Annual Report

CommsChoice Group Limited
Consolidated Financial Report
For the year ended 30 June 2020
ACN 619 196 539

commschoice
cloud communications for business

Contents

CommsChoice Group Limited
ACN 619 196 539

Consolidated Financial Report – for the year ended 30 June 2020

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" or "the Group") for the financial year ended 30 June 2020.

Directors and company secretary

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

JA Mackay	Appointed 11 October 2017
PJ McGrath	Appointed 11 October 2017
BJ Jennings	Appointed 11 October 2017
GJF Ellison	Appointed 11 October 2017, resigned 8 November 2019
CE Bibby	Appointed 2 October 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 ASIC and ASX regulatory functions and governance platform of CommsChoice Group in Australia.

Principal activities

CommsChoice Group is an information and communication technology (ICT) business, providing a comprehensive range of telco and IT related managed services. 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 2020, 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 ended 30 June 2020.

Review of operations

The year ended 30 June 2020 has been a very positive year for the Group with an Underlying EBITDA (excluding restructuring costs) of $2.3m and Net Profit before Tax of $1.3m. This is a significant turnaround from the prior year.

Whilst Group Revenues of $19.3m are down relative to the prior year, primarily as a result of significant one-off or non-recurring revenues of the prior year, Management have been able to deliver significant cost savings after the successful completion of restructuring announced during the prior year and having a greater focus on cost control throughout the year.

The restructure announced in June 2019 also involved a $2.4m capital raising including a share purchase plan (SPP) to all shareholders which was well supported.

Core components of the business restructure included:

- a significant reduction in non-core operating costs;
- reductions in supplier costs with greater attention paid to supplier cost management; and
- a re-focused and streamlined customer support function out of Sydney with some additional resources in the Philippines.

Together these cost savings saved approximately $2 million in annual costs.

In addition to the cost savings initiative, the Group put a lot of focus on improving customer support and service levels and we were happy to see a significant improvement in this area during the year.

The Group increased its focus in the year on the indirect channel which includes wholesale customers, our dealer channel and key partners particularly in the contact centre and global calling areas. In the second half of the year the Company also increased its focus on the SME and Corporate sectors, hiring additional resources in these areas. The Group onboarded some great new dealer and partner relationship during the year across Australia, including in regional areas, as well as internationally and we thank our partners and dealer customers for all of their support.

The Group also undertook a major review and rationalisation of our product set and pricing. We introduced some new key suppliers of additional products particularly for customers in the business and corporate areas, with the launch of our NBN Enterprise Ethernet offering being an exciting development. Other key product initiatives launched during the year included managed router options for our SME customers and expanded International offerings for our Microsoft Teams calling service.

Review of operations (continued)

A core strength of the business is our competence and engineering excellence in the IP Telephony space where we trace our routes back to the Telegate business we acquired in 2017. Telegate is a pioneer in IP Telephony in the Australian marketplace from as early as 2011. Our two core IP Telephony offerings include Cloud Business Phone (including Global PBX International) and our leading Microsoft Teams calling or Direct Routing offering.

The Group delivered its first Microsoft Teams calling solution to a major Sydney based commercial customer back in 2018. Since then we have gone on to deliver many customer deployments across Australia and offshore into Asia and the Northern Hemisphere. In March 2020 we announced that we had expanded our Microsoft Teams calling nodes into the USA and Europe and recently we announced that we had expanded our nodes into China, Japan and the Philippines. We have plans to increase the coverage of our global Microsoft Teams calling nodes even further. Today we have one of the most extensive coverages across Asia of any global service provider which will prove to be a highly strategic asset for the Company moving forward.

Structurally the Group has undergone significant change and development during the year. The Group commenced the process of changing its customer relationship management (CRM) system in order to lower cost and enhance how we market to, attract and retain customers. We are also streamlining and improving billing functions and automating and integrating the enterprise resource planning system. We also invested in an enhanced website and introduced our first phase of on-line ordering capabilities. We plan to do more work on automating and integrating key systems and we also intend to invest in more advanced web-based customer ordering and service management tools to enable customers to easily order new services and manage existing services. Going forward we believe that these enhancements will provide Management with a much greater ability to pursue new and manage existing customer relationships, analyse Group revenues and costs to help identify new opportunities for growth and cost reduction, streamline our customers online ordering capability and make for more efficient billing and collection processes.

The Group has also had a strong focus on cash management during the year, ending the financial year with $2.4m cash in bank and access to approximately $1.0m in approved and undrawn bank facilities. Whilst the Group has reported Net Cash inflow from Operations of $1.5m, this is after the payment of some prior year restructuring costs and payments for revised tax assessments for the years ended 30 June 2017 and 2018 which together totaled $1.8m.

The Covid-19 global pandemic has created some challenges for the business, but we are happy that none of these have impacted the business in a significant way. The health and wellbeing of our customers and staff has and will remain a key priority. The Company responded early enabling staff to work remotely and from home with work-from-home trials being undertaken in early March 2020. From mid-March the majority of staff in Australia and the Philippines were working remotely. The move to have all staff working remotely was executed smoothly with remote access to key systems being very seamless.

We expect that the move of staff working back at our offices will be a slow and gradual process and we intend to be cautious in this regard. Under the current arrangements with the majority of staff working remotely and from home, we are pleased to advise that the Group continues to operate effectively, supporting all of the Group's operations and servicing our customers, which is a credit to all our staff. We thank all of our staff for their tremendous efforts during this difficult period and our customers for their patience whilst we aim to support them during this period.

The Group is also really pleased to have supported many key customers who needed to swiftly implement unified communications solutions, particularly our market leading Microsoft Teams calling service, to support their remote working and work-from-home transitions. An example was a major childcare operator who contacted us needing an urgent deployment of the Microsoft Teams Phone System which we provisioned in three hours of the initial contact. We were particularly proud of the response and efforts made by our staff to assist customers with urgent requests during a difficult period for many Australian businesses.

Finally, we thank our customers for their business and loyalty during the year. We also look forward to developing new and enduring relationships with new customers and partners in the year ahead.

commschoice worldwide network

Group result

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

Reporting period	Statutory FY20	Statutory FY19
Trading entities	Full year results	Full Year results
Parent company	Full year results	Full year results

Total revenue for the year was $19.3m, representing a decrease of $1.7m over the prior reporting period.

A reconciliation of Underlying EBITDA to the reported profit before tax in the consolidated statement of comprehensive income is tabled below:

	30 June 2020 $M	30 June 2019 $M
Revenue	19.3	21.0
Reported profit (loss) before tax	1.3	(20.7)
Add: net finance costs(1)	0.1	-
Add: depreciation and amortization(1)	0.8	2.0
Add: impairment of intangibles	-	16.3
EBITDA	**2.2**	**(2.4)**
Add: share based payments	0.1	-
Add: Restructuring costs	0.2	2.7
Less: property rent as paid	(0.2)	-
Underlying EBITDA	**2.3**	**0.3**
Underlying EBITDA excluding rent paid	**2.5**	**0.6**

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

Earnings per share

Profit per share for the period is as follows:

	30 June 2020	30 June 2019
Net profit / (loss) after tax ($m)	2.59	(19.45)
Profit / (loss) per share (cents)	1.39	(17.26)
Diluted earnings / (loss) per share (cents)	1.39	(17.26)
Net profit / (loss) after tax (ex-amortisation and impairment) ($m)	3.37	(1.24)
Earnings / (loss) per share (cents)	1.81	(0.01)
Diluted earnings / (loss) per share (cents)	1.81	(0.01)

Business restructuring and simplification

As a result of the completion of restructuring announced in the prior year and some further operating cost reductions as a result of the simplication or replacement of business support systems, significant cost savings are now being realised. This is particularly the case for the rationalisation and consolidation of management and billing systems inherited at the time of listing in December 2017. Further restructuring of the Business' organisational structure has taken place with an investment in new sales and customer support positions, that will provide the basis for pursuing a wider range of business development opportunities and improve the customer service being delivered.

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 two customers each contributed to 15.0% 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

Plans announced by CommsChoice Group Limited in June 2019 to restructure its sales and operations areas have been successfully implemented. As reflected in the full year result, this restructure has led to a significantly lower cost base that will be carried forward into future years.

Upon completion of these plans during the year, further restructuring was undertaken in the second half of the year the results of which will flow through during the first half of the year ending 30 June 2021.

Events since the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst the financial impact has been minimal for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 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 operation

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 additional restructuring that will enhance and consolidate existing management systems, leading to further cost efficiencies and gains beyond those generated in the year ended 30 June 2020.

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:
None

Former directorships (last 3 years):
Chairman of Speedcast International Ltd (ASX: SDA)
Director of Energy Action Ltd (ASX: EAX)

Special responsibilities:
Member of the People and Culture Committee

Member of the Audit Compliance and Risk Management Committee

Interest in shares at 30 June 2020:
1,406,250

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 20 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 2020:
9,950,638

Benjamen Jennings

Non-Executive Director

Qualifications:
B.Bus, CA

Experience and Expertise:
Benjamen has spent almost 18 years as an accountant working in both commercial and public practice roles in both Australia and the United Kingdom.

Benjamen 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 2020:
13,842,642

Claire Bibby

Non-Executive Independent Director

Qualifications:
B.Comm, L.L.B. (Hons)

Experience and Expertise:
Claire is a highly experienced lawyer with over 25 years' experience as general counsel, Executive and Non-Executive Director with ASX, multinational, private and NFP organisations, spanning dispute resolution, corporate, commercial, property, insurance, financial services, fund management, finance, IP, IR and litigation.

Other current directorships:
None

Former directorships (last 3 years):
None

Special responsibilities:
Chairwoman of the People and Culture Committee

Member of the Audit Compliance and Risk Management Committee

Interest in shares at 30 June 2020:
8,334

Board and Committee Meetings

During the financial year, the Directors held eight Board meetings, three Audit, Compliance and Risk Management Committee meetings and three People and Culture (Nomination and Remuneration) Committee meetings. Each Director's attendance at those meetings during the year were as follows:

	Board		Audit, Risk & Compliance Committee		People & Culture Committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
John Mackay	8	8	3	3	3	3
Peter McGrath	8	8	3	3	3	3
Benjamen Jennings	8	8	2	2	-	-
Claire Bibby	5	4	-	-	3	3
Grant Ellison	3	2	-	-	-	-

Insurance of officers and indemnities

During the year, the company paid a premium of $91,649 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 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 2020 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 5 to 6 for details about each director)

John Mackay	Non-Executive Chairman
Peter McGrath	Executive Director, Chief Executive Officer
Benjamen Jennings	Non-Executive Director
Grant Ellison	Executive Director, General Manger – Business Development (resigned 8 November 2019)
Claire Bibby	Non-Executive Director (commencing 2 October 2019)

Other key management personnel

Patrick Harsas	Chief Financial Officer (resigned 27 August 2019)
Matthew Beale	Chief Financial Officer (commencing 26 August 2019)

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 Group'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.

(b) 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 consists of:

- For the financial year ended 30 June 2020, to John Mackay for serving as chairman a base fee of $68,448 per annum, to Benjamen Jennings for serving as a director a base fee of $18,265 per annum and to Claire Bibby for serving as a director a base fee of $27,397 per annum; and
- statutory superannuation, equivalent to the Government Superannuation Guarantee amount.

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		Total
		Cash salary & fees	Super-annuation	Performance rights	Post-Employment	
		$	$	$	$	$
Non-executive Directors						
John Mackay	2019	45,617	4,334	-	-	49,951
	2020	74,156	7,045	12,320	-	93,521
Benjamen Jennings	2019	-	-	-	-	-
	2020	3,044	289	8,214	-	11,547
Claire Bibby	2019	-	-	-	-	-
	2020	20,548	1,952	-	-	22,500
Executive Directors						
Peter McGrath	2019	78,056	7,415	-	-	85,471
	2020	302,088	21,003	73,920	-	397,011
Grant Ellison	2019	115,296	10,953	-	-	126,249
	2020	-	-	-	33,013	33,013
Other KMP						
Benjamin Gilbert	2019	200,913	19,087	-	162,350	382,350
	2020	20,095	6,362	-	66,971	93,428
Matthew Beale	2019	-	-	-	-	-
	2020	109,381	9,711	1,942	-	121,034
Patrick Harsas	2019	168,306	15,989	-	-	184,295
	2020	39,390	2,530	-	-	41,920
Total 2019		**608,188**	**57,778**	**-**	**162,350**	**828,316**
Total 2020		**568,702**	**48,892**	**96,396**	**99,984**	**813,974**

Grant Ellison resigned as a director on 8 November 2019.

Benjamin Gilbert resigned as CEO of CommsChoice on 17 April 2019. The above payments represent wages paid during his notice period and termination benefits paid during the year ended 30 June 2020 as part of that resignation.

(c) Share based compensation

Long Term Incentive Scheme

During the year a total of 20,500,000 performance rights have been issued to Directors and Management under the Performance Rights Plan with 700,000 rights cancelled before the end of the year. 50% are subject to vesting at 12.5 cents per share, earliest of 18 months from grant date and 50% are subject to vesting at 20 cents per share, earliest 30 months from grant date. The number on issue as at 30 June 2020 are as follows.

Name	Number of performance rights allocated	Grant Date	Expiry date	Number Vesting 18 months from grant at 12.5 cents	Fair value per right vesting 18 months from grant date	Number Vesting 30 months from grant at 20.0 cents	Fair value per right vesting 30 months from grant date
John Mackay	1,500,000	18-Jun-19	17-Jun-24	750,000	$0.024	750,000	$0.016
Peter McGrath	9,000,000	18-Jun-19	17-Jun-24	4,500,000	$0.024	4,500,000	$0.016
Benjamen Jennings	1,000,000	18-Jun-19	17-Jun-24	500,000	$0.024	500,000	$0.016
Other management	5,400,000	18-Jun-19	17-Jun-24	2,700,000	$0.024	2,700,000	$0.016
Other management	2,900,000	28-Apr-20	27-Apr-25	1,450,000	$0.058	1,450,000	$0.049

The grant date as disclosed above reflects the date the plan was approved by the board for issue. Under AASB 2, the accounting grant date for these performance rights issued to directors is 23 July 2019, being the date they were approved by shareholders at an EGM. The fair value of the performance rights has been determined as at this date.

Performance rights issued to other management do not require shareholder approval under the Plan already approved by shareholders.

Issue of shares

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

Issue of options

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

The 240,000 options granted to Patrick Harsas on 21 December 2017 were cancelled subsequent to his resignation.

(d) Service agreements

Director related entity remuneration

Benjamen Jennings is a director of Jennings Partners Chartered Accountants which has provided accounting and bookkeeping services to the Group. Total fees paid by the Group for the year ended 30 June 2020 were $2,097 (2019: $119,826). The total fees outstanding as trade payables as at 30 June 2020 was $Nil.

Benjamen Jennings is a director of Outforce Pty Ltd, a staffing solutions which provide Business Process Outsourcing services. Total amounts paid by the Group for the year ended 30 June 2020 were $395,800 (2019: $779,693). There was no fee outstanding as trade payables as at 30 June 2020.

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

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 the Group as CEO which includes:

- No fixed term;
- Base salary of $300,000 per annum plus statutory superannuation entitlements;
- Maximum short term incentive 35% of base salary plus superannuation entitlements based on achievement of agreed KPIs;
- 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 nine months' notice by CommsChoice and six months notice by the CEO. Either party may elect to terminate employment in case of change of control and termination payment in the event of a change of control is nine months payment; 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 interim executive contract with Matthew Beale to govern his employment with the Group as Chief Financial Officer (CFO) which includes:

- total equivalent annual compensation of $200,000 per annum (including superannuation entitlements); and
- the right to terminate the CFO's employment is two months' notice by either party.

(e) 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 2019	Net Shares acquired during year	Total shares held 30 June 2020	Total shares at date of this report
John Mackay	531,250	875,000	1,406,250	1,406,250
Peter McGrath	250,000	9,700,638	9,950,638	9,950,638
Benjamen Jennings	9,227,289	4,865,353	14,092,642	14,092,642
Grant Ellison	21,947,494	4,830,767	26,778,261	26,778,261
Benjamin Gilbert	1,750,001	(550,000)	1,200,001	1,200,001
Claire Bibby	-	8,334	8,334	8,334
Patrick Harsas	710,000	-	710,000	710,000
Matthew Beale	-	621,854	621,854	621,854
Total	**34,416,034**	**20,351,946**	**54,767,980**	**54,767,980**

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.

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 Audit Pty Ltd 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 27 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 14.

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 2020 corporate governance statement reflects the corporate governance practices in place throughout the 2020 financial year. The 2020 corporate governance statement which is approved at the same time as the Annual Report can be viewed at **https://www.commschoice.com/assets/main/07.05.06-ASX-Corporate-Governance-Compliance-Table-4G.pdf**

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

John Mackay
Director

Sydney
25 August 2020

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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 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
Director

BDO Audit Pty Ltd

Sydney, 25 August 2020

CommsChoice Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	30 June 2020	30 June 2019
		$	$
Revenue	4	19,129,717	20,966,519
Other income		210,407	17,255
		19,340,124	**20,983,774**
Cost of sales		(10,109,554)	(12,027,564)
Employee benefits expense		(4,344,775)	(5,699,933)
Administration expenses		(780,594)	(983,787)
Sales & marketing expenses		(451,578)	(432,778)
Information technology expenses		(898,862)	(943,894)
Professional fees		(231,832)	(288,828)
Property expenses		(62,529)	(291,621)
Other expenses		(74,709)	(29,709)
Restructuring costs	5	(166,200)	(2,706,329)
Finance expenses		(97,933)	(36,595)
Depreciation & amortisation	5	(794,524)	(1,955,271)
Impairment expenses	5	-	(16,250,173)
Profit / (loss) before income tax		**1,327,034**	**(20,662,707)**
Income tax benefit	6	1,248,035	1,214,564
Profit / (loss) for the period		**2,575,069**	**(19,448,143)**
Other comprehensive income			
Other		13,729	-
Total comprehensive profit or loss attributable to shareholders		**2,588,798**	**(19,448,143)**
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the company:			
		Cents	
Basic profit / (loss) per share	21	1.39	(17.26)
Diluted profit / (loss) per share	21	1.39	(17.26)

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

CommsChoice Group Limited
Consolidated Statement of Financial Position

	Notes	30 June 2020	30 June 2019
Current assets		**$**	**$**
Cash and cash equivalents		2,407,437	366,448
Trade and other receivables	8	1,765,515	2,071,577
Other current assets	9	649,542	807,959
Total current assets		**4,822,494**	**3,245,984**
Non-current Assets			
Investments		-	1,991
Property, plant & equipment	10	79,623	121,938
Right of use Asset	11	1,067,636	-
Intangible assets	12	12,014,989	11,945,605
Deferred tax assets	13	1,955,015	443,205
Total non-current assets		**15,117,263**	**12,512,739**
Total assets		**19,939,757**	**15,578,723**
Current liabilities			
Trade and other payables	14	2,201,001	3,876,991
Deferred revenue	16	1,029,735	666,985
Other Liabilities	15	388,139	-
Provisions	17	293,657	500,706
Income tax payable		-	358,263
Total current liabilities		**3,912,532**	**5,402,945**
Non-current liabilities			
Provisions	17	102,175	159,428
Deferred tax liability	18	1,018,263	754,488
Other liabilities	15	897,014	28,806
Total non-current liabilities		**2,017,452**	**942,722**
Total liabilities		**5,929,984**	**6,345,667**
Net assets		**14,009,773**	**9,413,056**
Equity			
Share capital	19	32,988,263	29,692,931
Share based payment reserves	20	489,453	2,192,919
Foreign currency translation reserve		(9,841)	(23,573)
Accumulated losses		(19,458,102)	(22,449,221)
Total Equity		**14,009,773**	**9,413,056**

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

CommsChoice Group Ltd
Consolidated Statement of Changes in Equity

	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 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**
Balance at 1 July 2019	**29,692,931**	**2,192,919**	**-**	**(22,472,794)**	**9,413,056**
Profit for the period to 30 June 2020	-	-		2,575,069	2,575,069
Reclassification to reserves from retained earnings			(23,570)	23,570	-
Translation reserve			13,729	-	13,729
Other comprehensive income	-	-	-	-	-
Total comprehensive profit for the period			**(9,841)**	**2,598,639**	**2,588,798**
Transactions with owners in their capacity as owners:					
Contributions to equity net of transaction costs	1,870,719	-	-	-	1,870,719
Deferred consideration	1,424,613	(1,840,666)	-	416,053	-
Options/ Shares	-	137,200	-	-	137,200
Balance at 30 June 2020	**32,988,263**	**489,453**	**(9,841)**	**(19,458,102)**	**14,009,773**

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

CommsChoice Group Ltd
Consolidated Statement of Cash Flows

	Notes	30 June 2020	30 June 2019
Cash flows from operating activities		**$**	**$**
Receipts from customers (inclusive of GST)		21,915,316	22,723,246
Payments to suppliers and employees (inclusive of GST)		(19,974,052)	(24,554,635)
Interest Received		5,887	-
Interest paid		(97,933)	(36,595)
Income tax paid		(362,398)	(2,877)
Net cash inflow (outflow) from operating activities	**7**	**1,486,820**	**(1,870,861)**
Cash flows from investing activities			
Software purchase and IT systems		(507,528)	(469,499)
Receipts / (payments) for property, plant & equipment		(19,111)	30,493
Net cash outflow from investing activities		**(526,639)**	**(439,006)**
Cash flows from financing activities			
Lease Payments		(404,047)	-
Proceeds from the issue of shares net of transaction costs		1,870,719	585,200
Net (repayments) / proceeds of borrowings		(385,864)	385,864
Net cash inflows from financing activities		**1,080,808**	**971,064**
Net increase / (decrease) in cash and cash equivalents		2,040,989	(1,338,803)
Cash and cash equivalents at the beginning of the period		366,448	1,705,251
Cash and cash equivalents at end of period		**2,407,437**	**366,448**

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

CommsChoice Group Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

CommsChoice Group Limited
Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

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 2020. 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 25 August 2020.

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 16 - Leases

The Group has adopted AASB 16 from 1 July 2019. 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 is 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 is also 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 is 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 $325,580 in relation to depreciation of the right of use assets, as well as an additional finance cost of $72,804 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)**

(iv) Going concern

For the year ended 30 June 2020, the Group generated a profit before tax of $1,327,034 (2019: $20,662,707 loss) and recorded a net cash inflow from operating activities of $1,486,818 (2019: $1,870,861 outflow). At 30 June 2020 the group had net current assets of $909,962 (30 June 2019: $2,156,961 net current liabilities) that includes $2,407,437 cash on hand (2019: $366,448).

The Directors believe that there are reasonable grounds to conclude that the Group will continue as a going concern, after consideration all of the following factors;

- The current period result represents a significant improvement in the Group's financial position from the prior year, even after excluding prior year 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 $1,870,719 was received during the year, substantially improving its current liquidity position.
- In addition to the Group's demonstrated ability to raise further capital, the Group also has access to an approved undrawn overdraft facility of $350,000 and approved undrawn leasing facility of $600,000.
- In the event of continuing business challenges associated with the COVID-19 pandemic, management's forecasts indicate that the Group has available sufficient financial resources in order to continue to pay its debts as and when they become due and payable.
- The Group maintains a number of significant customer contracts and is confident in the forecast pipeline of revenue growth to support management's forecasts.
- An investment in the Group's sales team during the year that will improve 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.

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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2020 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 25 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.

(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, historical collection rates and forward looking information, including accounting for the potential impacts of the COVID-19 pandemic.

(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 12. 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 12.

(v) Recognition of deferred tax assets

The Group formed a tax consolidated group under Australian taxation law during the year. Historical losses accumulated by the operating subsidiaries in the group prior to and since acquisition by the Company have now been recognised as a deferred tax asset, in accordance with tax loss recoupment rules.

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.

(viii) Coronavirus (COVID-19) pandemic

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

(ix) Incremental borrowing rate

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

(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.

(iii) Other income

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

(f) Income tax

The Group formed a tax consolidated group under Australian taxation law during the year 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) 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.

(h) 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.

(i) 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.

(j) 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
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 (l)).

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

(k) 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 over the useful life of the asset not exceeding 5 years in any case.

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

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 performance rights

The fair value of rights 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 rights 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.

(r) 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.

(s) Dividends

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

(t) 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.

(u) 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 and non-current assets are predominantly domiciled in Australia.

(ii) Major customers

During the year ended 30 June 2020, approximately $3,028,000 (2019: $3,700,000) of the consolidated entity's external revenue was derived from sales to a leading national not-for-profit community service organisation.

4 Revenue

	Consolidated 30 June 2020	Consolidated 30 June 2019
Sales revenue	$	$
Voice revenue	12,639,346	13,400,857
Data revenue	4,156,904	5,093,836
Managed service revenue	2,333,467	2,471,826
	19,129,717	**20,966,519**

Disaggregation of revenue

The Group derives its revenue from the delivery of hosted voice, data and enterprise networks and cloud based communication enablement services that 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

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 30 June 2020	Consolidated 30 June 2019
	$	$
Restructuring costs consist of the following expenses		
Professional fees	-	770,710
Employee benefits	76,200	1,186,244
Onerous lease	10,000	418,765
IT software	80,000	244,843
Other	-	85,767
Total restructuring costs	**166,200**	**2,706,329**
Depreciation & amortisation		
Depreciation – fixed assets	30,800	50,611
Depreciation – right of use assets	325,580	-
Amortisation - customer contracts	309,988	915,858
Amortisation – brand	124,044	357,400
Amortisation – software	4,112	631,402
Total depreciation & amortisation	**794,524**	**1,955,271**
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**
Interest Expense		
Interest expense	25,129	36,595
Interest on lease liability	72,804	-
	97,933	**36,595**
Other costs		
Share based payments	137,200	(4,850)
Superannuation guarantee expense	336,045	393,029

The Company has made further plans to restructure its operations areas following the successful completion of restructuring announced in the prior year. Restructuring costs incurred relate to the restructure of Australian operations and removing costs of positions believed to be surplus to the Company's medium to long term needs.

6 Income tax expense

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Income tax (benefit)		
Deferred tax - origination and reversal of temporary differences	(437,696)	(1,214,564)
Deferred tax - recognition of prior year losses	(810,339)	
Total income tax (benefit)	**(1,248,035)**	**(1,214,564)**

The Group has tax losses available for use of $2,946,684 which have now been brought to account on the Statement of Financial Position.

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit / (loss) before income tax benefit	1,327,034	**(20,662,707)**
At the Group's statutory income tax rate of 27.5%	364,934	(5,682,244)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	46,491	4,467,680
Application of carried forward losses not previously accounted for	(849,121)	-
Recognition of deferred tax assets for carried forward tax losses not previously accounted for	(810,339)	-
Income tax (benefit)	**(1,248,035)**	**(1,214,564)**

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

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Profit / (loss) for the period	2,575,069	(19,448,143)
Adjustments for:		
Share based payments	137,200	-
Depreciation and amortisation	794,524	1,955,271
Impairment of Intangibles	-	16,250,173
	3,506,793	**(1,242,699)**
Change in assets and liabilities:		
(Increase) / decrease in receivables	306,001	(754,380)
(Increase) / decrease in inventory	-	28,538
(Increase) / decrease in deferred tax	(1,248,035)	(1,214,564)
Increase / (decrease) in tax payables	(362,399)	(2,875)
Increase / (Decrease) in payables	(357,746)	714,844
Increase / (Decrease) in provisions	(267,607)	273,019
(Increase) / decrease in other working capital	(90,187)	327,256
Net cash inflow / (outflow) from operating activities	**1,486,820**	**(1,870,861)**

8 Trade and other receivables

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Trade receivables	1,836,808	2,166,041
Less: provision for expected credit loss	(71,293)	(94,526)
	1,765,515	**2,071,515**
Other receivables	-	62
Total trade and other receivables	**1,765,515**	**2,071,577**

(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.

8 Trade and other receivables (continued)

(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.

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.

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

Non-past-due:	0.14%
30 days past due:	1%
60-90 days past due	5%
More than 90 days	75%

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

	Expected credit loss rate		Carrying amounts		Allowance for expected credit losses	
	2020 %	2019 %	2020 $	2019 $	2020 $	2019 $
Not overdue	**0.14**	**0.1**	1,625,850	1,889,547	1,626	14,607
0 to 1 months overdue	**1**	**1**	88,992	160,669	890	1,607
1 to 3 months overdue	**5**	**5**	32,847	40,540	1,642	2,027
Over 3 months overdue	**75**	**100**	89,119	75,285	67,135	75,285
			1,836,808	**2,166,041**	**71,293**	**94,526**

Whilst some customers in industries more affected by the business challenges of the COVID-19 pandemic have experienced a fall in call volumes, through a greater focus on agreed credit terms and an extension to terms for some customers the Group has been able to minimise any credit losses to date.

Movements in expected credit losses of receivables are as follows:

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Opening Balance	94,526	532,340
Provision for expected credit losses recognised during the year	92,033	-
Receivables written off during the year as uncollectible	(115,266)	-
Unused amount reversed	-	(437,814)
Closing Balance	**71,293**	**94,526**

9 Other current assets

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Prepayments	492,119	671,853
Accrued revenue	23,982	38,707
Security Deposits	133,441	97,399
	649,542	**807,959**

10 Property, plant and equipment

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Computer Equipment	62,322	37,256
Less: Accumulated Depreciation	(34,549)	(21,422)
	27,773	15,834
Leasehold Improvements	25,832	17,380
Less: Accumulated Depreciation	(8,906)	(1,448)
	16,926	15,932
Office Furniture and Equipment	21,679	27,672
Less: Accumulated Depreciation	(4,004)	(3,858)
	17,675	23,814
Motor Vehicles	33,117	93,117
Less: Accumulated Depreciation	(15,868)	(26,759)
	17,249	66,358
Total property, plant and equipment	**79,623**	**121,938**

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

10 Property, plant and equipment (continued)

	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**

	Plant & equipment	Computer software	Computer equipment	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2019	-	-	15,834	15,932	23,814	66,358	121,938
Additions	-	-	26,113	8,452	-	-	34,565
Disposals	-	-	(2,330)	-	-	(43,750)	(46,080)
Reclassifications	-	-	4,126	-	(4,126)	-	-
Depreciation expense	-	-	(15,970)	(7,458)	(2,013)	(5,359)	(30,800)
Balance at 30 June 2020	**-**	**-**	**27,773**	**16,926**	**17,675**	**17,249**	**79,623**

11 Right of use assets

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Land and buildings - right of use	1,362,299	-
Less: Accumulated depreciation	(317,050)	-
	1,045,249	-
Plant and equipment - right of use	30,917	-
Less: Accumulated depreciation	(8,530)	-
	22,387	-
	1,067,636	**-**

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 a right of use asset.

12 Intangibles

	Customer contract	Brand	Goodwill	Software	Internally generated software	Capital work in progress	Other	Total
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	-	-		-	246,750	260,778	-	507,528
Balance at 30 June 2020	6,411,000	3,574,000	18,033,456	2,966,065	246,750	260,778	13,154	31,505,203
Accumulated amortisation & 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	(309,988)	(124,044)	-	-	(4,112)		-	(438,144)
Balance at 30 June 2020	**1,383,479**	**926,082**	**9,202,012**	**-**	**242,638**	**260,778**	**-**	**12,014,989**

12 Intangibles (continued)

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 of its intangible assets:

Revenue growth	2.0% to 4.0%
Gross Margin	47.5%
Wage and Operating expenses growth	2.0% to 3.0%
Weighted average cost of capital (WACC) (actual not CAGR)	12.3%
Terminal growth rate (actual not CAGR)	2.5%
Risk factor to free cashflows	5.0%
Long term annual capital expenditure	$0.2m
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.

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 restructuring announced in the prior year but now completed. 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.

They Key Assumptions Management have used in forecasting cash flow projections over the five-year period are as set out above. During the period, management have revised down their short term growth projections and assumptions for value in use calculations as a result of the economic challenges arising as a result of the COVID-19 pandemic. Despite revised forecasts, the recoverable amount of the CGU exceeds the carrying amount, and no impairment has been recognised.

Sensitivity analysis

As disclosed in Note 2(l), 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 key sensitivities are as follows (all other assumptions remaining constant);

a) Revenue growth would need to decrease to below 1.5% annually over the whole budget period, before an impairment charge is required;

b) The discount rate would need to increase to 15.6%, before an impairment charge is required; and

c) Risk factor on the free cash flows would need to increase to 27% before an impairment charge is required.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

13 Deferred tax asset

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Deferred tax asset comprises temporary differences attributable to:		
Temporary differences	1,007,407	237,301
Carried forward tax losses	810,339	-
Amounts recognised in equity for capital raising	137,269	205,904
Deferred tax asset	**1,955,015**	**443,205**
Movements in deferred assets:		
Opening balance	443,205	1,031,045
Debited/(credited) to:		
- Relating to prior year losses brought on	810,339	-
- De-recognition of prior year losses	-	(495,379)
- Relating to temporary differences	701,471	(92,461)
Closing balance	**1,955,015**	**443,205**

14 Trade and other payables

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Trade payables	578,187	935,932
Accrued expenses	1,179,905	1,043,476
Hire purchase payable	-	385,863
Payroll liabilities	224,708	1,270,986
GST liabilities	186,956	150,373
Other payables	31,245	90,361
	2,201,001	**3,876,991**

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.

15 Other liabilities

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Current liabilities		
Lease liabilities	388,139	-
Non-current liabilities		
Lease liabilities	897,014	28,806

16 Deferred revenue

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Deferred revenue	1,029,735	666,985
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	666,985	269,681
Payments received in advance	908,596	569,487
Transfer to revenue – included in opening balance	(545,846)	(172,183)
Closing balance	**1,029,735**	**666,985**

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 $1,029,735 as at 30 June 2020 ($666,985 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Within 1 year	1,023,098	666,985
Within 2 year	6,637	-

17 Provisions

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Current liabilities		
Annual leave	293,657	290,352
Provision for onerous lease	-	210,354
	293,657	**500,706**
Non-current liabilities		
Long service leave	**102,175**	**159,428**

18 Deferred tax liability

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Movements in deferred liabilities:		
Opening balance	754,488	2,556,892
Debited/(credited) to:		
- profit or loss	263,775	188,983
- intangible assets acquired on acquisition	-	(1,991,387)
	1,018,263	**754,488**

19 Share capital

	Consolidated 30 June 2020	Consolidated 30 June 2019	Consolidated 30 June 2020	Consolidated 30 June 2019
	Shares	Shares	$	$
Ordinary Shares - fully paid	**191,392,259**	**136,839,360**	**32,928,263**	**29,692,931**

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 capital raising	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
Completion accounts shares issued	1 July 2019	2,437,500	97,500
Shares issued for capital raising	24 July 2019	45,400,000	1,816,000
Less: transaction costs arising on share issues	24 July 2019	-	(102,781)
Claims retention shares issued to vendors	16 October 2019	5,698,450	1,424,613
Shares issued in lieu of fees for contracting party	6 February 2020	1,016,949	60,000
Balance 30 June 2020		**191,392,259**	**32,988,263**

Transaction costs of $102,781 which were directly attributable to the issue of the shares on 24 July 2019 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.

Capital risk management

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to share holders, return capital to share holders, issue new shares or sell assets to reduce debt. The capital risk management policy remains unchanged from the prior year.

20 Share based payments reserve

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Opening balance	2,192,919	6,214,974
Share based payments expense	137,200	(4,850)
Transfer to retained earnings	(416,053)	(1,250,000)
Deferred Consideration	(1,424,613)	(2,767,205)
Share based payments reserve	**489,453**	**2,192,919**

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. The deferred consideration was finalised in the period ending June 2020 with the issue of 5,698,450 shares at listing price of $0.25 per share and the remaining amount of $416,053 being transferred to retained earnings.

21 Earning per share

Reconciliation of earnings used in calculating profit per share

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Profit / (Loss) attributable to the ordinary equity holders of the company	2,575,069	**(19,448,143)**
Weighted average number of ordinary shares used as the denominator in calculating profit per share	185,776,474	112,678,541
Adjustments for calculation of diluted loss per share:		
Performance Rights on issue	19,800,000	-
Adjustment for performance rights that are not dilutive	(19,800,000)	
Weighted average number of ordinary shares used as the denominator in calculating profit per share	**185,776,474**	**55,348,314**

	Cents	Cents
Basic earnings / (loss) per share	1.39	(17.26)
Diluted earnings / (loss) per share	1.39	(17.26)

There is no dilution impact arising from outstanding deferred consideration shares, warrants, options and performance related shares.

22 Share based payments

Long Term Incentive Scheme

During the year a total of 20,500,000 performance rights were issued to Directors and Management under the Performance Rights Plan, with 700,000 rights cancelled for an employee that resigned from the Group before the end of the year. 50% are 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 number on issue as at 30 June 2020 is as follows.

Name	Number of performance rights allocated	Grant date	Expiry date	Number Vesting 18 months from grant at 12.5 cents	Fair value per right vesting 18 months from grant date	Number Vesting 30 months from grant at 20.0 cents	Fair value per right vesting 30 months from grant date
John Mackay	1,500,000	18-Jun-19	17-Jun-24	750,000	$0.024	750,000	$0.016
Peter McGrath	9,000,000	18-Jun-19	17-Jun-24	4,500,000	$0.024	4,500,000	$0.016
Benjamen Jennings	1,000,000	18-Jun-19	17-Jun-24	500,000	$0.024	500,000	$0.016
Other management	5,400,000	18-Jun-19	17-Jun-24	2,700,000	$0.024	2,700,000	$0.016
Other management	2,900,000	28-Apr-20	27-Apr-25	1,450,000	$0.058	1,450,000	$0.049

The grant date as disclosed above reflects the date the plan was approved by the board for issue. Under AASB 2, the accounting grant date for these performance rights issued to directors is 23 July 2019, being the date they were approved by shareholders at an EGM. The fair value of the performance rights has been determined as at this date.

Performance rights issued to other management do not require shareholder approval under the Plan already approved by shareholders.

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.

Options granted to management

The 240,000 options granted to Patrick Harsas on 21 December 2017 were cancelled subsequent to his resignation.

23 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.

23 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 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**
As at 30 June 2020					
Trade and other receivables	1,765,515	-	-	-	1,765,514
Cash at bank	2,407,437	-	-	-	2,407,437
Total financial assets	**4,172,952**	**-**	**-**	**-**	**4,172,952**
Financial liabilities					
As at 30 June 2019					
Trade and other payables	3,871,573	-	-	-	3,871,573
Total financial liabilities	**3,871,573**	**-**	**-**	**-**	**3,871,573**
As at 30 June 2020					
Trade and other payables	2,201,001	-	-	-	2,201,001
Total financial liabilities	2,201,001	-	-	-	2,201,001

Bank overdraft and leasing facility

The Group has a secured business overdraft facility with the Commonwealth Bank of Australia for up to $350,000 and approved leasing facility of $600,000.

(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.

Credit terms for all customers are 15 to 30 days from month end. Customers are considered to be in default after 30 days with collection processes then taking place (subject to telecommunication industry regulations).

24 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 2020	Consolidated 30 June 2019
	$	$
Within one year	6,010	225,711
Later than one year but no later than five years	-	1,211,186
Later than five years	-	-
Total operating lease commitments	**6,010**	**1,436,897**

As disclosed in the Note 2(a) the Group adopted AASB16 on 1 July 2019 and therefore all operating leases are now capitalised in the Statement of Financial Position (other than short term leases and leases of low value assets).

25 Entities within the consolidated group

The following entities are included within the Consolidated Group:

Entity Name	Country of incorporation	% Consolidated 2020
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	Australia	100%
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%

26 Events after reporting date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst the financial impact has been minimal for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There have been no other 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, he 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 Audit Pty Ltd. The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd during the period. The disclosures below include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities.

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Remuneration of auditor BDO & related entities*		
Audit and review of financial statements	124,000	105,000
Non-audit fees: Taxation services	29,111	21,800
	153,111	**126,800**

28 Related party transactions

Parent entity

CommsChoice Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

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 2020	Consolidated 30 June 2019
	$	$
Short-term employee benefits	617,594	665,966
Post-employment benefits	99,984	162,350
Share-based payments	96,396	-
Total key management personnel remuneration	**813,974**	**828,316**

Transactions with related parties

Benjamen Jennings is a director of Jennings Partners Chartered Accountants which provides accounting and bookkeeping services to the Group. Total fees paid by the Group for the period to 30 June 2020 were $2,097 (2019: $119,826). For the period to 30 June 2020 Jennings Partners Chartered Accountants purchased communication services from the Group of $15,574 (2019: $14,783).

Benjamen Jennings is a director of Outforce Pty Ltd, a staffing solutions company which provide Business Process Outsourcing services. Total amounts paid by the Group for the period to 30 June 2020 were $395,800 (2019: $779,693).

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 2020 were $Nil (2019: $106,553).

28 Related party transactions (continued)

Receivable from and payable to related parties

As at 30 June 2020 Jennings Partners Chartered Accountants owes $1,435 for communication services provided to that date.

Loans to/from related parties

None.

Deferred consideration available with related parties

The deferred consideration was finalised in the period ending June 2020

Ordinary shares	Claim retention shares	$ value as at $0.25 listing price
Retention Share issued to Grant Ellison	5,698,450	$1,424,613
Retention Shares Expired	543,124	$135,781

29 Parent entity information

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

Statement of profit or loss and other comprehensive income

	Consolidated 30 June 2020	Consolidated 30 June 2019
	$	$
Total comprehensive loss for the year	(394,252)	(18,444,793)
Statement of financial position		
Current assets	3,970,987	3,357,001
Total assets	**12,206,852**	**11,592,866**
Current liabilities	569,640	1,590,819
Total liabilities	**569,640**	**1,590,819**
Net assets	11,637,212	10,002,047
Equity		
Issued capital	32,919,958	29,624,627
Share based payment reserve	489,453	2,192,918
Accumulated losses	(21,772,198)	(21,815,498)
Total equity	**11,637,212**	**10,002,047**

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 2020.

Capital commitments – property plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2020.

Directors' Declaration

In the Directors' opinion:

1. the financial statements and notes, as set out on pages 15 to 47, 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 2020 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
25 August 2020

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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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

BDO

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.

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 12 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. 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. Further, the emergence of COVID-19 and the related economic impacts have increased uncertainty around financial forecasts, and as such there in resides an increased level of estimation and judgement on the behalf of management, and increased audit effort in substantiating the key inputs to the value in use calculations. As a result of their impairment testing, management has concluded that no impairment charge is required on the goodwill and other intangible assets as at 30 June 2020. As a focus of our audit work, we assessed the value in use calculations prepared by management, ensuring that the carrying value of these assets at 30 June 2020 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; • Evaluating the adequacy with which management has addressed the potential impacts of COVID-19 within the forecasts supporting the value-in-use calculations, ensuring key assumptions remain appropriate in light of the current economic environment; • 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; 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 amount disclosed at Note 4 to the financial statements and the importance of the revenue amount to the users of the financial statements. Further, the complexity of the Group's billing systems and the presence of manual journal entries to recognise amounts from these billing systems in the financial statements has resulted in an increased amount of auditor focus in gaining assurance on revenue recognition for the year-ended 30 June 2020.	Our audit procedures in order to address this key audit matter included, but were not limited to; • 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; and • Ensuring revenue recognition policies are adequate and meet the requirements of AASB 15 *Revenue from Contracts with Customers*.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

Responsibilities of 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Commschoice Group Limited, for the year ended 30 June 2020, 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 Audit Pty Ltd

Grant Saxon
Director

Sydney, 25 August 2020

CommsChoice Group Limited
ASX Additional Information
30 June 2020

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 21 September 2020.

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	13	1,816	0.00
1,001 to 5,000	28	105,112	0.05
5,001 to 10,000	59	458,991	0.24
10,001 to 100,000	207	9,262,533	4.84
100,001 and over	182	181,563,807	94.86
	489	**191,392,259**	**100.00**

CommsChoice Group Limited
ASX Additional Information
30 June 2020

Equity Security Holders

Twenty largest quoted equity security holders

	Number held	Percentage of total shares issued
GJFE INVESTMENTS PTY LTD	23,756,535	12.412%
JENNINGS GROUP INVESTMENTS PTY LTD	10,102,289	5.278%
ORACLE TELECOM PTY LTD	7,833,636	4.093%
BASEJUMP PTY LTD	7,110,573	3.715%
MR PETER MCGRATH & MRS JANICE MCGRATH	7,450,638	3.893%
TRISTAN PLUMMER PTY LIMITED	6,832,264	3.570%
MR MATTHEW WILLIAM BURGE	6,714,068	3.508%
BOVIDAE SF PTY LTD	5,173,566	2.703%
TTOR PTY LTD	4,817,308	2.517%
OSS FAMILY SUPERFUND PTY LTD	4,625,309	2.417%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,555,000	1.857%
WEB PROFITS PTY LTD	3,481,414	1,819%
MR GRANT ELLISON	3,021,726	1.579%
MR CHRISTOPHER JOHN CARNIE	2,907,138	1.519%
MR NATHAN MICHAEL LAWRENCE PITMAN	2,840,138	1.484%
TIERNAN O'CONNOR PTY LIMITED	2,614,150	1.366%
JAPEM PTY LTD	2,500,000	1.306%
VIE DE L'EAU PTY LTD	2,649,297	1.384%
THREE ZEBRAS PTY LTD	1,895,431	0.990%
BROWNLOW PTY LTD	1,800,000	0.940%
Total Securities of Top 20 Holdings	**111,680,480**	**58.352%**

Substantial shareholders

	Number held	Percentage of total shares issued
MR GRANT ELLISON	26,778,261	14.00%
GREIG & HARRISON PTY LTD	23,021,000	12.03%
MR BEN JENNINGS	11,361,228	5.94%
MR PETER MCGRATH	9,950,638	5.20%

Marketable parcel of ordinary shares

There were 42 shareholders holding less than a marketable parcel of 112,028 ordinary shares.

CommsChoice Group Limited
ASX Additional Information
30 June 2020

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	18,000,000	13

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.

Performance rights

No voting rights.

Corporate Directory

Directors	John Mackay – Independent Non-Executive Chairman Peter McGrath – Executive Director and Chief Executive Officer Benjamen Jennings – Non-Executive Director Claire Bibby – Non-Executive Independent Director, appointed 2 October 2019
Secretary	Andrew Metcalfe
Notice of Annual General Meeting	The Annual General Meeting of CommsChoice Group Limited **Will be held as a virtual AGM** **time** 11.00 am **date** 24 November 2020
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 Audit Pty Ltd Level 11, 1 Margret Street Sydney NSW 2000
Solicitors	HWL Ebsworth Level 14, Australia Square, 264 – 278 George Street Sydney NSW 2000
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

www.commschoice.com
1300 42 66 67
sales@commschoice.com

commschoice
cloud communications for business