating lease commitments as at 1 July 2019 (AASB 17)	1,841,811
Operating lease commitments discounted based on weighted average incremental borrowing rate of 5% (AASB16)	(194,542)
Short term leases not recognised as right of use asset (AASB 16)	(9,603)
	1,637,666
Lease liabilities - current (AASB 16)	(362,765)
Lease liabilities - non current (AASB 16)	(1,274,901)
Lease liability as at 1 July 2019	(1,637,666)

Going concern

For the financial half year, the Group made a profit before tax of $1,042,694 (31 December 2018: loss before tax of $934,352) and had a net cash inflow from operating activities of $422,387 (31 December 2018: net cash outflow of $47,566) and had net current assets of $497,250 (June 2019: net current liabilities of $2.16m).

These conditions represent a significant improvement in the Group's trading position relative to the prior period and a significant reduction in the level of uncertainty in relation to going concern as recognised in the previous financial report.

On this basis the directors believe the Group is a going concern due to the following factors:

- Ability to raise further equity capital based upon past successful raisings and access to undrawn established overdraft facility of $350k.
- Cash on hand as at 31 December 2019 of $1,894,727.
- The successful restructuring of the Group's operations that has led to a significantly lower cost base relative to the prior year and a greater ability to deal with future competitive threats.
- An investment in the Groups sales team that will provide the ability to pursue a wider range of sales opportunities going forward.
- A significant improvement in customer satisfaction and retention particularly in regards to larger corporate clients.

Based on the results for the six months to 31 December 2019 and the result budgeted for the six months to 30 June 2020, the Directors reasonably believe that the forecasts for the full year are achievable and the uncertainty that has existed in regards to the Group continuing as a going concern will continue to reduce significantly.

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.

3 Segment reporting

(i) Identification of reportable operating segments

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

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

4 Revenue

	Consolidated	Consolidated
	31 December 2019	31 December 2018
Sales revenue	$	$
Voice revenue	6,095,385	6,813,661
Data revenue	2,351,497	2,589,959
Managed service revenue	1,274,064	1,256,799
	9,720,946	**10,660,419**

Disaggregation of revenue

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

5 Individually significant profit or loss items

	Consolidated	Consolidated
	31 December 2019	31 December 2018
	$	$
Restructuring and integration costs	-	289,089
Onerous lease expenses	-	300,839
	-	**589,928**

6 Income tax benefit

	Consolidated	Consolidated
	31 December 2019	31 December 2018
	$	$
Income tax (benefit)		
Deferred tax - origination and reversal of temporary differences	(451,949)	(192,211)
Total income tax (benefit)	**(451,949)**	**(192,211)**

The Group has tax losses available for use of $3,455,672, equivalent to deferred tax asset of $950,310 which have not been brought to account on the balance sheet.

	Consolidated 31 December 2019 $	Consolidated 31 December 2018 $
Reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax benefit	**1,042,694**	**(934,352)**
At the Group's statutory income tax rate of 27.5%	286,741	(256,947)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	19,819	64,736
Recognition of carried forward losses not previously accounted for	(758,509)	
Income tax (benefit)	**(451,949)**	**(192,211)**

7 Trade and other receivables

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Trade receivables	2,186,235	2,166,041
Less: provision for expected credit losses	(71,294)	(94,526)
	2,114,941	**2,071,515**
Other receivables	-	62
Total trade and other receivables	**2,114,941**	**2,071,577**

8 Other current assets

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Prepayments	551,166	671,853
Accrued revenue	45,931	38,707
Security Deposits	88,179	97,399
	685,276	**807,959**

9 Intangibles

	Customer contract	Brand	Goodwill	Software	Capital work in progress	Other	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Cost							
Balance at 1 July 2019	6,411,000	3,574,000	18,033,456	2,966,065	-	13,154	30,997,675
Addition during the period	-	-	-	26,739	239,095	-	265,834
Balance at 31 December 2019	6,411,000	3,574,000	18,033,456	2,992,804	239,095	13,154	31,263,509
Accumulated amortisation and impairment							
Balance at 1 July 2019	(4,717,533)	(2,523,874)	(8,831,444)	(2,966,065)	-	(13,154)	(19,052,070)
Amortisation expense	(154,994)	(62,022)	-	-		-	(217,016)
Balance at 31 December 2019	**1,538,473**	**988,104**	**9,202,012**	**26,739**	**239,095**	**-**	**11,994,423**

10 Deferred tax assets

	Consolidated 31 December 2019	Consolidated 30 June 2019
	$	**$**
Deferred tax asset comprises temporary differences attributable to:		
Temporary differences	1,047,022	237,301
Amounts recognised in equity for capital raising	171,587	205,904
Deferred tax asset	**1,218,609**	**443,205**
Movements in deferred assets:		
Opening balance	443,205	1,031,045
Debited/(credited) to:		
- Derecognition of prior year losses	-	(495,379)
- Relating to temporary differences	775,404	(92,461)
Closing balance	**1,218,609**	**443,205**

11 Right of use assets

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Land and buildings - right of use	1,362,299	-
Less: Accumulated depreciation	(158,525)	-
	1,203,774	-
Plant and equipment - right of use	30,917	-
Less: Accumulated depreciation	(4,265)	-
	26,652	-
	1,230,426	-

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

The consolidated entity leases an office under agreements of less than one year. This lease is either short term or low value, so has been expensed as incurred and not capitalised as right of use asset.

12 Trade and other payables

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Trade payables	1,246,301	935,932
Accrued expenses	780,103	1,043,476
Hire purchase payable	157,967	385,863
Payroll liabilities	355,135	1,270,986
GST liabilities	159,367	150,373
Other payables	21,800	90,361
	2,720,673	**3,876,991**

During the period, the group completed the settlement of a number of restructuring accruals and provisions, which included the settlement of the ongoing warranty claim as disclosed in the 30 June 2019 annual financial report.

13 Lease liabilities

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Current liabilities		
Lease liabilities	**363,337**	**-**
Non-current liabilities		
Lease liabilities	**1,114,726**	**28,806**

14 Provisions

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Current liabilities		
Annual leave	185,599	290,352
Onerous lease	-	210,354
	185,599	**500,706**
Non-current liabilities		
Long service leave	**97,090**	**159,428**

15 Deferred tax liability

	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Movements in deferred liabilities:		
Opening balance	754,488	2,556,892
Debited/(credited) to:		
- profit or loss	323,455	188,983
- intangible assets acquired on acquisition	-	(1,991,387)
	1,077,943	**754,488**

16 Share capital

	Consolidated 31 December 2019 Shares	Consolidated 30 June 2019 Shares	Consolidated 31 December 2019 $	Consolidated 30 June 2019 $
Ordinary Shares - fully paid	**190,375,310**	136,839,360	**32,928,263**	29,692,931

Movements in ordinary share capital
Movements in ordinary share capital

	Date	Shares	$
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**
Opening balance	1 July 2019	136,839,360	29,692,931
Shares issued in lieu of fees for contracting party	1 July 2019	2,437,500	97,500
Shares issued for restructuring costs	24 July 2019	45,400,000	1,816,000
Less: transaction costs arising on share issues	24 July 2019	-	(102,781)
Claims retention shares issued to vendors	16 October 2019	5,698,450	1,424,613
Balance 31 December 2019		**190,375,310**	**32,928,263**

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

	31 December 2019 $	31 December 2018 $
Profit/(loss) for the period	1,494,643	(742,141)
Adjustments for:		
Transaction costs relating to IPO and acquisition of subsidiaries	-	41,675
Share based payments	51,678	-
Depreciation and amortisation	392,918	981,652
	1,939,239	**281,186**

Change in assets and liabilities:		
(Increase) in receivables	(43,426)	(300,976)
(Increase) in inventory	-	(1,499)
Increase in payables	314,203	(380,726)
Increase in provisions	377,445	227,766
(Increase) in deferred tax assets	(775,404)	-
Increase in deferred tax liabilities	323,455	-
(Decrease) in payroll liabilities	(915,852)	-
(Decrease) in current liabilities	(423,565)	-
(Decrease) in other including acquired working capital	(373,708)	126,683
Net cash inflow/(outflow) from operating activities	**422,387**	**(47,566)**

18 Earnings per share

Reconciliation of earnings used in calculating earnings per share

	31 December 2019 $	31 December 2018 $
Profit/(Loss) attributable to the ordinary equity holders of the company	**1,494,643**	**(742,141)**
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	180,396,990	108,788,716
Adjustments for calculation of diluted earnings per share:		
Share performance rights	-	-
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**180,396,990**	**108,788,716**

	Cents	**Cents**
Basic earnings/(loss) per share	0.83	(0.68)
Diluted earnings/(loss) per share	0.83	(0.68)

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

John Mackay
Director

Sydney
25 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Commschoice Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Commschoice Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

Grant Saxon
Partner

Sydney, 25 February 2020