we simplify your journey to the cloud

2018

2018 Annual Report

We simplify the journey to the cloud

The benefits of the cloud are remarkable.

Executed properly, your cloud strategy should enable growth through great collaboration, improved productivity and cost savings.

CommsChoice provides a fresh approach to innovative, vendor neutral managed network services and hosted voice for businesses to optimise costs and improve performance.

Simplicity is the essence of everything we do.

Our proven onboarding capability, experience and outstanding service delivery helps link our clients to their customers - allowing them to focus on their core business and grow.

commschoice

we simplify your journey to the cloud

Contents

Message from Chairman & Chief Executive Officer

On behalf of the Board of CommsChoice Group Limited (the "Group"), it is our pleasure to present our inaugural 2018 Annual Report as a publicly listed company.

The 21st of December 2017 marked the beginning of a new era of competition in the Telecoms Managed Services market with the successful listing of the Group on the Australian Securities Exchange, following the completion of a fully underwritten Initial Public Offer (IPO). The Company issued 30,000,000 new shares at $0.25 per share to raise $7.5 million. It was a momentous day for our shareholders, team, clients, partners, suppliers and the industry.

In a time of significant transformation and integration the Company has achieved several important milestones securing its position as a next generation telecoms disruptor. We would like to congratulate and thank our team who have worked tirelessly, responding with dedication and enthusiasm throughout this busy period.

Reflecting on FY18, it is easy to become preoccupied with financial performance. We acknowledge the disappointment of not meeting our original earning forecast detailed in the IPO prospectus. This was due to a longer than originally anticipated integration process of the five businesses which currently make up the Group and some delays in new business realisation. While frustrating, these are timing issues only and the Directors consider that the Company, in conjunction with the growth profile of the global Telecoms Managed Services market, is positioned for substantial growth from here. We enter a new trading year having met our revised proforma EBITDA guidance of $1.8m released in May 2018, which included the stated shortfall in EBITDA, attributed to the timing of revenue realisation. Our final gross margin to revenue ratio of 45% is in line with forecast, demonstrating strong fiscal discipline.

Our single most important driver for growth is our unwavering commitment to:

- the ongoing integration of the combined business;
- the promise we make to our clients' –
  'to simplify their journey to the cloud'; and
- our company values and our team

"We enter a new trading year with greater efficiencies, a consolidated and vibrant management structure, a future-proof product strategy, and a strong pipeline of acquisition opportunities."

“We would like to thank our team who have worked tirelessly, responding with dedication and enthusiasm throughout this busy period”.

The combined business

The strategic combination of the five businesses that together comprise the Group has created a fierce new competitor in the industry. One that is uniquely positioned to deliver high quality, low cost services using infrastructure independent virtualised capabilities internationally, whilst leading our clients on their digital journey to the cloud.

Currently the combined Group services almost 3,000 clients globally and employs more than 60 staff across offices in Sydney, Melbourne, Manila and Singapore.

A future-proof product suite

Today’s businesses are demanding and highly mobile. As a result, we continue to evolve our product offering and service delivery, demonstrating our commitment to a future-proof technology strategy.

Our expanded Connect, Collaborate and Manage product portfolio encompasses next generation solutions such as SD-WAN, Managed Services and SaaS to meet the ever-changing demands of our clients.

Connect

Data Networks

Provides access to a scalable, global, multi-provider platform delivering data networks, Internet and access technology to securely connect our clients to their world.

SD WAN | Public Cloud Connect | Mid-Band Ethernet
WiFi | NBN | Fixed Wireless Ethernet | Fibre

Collaborate

Unified Communications

Combines hosted telephony with a full suite of collaboration features including video, instant messaging, presence and desktop sharing.

Hosted Voice | SIP Trunks | Inbound | PSTN | ISDN
Reporting Analytics | Recording | Voice Conferencing
Video Conferencing | Call Centre | Mobility

Manage

Managed Services

Delivers unprecedented management of our clients’ evolving Information Technology (IT) landscape; saving them time and money while streamlining operations.

Managed Services | Cloud Firewall | Architect | Delivery

Wholesale

Call Termination Services (CTS)

Wholesale Voice & Call Termination (CTS) | Hosted Voice
SaaS click-to-talk | Direct In Dial (DID) | Number Allocation
Full Number Portability

Recently the team completed the successful delivery of a 10,000 channel Unified Communications solution into China, Japan, Korea & Singapore using our proprietary Global CTS platform. The positive feedback received from this prominent Global Tech client on the benefits of increased capability was most gratifying.

We are also proud to have designed, deployed and now manage one of Australia’s largest SD-WAN network in use today. The validation of this core capability through the completion of a 220 site SD-WAN network transformation spanning across metro, rural and remote Australia further reinforces our capability to simplify MPLS branch networking and dramatically reduce costs for our clients by leveraging simple, ubiquitous, competitive Internet connectivity.


Canada
Oregon
North California
San Jose
Ohio
Washington DC
Sao Paulo
Ireland
London
Frankfurt
Paris
Beijing
Seoul
Japan
Hong Kong
Mumbai
Philippines
Singapore
Jakarta
Perth
Sydney
Melbourne
Auckland

A unique global reach

We continue to focus on the international delivery of infrastructure independent services leveraging the Company's 23 (and growing) Virtual Service Integration Points (VSIPs) located in 16 countries around the world, providing greater flexibility and true global collaboration for our clients. Our infrastructure independent strategy ensures a 'client-first' approach and allows us to tailor agile solutions that deliver on our clients' business communications objectives.

A focus on growth & integration

After some initial setbacks, business integration remains a key focus for the Group in FY19. We are now very comfortable with the progress made to consolidate legacy systems and processes into one single operating structure; further augmenting our capability to serve our clients' needs. The Group is on track to have the business fully integrated by the end of Q3 FY19.

In February 2018 we launched an internal project to implement NetSuite company-wide as our core financial, project delivery and ERP business system that has delivered substantial improvements in client solution delivery and the financial management of our business. The successful adoption of Salesforce as our customer relationship management platform (CRM) further enhances our ability to provide a personalised and systematic customer experience.

Pivotal changes in the structure of the organisation have been realised, consolidating all team members across Sydney, Melbourne, Manila and Singapore into a single management structure.

Today, after making significant inroads into integration, we are prepared to meet the demands of our clients' and deliver on our promise: to 'simplify the journey to the cloud'.

Looking forward

With 'the Telecoms Managed Services market forecast to be worth A$28.64B annual revenue by 2022 – and growing' *, our primary focus remains unchanged: to deliver double-digit growth from here and attractive returns for our shareholders.

The Group's strategic focus for FY19:

- Takes advantage of the favourable market conditions;
- Pursues a solid pipeline of acquisition opportunities;
- Leverages the existing client base to cross-sell complimentary solutions; and
- Enthusiastically strives towards completion of integration.

CommsChoice is a vibrant company with a strong balance sheet to pursue both organic and inorganic growth opportunities. We are excited about the busy year ahead.

Finally, we would like to thank you, our Shareholder, for your continued patience and support.

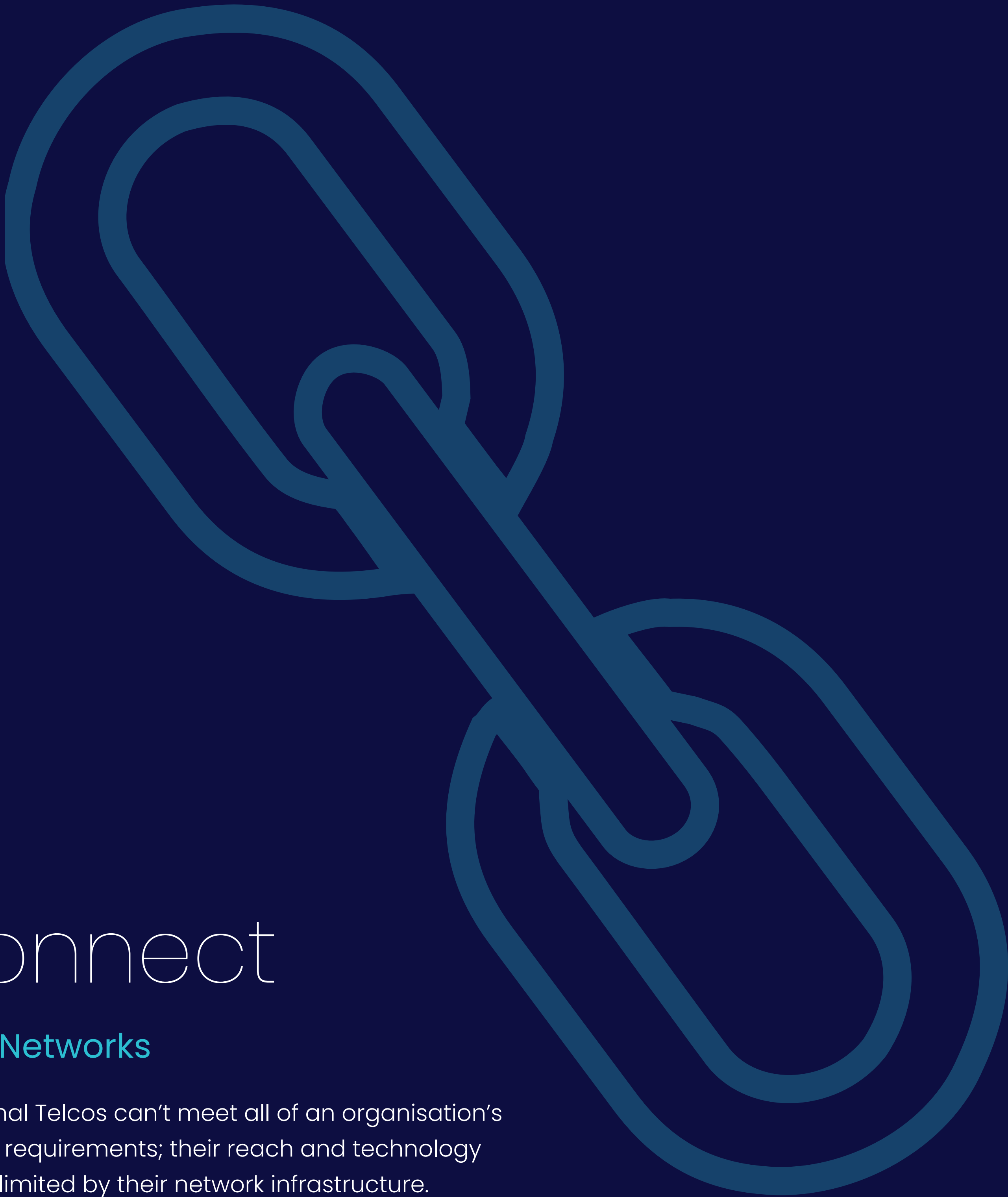
Yours sincerely,

John Mackay
Chairman

Benjamin Gilbert
Chief Executive Officer

*April 2017 Report by MarketsandMarkets Telecom Managed Services Market Global Forecast to 2022.

"We continue to evolve our product offering and service delivery, demonstrating our commitment to a future-proof technology strategy".



Connect

Data Networks

Traditional Telcos can't meet all of an organisation's network requirements; their reach and technology mix are limited by their network infrastructure. CommsChoice customers have access to a scalable, global, multi-provider platform to securely connect themselves to their world.

Our connect portfolio delivers data networks, Internet and access technology offering our clients choice when selecting a network and collaboration tools to deliver on their business outcomes.

Directors' Report

Your directors present their report on the consolidated entity consisting of CommsChoice Group Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors and company secretary

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

J A Mackay	Appointed 11 October 2017
PJ McGrath	Appointed 11 October 2017
CG Petricevic	Appointed 18 May 2017
BJ Jennings	Appointed 11 October 2017
GJF Ellison	Appointed 11 October 2017
SM Bell	Appointed 11 October 2017
S A O'Brien	Appointed 18 May 2017, resigned 25 October 2017

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

Principal activities

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

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

For the year ended 2018, CommsChoice Group derived revenue from the sale of the above-mentioned communications services. These fees consist of recurring charges for access to facilities and capabilities, as well as consumption charges for variable usage of those facilities. Revenue was also derived from the installation and sale of hardware, equipment and consulting services to support the primary products of the business.

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

Dividends

The Directors have resolved not to pay a final dividend for the year ending 30 June 2018.

Review of operations

CC Telecommunications Group Pty Ltd was incorporated on 18 May 2017 as an Australian private company. The Company was altered to become a public company limited by shares on 12 October 2017 and changed its name at this time to CommsChoice Group Limited. The Company's first year end relates to the period from 18 May 2017 to 30 June 2017.

The CommsChoice Group was formed on 15 December 2017 with the acquisition of five information, communication and technology companies by CommsChoice Group Limited. On 21 December 2017 the combined Group was listed on the Australian Securities Exchange. The Group raised $7.5 million at 25 cents per share. Together with the equity held by the vendors, directors and senior management the total number of shares issued at listing was 102.89 million.

The Group's statutory loss after tax of $4.1m includes its trading results for the six months and sixteen days since formation of the operational trading Group on 15 December 2017. The result has been influenced by the IPO related transaction costs of $4.1m, together with the amortisation of the acquired intangible assets of $0.9m.

The Group therefore also presents supplementary financial information (Pro forma) to cover full financial year. Choice Group delivers pro-forma revenues from operations of $20.1m. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations were $1.8m, in line with May 2018 guidance.

Group Result

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

First reporting period	Statutory FY18	Pro forma FY18
5 trading companies acquired 15 December 2017	6 months + 16 days actual results	6 months forecast + 6 months actual results
Parent company	Full year results	Full year results

The 6 month forecast period for the Pro forma FY18 is from 1 July 2017 to 31 December 2017 as per the prospectus. The 6 month actual period is from 1 January 2018 to 30 June 2018.

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

First reporting period	Statutory FY18 $M
Revenue	10.5
Reported loss before tax	(4.7)
Add: IPO / Business integration costs	4.1
Add: net finance costs	-
Add: depreciation and amortisation	0.9
Underlying EBITDA for period	0.3

	Pro forma FY18 $M	Trading Update FY18 $M
Revenue	20.1	20.4
Gross profit	9.0	9.3
Operating costs	(7.2)	(7.5)
EBITDA for period	1.8	1.8

Earnings per share

Earnings per share for the period is as follows:

	Statutory FY18	Pro forma FY18
Net profit after tax ($m)	(4.08)	0.63
Earnings per share (cents)	(7.38)	1.13
Diluted earnings per share (cents)	(7.38)	0.90
Net profit after tax (ex-amortisation) ($m)	(3.44)	1.27
Earnings per share (cents)	(6.21)	2.30
Diluted earnings per share (cents)	(6.21)	1.83

Period in review

CommsChoice's full year results demonstrate a solid start underpinned by recurring revenues and underlying profitability.

Voice Networks Revenue $8.2m (six months and sixteen days) $15.1m annualised

We primarily generate voice revenues and unified communications from our cloud-based PBX service. We focus on acquiring and retaining our customers and increasing their spending with us through adding additional users, increasing bandwidth connectivity and moving into the WAN with managed services. Through strategic global channels we are able to deliver unified communications into global locations with a number of projects bringing the multi-disciplinary capabilities of the business together. For one client, we have built a dedicated voice switching server capable of extremely high call volumes (tested to 10,000 channels). This purpose-built voice server allowed our client to leverage our international carrier relationships to provide multiple tier-1 carrier call termination pathways.

Data Networks Revenue $1.5m (six months and sixteen days) $2.8m annualised

We target clients with costly and complex carrier MPLS/IPWAN/PDNs with software defined networking (SD-WAN) to use bandwidth more efficiently and improve application performance across the WAN. SD-WAN leverages a range of access networks, such as the IPVPN, Internet, and LTE, and uses software defined networking (SDN) to intelligently route traffic along the best available path. We generate revenue by providing data links and licence fees for SD-WAN connectivity.

Software Defined Wide Area Networking (SD-WAN) is a new way for businesses to use bandwidth more efficiently and improve application performance in the WAN. It leverages a range of access networks, such as the IPVPN, Internet, and LTE, and uses software defined networking (SDN) to intelligently route traffic along the best available path. Being carrier neutral means we can select the best available connectivity in a client's service area and run the software defined network on top of the underlying infrastructure.

Managed Services Revenue $0.8m (six months and sixteen days) $1.4m annualised

We help our clients get the most from their networks by partnering to understand their requirements and integrate SD-WAN solutions as part of a broader technology mix, that includes hosted unified communications and cloud connectivity within a flexible delivery framework. We generate revenue through a mix of professional services upfront in the design, procurement and installation of networks and through ongoing monthly fees for management including monitoring and maintenance, help desk and technical support, service delivery and account management.

Business Integration

Integration of the business is delivering tangible benefits for our clients and employees. We successfully rebranded the business with our promise of making our clients journey to the cloud simpler. Our employees now work under a single organisational structure and management team which provides focus around the markets we operate in and our clients in those markets. We are well progressed with the integration of our key business systems. We have kicked-off the implementation of the NetSuite project which will provide the core financial system as well as our broader ERP solutions. We have consolidated our billing systems substantially as well as our wholesale carrier feeds, which provides line of sight between revenue and gross margin. We are using Sales Force as our CRM and NetSuite as our project delivery system which connects our back-office client support functions (delivery and assurance) across Australia and Philippines with our sales team and clients.

Operating segment

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

This is a departure from the three business segments as set out in the prospectus.

Significant changes in the state of affairs

On 15 December 2017, CommsChoice Group Limited acquired five complementary ICT businesses for a total consideration of $25.2 million. Of the total consideration $18.0 million was paid / issued on acquisition. The balance retained was available to be paid to the vendors in shares on finalisation of the completion accounts and at the expiration of the claims retention period in February 2019.

The completion accounts process, which incorporated a working capital adjustment has now been finalised for the five acquired businesses. As a result of this process, 5,594,562 shares were issued out of the total 9,155,590 completion accounts retention shares available to be issued to the vendors. The 3,561,028 reduction in the completion accounts retention share issue is a result of the net working capital adjustment arising following the finalisation of the completion accounts.

Event since the end of the financial year

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the CommsChoice Group's operations, results or state of affairs, or may do so in future years.

On 5 September 2018, 120,302 shares were issued following finalisation of the last set of completion accounts. The balance of 3,561,028 shares that were available to be issued were forfeited by the vendors as a result of the net working capital adjustment following the finalisation of the completion accounts.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

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

John Angus Mackay

Independent
Non-Executive Chairman

Qualifications:
BA (Admin/Economics), AM

Experience and Expertise:
John has over 15 years' experience as chairman and director of major listed and unlisted companies across the communications, utilities, health, construction and education sectors.

Other current directorships:
Chairman of SpeedCast International (ASX: SDA) and Director of Energy Action (ASX: EAX).

Former directorships (last 3 years):
None

Special responsibilities:
Member of the Nomination and Remuneration Committee

Interest in shares at 30 June 2018:
531,250

Peter McGrath

Independent
Non-Executive Director

Qualifications:
B.Eng, MBA

Experience and Expertise:
Peter's business career spans 30 years in telecommunications, ICT and corporate advisory, with over 15 years in senior leadership positions. Peter has been involved in leadership as CEO of a number of major Australian telecommunications firms and he also has extensive experience in equity capital markets and corporate finance.

Other current directorships:
None

Former directorships (last 3 years):
None

Special responsibilities:
Member of the Audit Compliance and Risk Management Committee

Interest in shares at 30 June 2018:
250,000

Cameron Petricevic

Non-Executive Director

Qualifications:
AIAA, GAICD, B.Comm, B.Eng (Hons)

Experience and Expertise:
Cameron has spent almost 15 years in the financial industry beginning his career with roles at AXA Asia Pacific Holdings (now AMP) from 2004 covering valuations, investments, auditing and corporate finance. He later managed a team within the Mergers & Acquisitions function, with roles across Asia Pacific, and later led the Hedging Operations team for the Group.

Other current directorships:
Director of Alchemia (ASX: ACL)

Former directorships (last 3 years):
None

Special responsibilities:
Member of the Audit Compliance and Risk Management Committee

Interest in shares at 30 June 2018:
3,986,811

Ben Jennings

Non-Executive Director

Qualifications:
B.Bus, CA

Experience and Expertise:
Ben has spent almost 18 years as an accountant working in both commercial and public practice roles in both Australia and the United Kingdom. Ben established middle market advisory firm Jennings Partners Chartered Accountants in early 2009 to provide commercial advisory, mergers and acquisition, income taxation, and Finance Director/ Chief Financial Officer services to SME businesses, venture capital and private equity groups.

Other current directorships:
None

Former directorships (last 3 years):
None

Special responsibilities:
Chairman of the Audit Compliance and Risk Management Committee

Interest in shares at 30 June 2018:
7,471,423

Stephen Bell

Non-Executive Director

Qualifications:
B.AppSc (Maths), Dip FP

Experience and Expertise:
Stephen is a business executive and entrepreneur with over 20 years' experience in the financial services industry. He has experience within the financial industry in the areas of software and business process efficiency.

Other current directorships:
None

Former directorships (last 3 years):
None

Special responsibilities:
Member of the Audit Compliance and Risk Management Committee
Nominee of Brent O'Shaughnessy (Executive General Manager - Integration and a Shareholder).

Interest in shares at 30 June 2018:
40,000

Grant Ellison

Executive Director & Executive General Manager, Business Development

Qualifications:
L.L.B, B.Comm, GAICD

Experience and Expertise:
Grant founded the Service Provider, CommsChoice, in September 2008 and has global expertise in building virtual service providers in the ICT industry.

Other current directorships:
None

Former directorships (last 3 years):
Founder and CEO of CommsChoice Pty Ltd
(Service provider vendor)

Special responsibilities:
None

Interest in shares at 30 June 2018:
21,845,510

Interest in options at 30 June 2018:
3,508,156

Stephen O'Brien

Non- Executive Director from 18 May 2017
until 25 October 2017

Experience and Expertise:
Non- Executive Director for the above period.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types, unless otherwise stated.

Board and Committee Meetings

During the financial year, the Directors held eight Board meetings, two Audit, Compliance and Risk Management Committee meetings and no Nomination and Remuneration Committee meetings. Each Director's attendance at those meetings during the year were as follows:

	Board		Audit, Compliance & Risk Committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended
John Mackay	8	8	-	-
Peter McGrath	8	8	2	2
Cameron Petricevic	8	8	-	-
Ben Jennings	8	7	2	2
Stephen Bell	8	8	2	1
Grant Ellison	8	8	-	-
Stephen O'Brien	-	-	-	-

Insurance of officers and indemnities

During the year, CommsChoice Group Ltd paid a premium of $40,500 to insure the directors and secretaries of the Group.

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

Remuneration Report (audited)

This Remuneration Report details remuneration information as it applies to the CommsChoice Group and it's controlled entities for the year ended 30 June 2018 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 10 to 12 for details about each director)

John Mackay	Peter McGrath
Ben Jennings	Stephen Bell
Cameron Petricevic	Grant Ellison

Other key management personnel

Ben Gilbert	Chief Executive Officer Appointed 21 July 2017
Patrick Harsas	Chief Financial Officer Appointed 9 October 2017

There were no changes to KMP between the reporting date and the date the financial report was authorised for issue.

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

Remuneration policy

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

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has not met since the formation of the Group in December 2017. The objective of the Nomination and Remuneration Committee is to help the Board achieve its objective to ensure the Company:

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

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

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

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

(c) Details of remuneration

Remuneration of Key Management Personnel

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

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

Independent non-executive director remuneration currently consist of:

- a base fee of $49,950 per annum to John Mackay for serving as chairman and $39,950 to Peter McGrath as an independent non-executive director; and
- statutory superannuation, equivalent to the Government Superannuation Guarantee amount.

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

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

	Short-term benefits		Share-based payments	Long-term benefits	
	Cash salary & fees	Superannuation	Shares	Options	Total
	$	$	$	$	$
Non-executive Directors					
John Mackay	34,213	3,250	-	-	37,463
Peter McGrath	27,364	2,600	-	-	29,964
Cameron Petricevic	-	-	1,790,000	-	1,790,000
Benjamen Jennings	-	-	-	-	-
Stephen Bell	-	-	10,000	-	10,000
Executive Directors					
Grant Ellison	106,133	10,083	-	-	116,216
Other KMP					
Benjamin Gilbert	160,346	15,233	300,000	12,610	488,189
Patrick Harsas	106,779	10,144	100,000	4,203	221,126
Total	**434,834**	**41,310**	**2,200,000**	**16,813**	**2,692,957**

(d) Share based compensation

Issue of shares

The issue of shares to directors or other KMP as part of compensation during the year is included in the above table. Further information on the number of shares issued during the year is included on page 16.

Issue of options

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

Grant date	Name	Options issued	Expiry date	Option exercise price	Fair value per option at grant date
21 December 2017	Benjamin Gilbert	720,000	21 December 2020	$0.31	$0.0975
21 December 2017	Patrick Harsas	240,000	21 December 2020	$0.31	$0.0975

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

(e) Service agreements

Director related entity remuneration

Ben Jennings is a director of Jennings Partners Chartered Accountants which provides accounting and bookkeeping services to the CommsChoice Group. Total fees paid by the Group for the year to 30 June 2018 were $198,534.

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

The Company has engaged an entity associated with Cameron Petricevic to provide advisory services to the Company (refer details below). Other than fees payable under this advisory arrangement, Cameron Petricevic will not be paid any base Non-Executive Director fees.

The Company has entered into an agreement with CGP Lucrum Pty Ltd ACN 124 077 318 (Contractor) to govern the contractor arrangement under which Cameron Petricevic will provide advisory services relating to mergers and acquisitions (M&A) opportunities to the Board. It includes total fees of $79,000 per annum plus GST, plus a fee of between 2% and 4% of the enterprise value of any relevant business acquired by the Company in respect of which the Contractor provided relevant advisory services, a right for CommsChoice Group to terminate the contractor agreement by giving the Contractor 36 months' written notice, that CommsChoice Group may elect to make a payment to the Contractor equal to the fees in lieu of and equal to any period of notice or the unexpired part of any period of notice, and a right for the Contractor to terminate the agreement on immediate written notice to CommsChoice Group. Total fees paid by the Group for the year to 30 June 2018 were $53,325.

Chief Executive Officer (CEO) employment contract

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

- total compensation of $220,000 per annum (including superannuation entitlements);
- a right to be allotted 1,200,000 shares prior to Listing;
- an ability to receive a short term incentive bonus of up to $30,000 in each financial year from the year ending 30 June 2019 subject to the CEO's achievement of KPIs as assessed by the Audit and Remuneration Committee;
- a right for the CEO to be granted 720,000 options prior to Listing. These options will vest in 3 equal tranches each year following the Company releasing its accounts if the Company has both positive share price performance for the period since the listing date and the Company's total shareholder return ranks it in or above the 75th percentile in comparison with a comparator Group. The options have a strike price of 125% of the offer price and cannot be exercised until after three years has elapsed since the listing date. The CEO is eligible to exercise a pro rata number of the options which have vested upon a change of control event occurring within three years of the listing date;
- a right for CommsChoice Group or the CEO to terminate the CEO's employment by giving the other party six months' written notice; and
- non-compete restrictions on the CEO for a period of up to 12 months post-employment throughout Australia, New Zealand, Singapore and the Philippines.

Chief Financial Officer (CFO) employment contract

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

- total compensation of $160,000 per annum (including superannuation entitlements);
- a right to be allotted 400,000 shares prior to Listing;
- an ability to receive a short-term incentive bonus of up to $40,000 in respect of each financial year subject to the CFO's achievement of KPIs as assessed by the Audit and Remuneration Committee;
- a right for the CFO to be granted 240,000 options prior to listing. These options will vest in 3 equal tranches each year following the Company releasing its annual financial accounts if the Company has both positive share price performance for the period since the listing date and the Company's total shareholder return ranks it in or above the 75th percentile in comparison with a comparator Group. The options have a strike price of 125% of the offer price
  and cannot be exercised until after three years has elapsed since the listing date. The CFO is eligible to exercise a pro rata number of the options which have vested upon a change of control event occurring within three years of the listing date;
- a right for CommsChoice Group or the CFO to terminate the CFO's employment by giving the other party four months' written notice; and
- non-compete restrictions on the CFO for a period of up to 4 months post-employment throughout Australia, New Zealand and Singapore.

Executive Director & Executive General Manager, Business Development

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

- total compensation of $195,000 per annum (including superannuation entitlements);
- an initial fixed term of 3 years;

- an ability to receive a yearly short term incentive bonus of up to $25,000 in respect of each financial year subject to the employee's achievement of KPIs as assessed by the Nomination and Remuneration Committee but to be assessed initially against the Forecast Financial Information for CY18;
- a right for the employee to be granted options on and from the first, second and third anniversary of Listing in three equal tranches each worth $75,000 which will vest subject to achievement of financial targets to be set by the Board for the relevant year. Options can be exercised for a period of one year after vesting and only if the employee is employed by the Company or a Group Company as at the exercise date;
- a right for CommsChoice Group or the employee to terminate the employee's employment after the initial term by giving the other party six months' written notice; and
- non-compete restrictions on the employee for a period of up to 6 months post-employment throughout Australia and New Zealand.

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

(f) Additional disclosures relating to KMP

Shareholding

In accordance with class order 14/032 issued by ASIC relating to Key Management Personnel equity disclosure the following disclosures relates 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	Shares on completion of offer on 15 December 2017	Shares acquired during year	Completion accounts retention shares acquired	Total shares held 30 June 2018	Claim retention shares available
John Mackay	500,000	31,250		531,250	
Peter McGrath	250,000	-		250,000	
Benjamen Jennings	6,481,029	118,000	872,394	7,471,423	1,708,865
Stephen Bell	40,000			40,000	
Cameron Petricevic	3,754,242		232,569	3,986,811	455,497
Grant Ellison	21,845,510		(1)	21,845,510	6,241,574
Benjamin Gilbert	1,450,001	300,000		1,750,001	
Patrick Harsas	400,000	60,000		460,000	
Total	**34,720,782**	**509,250**	**1,104,963**	**36,334,995**	**8,405,936**

(1) Grant Ellison received 101,984 shares on 5 September 2018 in respect of the completion accounts.

Shares issued on completion of the IPO

The total number of non-vendor shares issued to KMP on successful completion of the IPO was 8,800,000 as detailed below.

Ben Gilbert and Patrick Harsas received shares on completion of the offer of 1,200,000 and 400,000 shares on 15 December 2017. Shares were issued at the IPO issue price of $0.25.

Stephen Bell received 40,000 shares on completion of the offer on 15 December 2017. Shares were issued at the IPO issue price of $0.25.

Cameron Petricevic received 2,160,000 shares on completion of the offer on 15 December 2017. Shares were issued at the IPO issue price of $0.25.

Cameron Petricevic has an agreement with the Company whereby the Company will issue 5,000,000 shares to Cameron Petricevic following release of the financial results of the Company for the calendar year ended 31 December 2018 (CY18), expected to occur in February 2019, provided the actual NPATA for the Company for CY18 exceeds the forecast NPATA for CY18 of $3,380,000 as appears in the Prospectus. These shares have been accounted for during the financial year at an issue price of $0.25.

Of the total equity consideration for the five operating companies, 10% of the equity consideration was retained until such time the acquisition completion accounts had been prepared. The 10% retention of equity consideration was to cover an acquisition working capital shortfall against the target working capital.

A further 20% of the consideration has been retained to meet the cost of any claims against the vendor under the warranty provisions of the sale and purchase agreement.

Warrants issued on completion of IPO

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

End of Remuneration Report

Proceedings on behalf of the Company

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

Non-audit services

PricewaterhouseCoopers is the Group's auditor in accordance with section 327 of the Corporations Act 2001.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

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 2018 corporate governance statement reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 corporate governance statement which is approved at the same time as the Annual Report can be viewed at **https://www.commschoice.com.au/wp-content/uploads/2017/11/ASX-Corporate-Governance-Compliance-Table-4G-FINAL.pdf**

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

Ben Jennings
Director

Sydney
1 October 2018

Auditor's Independence Declaration

As lead auditor for the audit of CommsChoice Group Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) 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.

P.J. Carney

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
1 October 2018

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Collaborate

Unified Communications.

Being connected and productive doesn't demand being in the office. Our collaboration portfolio integrates mobility, video and voice conferencing, instant messaging, desktop sharing and more.

Quick to deploy, simple to work with and focused on adoption, our solutions drive rapid efficiency improvements.

It doesn't matter if your team is spread across the country, or across the world – if they can easily communicate and collaborate they're going to be happier and more productive.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	30 June 2018	Period ended 30 June 2017 (unaudited)
		$	$
Revenue	4	10,470,929	-
Other income		35,588	-
		10,506,517	-
Cost of sales		(5,824,332)	-
Employee benefits expense		(2,964,565)	-
Share based payments IPO	5	(2,200,000)	-
Discount on note conversion IPO	5	(250,000)	-
Administration expenses		(850,229)	-
Sales & marketing expenses		(344,446)	-
Professional fees	5	(1,604,519)	(191,974)
Rent expenses		(176,354)	-
Depreciation & amortisation	5	(906,616)	-
Finance expenses		(24,446)	-
Other expenses		(59,799)	-
(Loss) before income tax		**(4,698,789)**	**(191,974)**
Income tax benefit	6	616,112	-
(Loss) for the period		**(4,082,677)**	**(191,974)**
Other comprehensive income		**-**	**-**
Other			
Total comprehensive loss attributable to shareholders		**(4,082,677)**	**(191,974)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
		Cents	
Basic earnings per share	19	(7.38)	-
Diluted earnings per share	19	(7.38)	-

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

Consolidated Statement of Financial Position

	Notes	30 June 2018	30 June 2017 (unaudited)
Current assets		**$**	**$**
Cash and cash equivalents		1,705,251	2
Trade and other receivables	8	1,316,466	-
Other current assets	9	837,229	-
Total current assets		**3,858,946**	**2**
Non-current Assets			
Investments		1,991	-
Property, plant & equipment	10	203,043	-
Intangible assets	11	29,497,991	-
Deferred tax assets	12	1,031,045	-
Total non-current assets		**30,734,070**	**-**
Total assets		**34,593,016**	**2**
Current liabilities			
Trade and other payables	13	2,774,868	191,974
Deferred revenue		269,681	-
Provisions	15	270,212	-
Income tax payable		361,138	-
Total current liabilities		**3,675,899**	**191,972**
Non-current liabilities			
Provisions	15	116,903	-
Deferred tax liability	16	2,556,892	-
Other liabilities	14	28,806	-
Total non-current liabilities		**2,702,601**	**-**
Total liabilities		**6,378,500**	**-**
Net assets		**28,214,516**	**(191,972)**
Equity			
Share capital	17	26,274,193	2
Reserves	18	6,214,974	-
Accumulated losses		(4,274,651)	(191,974)
Total Equity		**28,214,516**	**(191,972)**

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

Consolidated Statement of Changes in Equity

	Contributed equity	Share-based payments reserves	Retained earnings	Total
	$	$	$	$
Opening balance 18 May 2017	2	-	-	2
Profit/(Loss) for the period to 30 June 2017	-	-	(191,974)	(191,974)
Balance at 30 June 2017	**2**	**-**	**(191,974)**	**(191,972)**
Balance at 1 July 2017	2	-	(191,974)	(191,972)
Profit/(loss) for the period	-	-	(4,082,677)	(4,082,677)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**(4,274,651)**	**(4,274,649)**
Transactions with owners in their capacity as owners:				
Contributions to equity net of transaction costs	26,274,191	-	-	26,274,191
Warrants issued	-	340,291	-	340,291
Deferred consideration	-	4,607,870	-	4,607,870
Options		16,813		16,813
Director remuneration	-	1,250,000	-	1,250,000
Balance at 30 June 2018	**26,274,193**	**6,214,974**	**(4,274,651)**	**28,214,516**

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

Consolidated Statement of Cash Flows

	Notes	30 June 2018
		$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		10,047,992
Payments to suppliers and employees (inclusive of GST)		(11,025,883)
Interest paid		(18,136)
Income tax (paid)/refund		28,370
Net cash inflow (outflow) from operating activities	7	**(967,657)**
Cash flows from investing activities		
Software purchase and IT systems		(764,720)
Payments for property, plant & equipment		(56,325)
Payment for acquisition of subsidiaries, net of cash acquired		(1,840,722)
Payment to suppliers for IPO and transaction related costs		(1,572,304)
Net cash inflow (outflow) from investing activities		**(4,234,071)**
Cash flows from financing activities		
Proceeds from issue of convertible notes net of fees		957,000
Other IPO share raising costs		(1,246,707)
Proceeds from IPO net of fees		7,500,000
Net proceeds / (repayment) of borrowings		(303,314)
Net cash inflow (outflow) from financing activities		**6,906,979**
Net increase (decrease) in cash and cash equivalents		**1,705,251**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at end of period		**1,705,251**

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

Manage

Managed Services.

Modern enterprise can no longer treat managed services as an ad-hoc solution to the challenges of increasingly complex network environments.

Have confidence in your technology strategy; save time and money streamlining your operations, gaining hours of productivity every day.

CommsChoice Managed Services provide a bridge between you and your technology environment, delivering unprecedented management of your evolving IT landscape.

Our suite of modules allow you to focus on more important things -
like growing your business.

Notes to the Consolidated Financial Statements

1 Corporate Information

CC Telecommunications Group Pty Ltd was incorporated on 18 May 2017 as an Australian private company. The Company was altered to become a public company limited by shares on 12 October 2017 and changed its name at this time to CommsChoice Group Limited (the "Company"). The financial statements are presented in Australian dollars, which is CommsChoice Group Limited'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 1 October 2018.

The Group lodged it's 4E – Preliminary Final Report with the Australian Securities Exchange on 30 August 2018. The difference between this financial report and 4E are as follows:

	4E $'000	Final Report $'000
Revenue	11,170	10,507
Income tax benefit	987	616
Loss after tax	(3,712)	(4,083)

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 not yet adopted

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

AASB 15: Revenue from contracts with customers
The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The new standard is effective for all reporting periods commencing 1 January 2018 and therefore applicable from 1 July 2018 for CommsChoice Group. Management therefore expect to fully implement the standard in the financial year 2019 reporting period, accompanied with a reconciliation from the old standard to the new standard for financial year 2019 in line with the requirements of the standard.

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of the consideration received or receivable net of discounts.

The Group recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The consideration received from multiple-component transactions is allocated to the separately identifiable components in proportion to its relative fair value. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group has chosen not to early adopt and apply AASB 15 Revenue from Contracts with Customers.

Revenue is recognised for the major business activities as follows:

- Voice network income
- Data network income
- Managed services income

Revenue is recognised to depict the transfer of promised goods or services to customers with an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services.

This is affected by the following framework:

- identifying customer contracts
- identifying contractual performance obligations
- determining the transaction price
- allocation of the transaction price to the contractual performance obligations
- recognising revenue as the Group satisfies a performance obligation.

When goods or services are sold together, the consideration receivable is allocated between the sale of hardware, installation activity and sale of communication services based on their fair values.

The Directors are in the process of completing their assessment of the impact of the effect of AASB 15 and at this stage do not believe there will be material impact on the Group.

AASB 16 - Leases
In February 2016, the AASB issued AASB 16 Leases. The standard provides a single lessee accounting model, lessees to recognise an asset (the right to use the leased item) and a financial liability to pay rentals. The only exemptions are where the lease term is 12 months or less, or the underlying asset has a low value. Lessor accounting is substantially unchanged under AASB 16.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has no-cancellable operating lease commitments of $769,967, see note 22. The Group estimates that approximately 40% of these relate to payments for the short term which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustment, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and the extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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

AASB 9: Financial Instruments
The standard addresses the classification, measurement and derecognition of financial instruments. For financial liabilities that are measured under the fair value option, entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss. New hedge accounting rules align hedge accounting more closely with common risk management processes. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. In December 2014, the AASB introduced a new impairment model. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

The new standard is effective for all reporting periods commencing 1 January 2018 and therefore applicable from 1 July 2018 for CommsChoice Group. During the year the Group started activities aimed to identify the potential impact of implementing this standard. At this stage of the analysis, the standard is not expected to have a significant impact on the Group.

(iv) Going concern

The Group generated a loss before tax of $4,698,789 and a cash outflow from operations of $967,657. The Directors believe the going concern assumption is appropriate because the losses were generated due to one off costs associated with the IPO and the Group has available sufficient resources to continue to meet its debts as and when they fall due.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2018 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 form 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 23 to the financial statements.

(c) Business combinations

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

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

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

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

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

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

Details of the Group's business combinations is contained in note 24 to the financial statements.

(d) Critical accounting estimates and judgements

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

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

(i) Impairment of trade and other receivables

Where there is objective evidence of impairment of receivables, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

(ii) Estimation of useful lives of assets

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

(iii) Goodwill and other indefinite life intangible assets

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

(iv) Recoverable amount of internally generated intangible assets

The major sources of estimation uncertainty in assessing the recoverable amount of internally generated intangible assets are judgements relating to future sales order growth and pricing and the customer utilisation, the Group's ability to manage operating and capital expenditure and the cost of capital. Should the future performance of the Group differ from these estimations the assessment of the recoverable amount of internally generated intangible assets would be different and may impact the impairment testing result.

(v) Recognition of deferred tax assets

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

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

(vi) Business combinations

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below:

(i) Voice network income

Revenue from voice contracts is recognised in the accounting period in which the services are rendered.

(ii) Data network income

Revenue from data contracts is recognised in the accounting period in which the services are rendered.

(iii) Managed services income

Revenue from managed services contracts is recognised in the accounting period in which the services are rendered.

(iv) Interest income

Bank interest is recognised when received.

(f) Income tax

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

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

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

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

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

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

(i) Investment allowances and similar tax incentives

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

(g) Leases

(i) Finance leases

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

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

(ii) Operating leases

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

(h) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 15-30 days. They are presented as current assets.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

See note 8 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

(j) Accrued income

Accrued income represents the estimated amounts of unbilled services provided to all customers as at the balance date after taking into account all discounts as applicable.

(k) Property, plant and equipment

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

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

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

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

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

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

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

(l) Intangible assets

(i) Goodwill

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

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

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

(ii) Customer contracts and brand

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

(iii) Internally generated software

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

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

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

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

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

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

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

(iv) Amortisation

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

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

(m) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

(n) Trade and other payables

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

(o) Borrowings

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

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

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

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

(p) Borrowing costs

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

(q) Provisions

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

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

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

(r) Employee benefits

(i) Short term employee benefits

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

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

(ii) Other long-term employee benefits

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

(iii) Defined contribution superannuation expense

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

(iv) Share-based payments

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

Employee options

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

(s) Contributed equity

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Dividends

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

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(v) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

3 Segment reporting

The Group has one operating segment under AASB 8 Operating Segments. The Group's revenues from external customers are predominantly domiciled in Australia.

4 Revenue

	Consolidated
	30 June 2018
Sales revenue	**$**
Voice revenue	8,171,172
Data revenue	1,547,033
Managed services revenue	752,724
	10,470,929
Other income	
Interest income	35,588
Total revenue	**10,506,517**

Two customers make up 28% of total sales revenue.

5 Other expenses

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 2018
	$
Profit/(loss) before income tax includes the following specific expenses:	
Professional fees consist of the following expenses:	
Professional fees relating to IPO and acquisition of subsidiaries	929,067
Audit and tax fees	230,911
Billing services fees	225,087
Legal fees	64,205
Other professional fees	155,249
Total professional fees	**1,604,519**
Depreciation & amortisation	
Depreciation expense	18,579
Amortisation - customer contracts	494,312
Amortisation - brand	192,898
Amortisation - software	200,827
Total depreciation & amortisation	**906,616**
Other costs	
Share based payments	2,200,000
Discount on note conversion on IPO	250,000

6 Income tax expense

	Consolidated
	30 June 2018
	$
Income tax expense/(benefit)	
Deferred tax - origination and reversal of temporary differences	(616,112)
Income tax (benefit)	**(616,112)**

The Group has total tax losses available for use of $368,905 which have not been brought to account on the balance sheet

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

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

	Consolidated
	30 June 2018
	$
Loss for the period	(4,082,677)
Adjustments for:	
Transaction costs relating to IPO and acquisition of subsidiaries	1,572,305
Share based payments	2,200,000
Discount on convertible note issue	250,000
Depreciation and amortisation	906,605
	846,233
Change in assets and liabilities:	
Decrease in receivables	415,448
(Increase) in inventory	(3,452)
(Decrease) in payables	(768,720)
(Decrease) in provisions	(439,021)
(Decrease) in other including acquired working capital	(1,018,145)
Net cash outflow from operating activities	**(967,657)**

8 Trade and other receivables

	Consolidated
	30 June 2018
	$
Trade receivables	1,846,882
Less: provision for impairment of receivables	(532,522)
	1,314,360
Other receivables	2,106
Total trade and other receivables	**1,316,466**

(i) Classification of trade and other receivables

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

(ii) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as the fair value.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 90 days overdue).

Receivables for which an impairment was recognised are written off against the provision when there is no expectation of recovering additional cash.

(iii) Impaired trade receivables

Impairment losses are recognised in the profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

The aging of impaired receivables provided for above are as follows:

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

Movements in the provision for impairment of receivables are as follows:

	Consolidated
	30 June 2018
	$
Opening balance 1 July 2017	–
Provision for impairment recognised on acquisition during the year	592,764
Receivables written off during the year as uncollectible	(60,242)
Unused amount reversed	–
Balance 30 June 2018	**532,522**

(iv) Past due but not impaired

Customers with balances past due but without provision for impairment of receivables is $87,012 as at 30 June 2018. The Group did not consider a credit risk existed on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

(v) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or the historical information about counterparty default rates.

9 Other current assets

	Consolidated
	30 June 2018
	$
Prepayments	512,123
Accrued revenue	170,001
Security deposits	126,567
Inventory	28,538
	837,229

10 Property, plant and equipment

	Consolidated
	30 June 2018
	$
Plant & Equipment	29,137
Less: Accumulated Depreciation	(16,693)
	12,444
Computer Software	64,053
Less: Accumulated Depreciation	(14,407)
	49,646
Computer Equipment	8,066
Less: Accumulated Depreciation	(657)
	7,409
Leasehold Improvements	20,349
Less: Accumulated Depreciation	(1,428)
	18,921
Furniture & Fittings	83,457
Less: Accumulated Depreciation	(48,077)
	35,380
Motor Vehicles	93,117
Less: Accumulated Depreciation	(13,874)
	79,243
Total property, plant and equipment	**203,043**

	Plant & equipment	Computer software	Computer equipment	Leasehold improvements	Furniture & fittings	Motor vehicles	Total
Consolidated	$	$	$	$	$	$	$
Balance at 30 June 2017	-	-	-	-	-	-	-
Acquired with subsidiary	1,862	4,959	1,325	20,233	41,180	23,901	93,460
Additions	12,547	47,549	8,066	-	-	60,000	128,162
Disposals	-	-	-	-	-	-	-
Depreciation expense	(1,965)	(3,850)	(993)	(1,312)	(5,800)	(4,659)	(18,579)
Balance at 30 June 2018	**12,444**	**48,658**	**8,398**	**18,921**	**35,380**	**79,242**	**203,043**

11 Intangibles

	Customer Contracts	Brand	Goodwill	Software	Other	Total
Consolidated	$	$	$	$	$	$
Cost						
Balance at 1 July 2017	-	-	-	-	-	-
Recognised at acquisition	6,411,000	3,574,000	17,871,894	1,720,567	43,849	29,621,310
Additions during the period	-	-	-	766,797	(2,079)	764,718
	6,411,000	**3,574,000**	**17,871,894**	**2,487,364**	**41,770**	**30,386,028**
Accumulated Amortisation						
Balance at 1 July 2017	-	-	-	-	-	-
Amortisation expense	(494,312)	(192,898)	-	(200,827)	-	(888,037)
Balance at 30 June 2018	**5,916,688**	**3,381,102**	**17,871,894**	**2,286,537**	**41,770**	**29,497,991**

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 value-in-use calculations

When testing for impairment, the discounted future cash flows 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 FY18's achievements. 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.

Cash flow projections for the business for the five-year period use implied post tax weighted compound annual growth rates as follows:

Revenue	12.5%
Cost of goods sold	12.1%
Operating expenses	4.4%
Post-tax weighted average cost of capital (WACC) (actual not CAGR)	13.5%
Terminal growth rate (actual not CAGR)	2.5%

Sensitivity analysis

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

The headroom implied by the value in use model is $1.6m. If the compound annual growth rate of revenue over the five period falls below 11.9% and assuming no corresponding reduction in operating costs the asset would become impaired.

12 Deferred tax asset

	Consolidated
	30 June 2018
	$
Deferred tax asset comprises temporary differences attributable to:	
- other timing differences	261,127
- losses	495,379
- amounts recognised in equity for capital raising	274,539
Deferred tax asset	**1,031,045**
Movements in deferred assets:	
Opening balance	-
Debited/(credited) to:	
- profit or loss	616,112
- temporary differences	(189,313)
- directly to equity	343,174
- acquisitions	261,072
Closing balance	**1,031,045**

13 Trade and other payables

	Consolidated
	30 June 2018
	$
Trade payables	1,680,444
Accrued expenses	354,347
Other payables	740,077
	2,774,868

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

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

14 Other liabilities

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

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

15 Provisions

	Consolidated
	30 June 2018
Current liabilities	$
Annual leave	**270,212**

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

16 Deferred tax liability

	Consolidated
	30 June 2018
	$
Movements in deferred liabilities:	
Opening balance	-
Debited/(credited) to:	
- profit or loss	(188,983)
- directly to equity	-
- acquisitions in relation to customer contracts & brands	2,745,875
Closing balance	**2,556,892**

17 Share capital

	Consolidated	Consolidated
	30 June 2018	30 June 2018
	Number	$
Ordinary shares - fully paid	108,712,221	26,274,193

Movements in ordinary share capital

	Consolidated	Consolidated
	30 June 2018	30 June 2018
	Shares	$
Opening balance 1 July 2017	2	-
Acquisition of subsidiaries	64,089,127	16,022,282
Notes converted on IPO	5,000,000	1,250,000
Issue of share capital as part of the IPO	30,000,000	7,500,000
Shares issued on completion of the IPO	3,800,000	950,000
	102,889,129	**25,722,282**
Less: Transaction costs arising on share issues	-	(1,246,707)
Deferred tax credit recognised directly in equity	-	342,844
Additional shares issued as part of true-up	5,823,092	1,455,774
Balance 30 June 2018	**108,712,221**	**26,274,193**

Issue costs of $1,246,707 which were directly attributable to the issue of the shares have been netted against the deemed proceeds in equity.

(i) Ordinary shares

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

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

18 Reserves

	Consolidated
	30 June 2018
	$
Warrants issued	340,291
Options issued	16,813
Deferred consideration	4,607,870
Directors remuneration	1,250,000
Share-based payments reserve	**6,214,974**

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

19 Earnings per share

Reconciliation of earnings used in calculating earnings per share

	Consolidated
	30 June 2018
	$
Loss attributable to the ordinary equity holders of the company	**(4,082,677)**
	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**55,348,314**
Adjustments for calculation of diluted earnings per share	
Deferred shares	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**55,348,314**
	Cents
Basic earnings per share	(7.38)
Diluted earnings per share	(7.38)

As the Group incurred a loss for the period there is no dilution impact arising from outstanding deferred consideration shares (18,311,179) warrants (3,508,156), options (960,000) and performance related shares (5,000,000).

20 Share based payments

Share-based payments on IPO of $2,200,000

The total number of shares issued on completion of the IPO was 8,800,000.

Ben Gilbert and Patrick Harsas received shares on completion of the offer of 1,200,000 and 400,000 shares on 15 December 2017. Shares were issued at the IPO issue price of $0.25.

Stephen Bell received 40,000 shares on completion of the offer on 15 December 2017. Shares were issued at the IPO issue price of $0.25.

Cameron Petricevic received 2,160,000 shares on completion of the offer on 15 December 2017. Shares were issued at the IPO issue price of $0.25.

Cameron Petricevic has an agreement with the Company whereby the Company will issue 5,000,000 shares to Cameron Petricevic following release of the financial results of the Company for the calendar year ended 31 December 2018 (CY18), expected to occur in February 2019, provided the actual NPATA for the Company for CY18 exceeds the forecast NPATA for CY18 of $3,380,000 as appears in the Prospectus. These shares have been accounted for during the financial year at an issue price of $0.25.

Warrants issued

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

Options granted to management

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

21 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.

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

Bank overdraft facility

The Group has a secured business overdraft facility with the National Australia Bank for up to $250,000.

(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 doubtful debts is raised. In addition, receivable balances are monitored on an ongoing basis so that the Group's exposure to bad debts is not significant.

22 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 2018
	$
Within one year	312,212
Later than one year but no later than five years	457,755
Later than five years	-
Total operating lease commitments	**769,967**

23 Entities within the consolidated Group

The following entities are included within the Consolidated Group:

Entity Name	Country of incorporation	% Consolidated 2018
CommsChoice Group Limited (parent)	Australia	100%
CommsChoice Pty Limited	Australia	100%
Telegate Pty Limited	Australia	100%
Oratel 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%

24 Business combinations - provisional

Summary of acquisition

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

Purchase consideration is as follows:

	Cash paid	Ordinary shares issued	Warrants	Deferred consideration	Total purchase consideration
	$	$	$	$	$
CommsChoice Pty Limited	1,201,931	6,442,328	340,291	2,760,998	10,745,548
Telegate Pty Ltd[1]	137,026	5,939,596	-	2,545,541	8,622,163
Oracle Pty Ltd	500,000	1,834,773	-	786,331	3,121,104
TelAustralia Pty Ltd	100,000	1,171,875	-	502,232	1,774,107
Woffle Pty Ltd	40,000	633,710	-	271,590	945,300
	1,978,957	**16,022,282**	**340,291**	**6,866,692**	**25,208,222**
Shares issued as deferred consideration on issue of completion accounts	-	1,368,565	-	(2,258,822)	(890,257)
Additional shares issued as consideration on issue of completion accounts	-	87,208	-	-	87,208
Total	**1,978,957**	**17,478,055**	**340,291**	**4,607,870**	**24,405,173**

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

Additional shares issued

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

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

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

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

	Total
	$
Cash	90,948
Trade receivables	1,225,192
Prepayments	262,827
Inventories	25,086
Property, plant & equipment	100,204
Intangible assets - software	1,720,567
Intangible assets - customer relationships & brands	9,985,000
Less: deferred tax liability on customer relationships & brands	(2,745,875)
Trade payables	(1,851,837)
Bank overdraft	(89,043)
Other	(1,846,627)
Employee provisions	(343,163)
Fair value of net identifiable assets acquired	6,533,279
Add: goodwill	17,871,894
Net assets acquired	**24,405,173**

CommsChoice Group has made preliminary fair value adjustments to the assets and liabilities acquired. In accordance with Australian Accounting Standards, AASB - 3 Business Combinations, the Group has twelve months in which to finalise the fair value assessment of the acquired assets and liabilities.

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

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

Deed of cross guarantee

A deed of cross guarantee between the Group and its Australian subsidiaries was not entered into at the time of the Group's listing because none of the subsidiaries were required to lodge or have audited their own financial accounts. Under ASIC reporting and auditing requirements none of the subsidiaries are considered to be large proprietary companies as defined in the ASIC regulations and therefore do not need to prepare audited financial report and a directors' report.

25 Events after reporting date

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

On 5 September 2018, 120,302 shares were issued following finalisation of the last set of completion accounts. The balance of 3,561,028 shares that were available to be issued were forfeited by the vendors as a result of the net working capital adjustment following the finalisation of the completion accounts.

26 Auditors remuneration

	Consolidated
	30 June 2018
	$
Remuneration of auditor PricewaterhouseCoopers Australia	
Audit and review of financial statements	163,200
Taxation and transactional services	420,087
	583,287

27 Related party transactions

Parent entity

CommsChoice Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Key management personnel

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

Transactions with related parties

Ben Jennings is a director of Jennings Partners Chartered Accountants which provides accounting and bookkeeping services to the CommsChoice Group. Total fees paid by the Group for the period to 30 June 2018 were $198,534.

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

The Company has engaged an entity associated with Cameron Petricevic to provide advisory services to the Company. Total fees paid by the Group for the period to 30 June 2018 were $53,325

Receivable from and payable to related parties

Ben Gilbert has an amount owing to the Group of $1,540 as at 30 June 2018

Loans to/from related parties

None.

Deferred consideration available with related parties

Ordinary shares	Completion accounts retention shares to be issued as at 30 June 2018	Claim retention shares available to be issued as at 30 June 2018	Total deferred consideration shares	$ value as at $0.25 listing price
Benjamen Jennings	(1)	1,708,865	1,708,865	427,216
Cameron Petricevic	(1)	455,497	455,497	113,874
Grant Ellison	101,984	6,241,574	6,343,558	1,585,890
Total	**101,984**	**8,405,936**	**8,507,920**	**2,126,980**

(1) Completion account retention shares for Cameron Petricevic and Ben Jennings were issued on 6 April 2018.

Convertible Notes issued in July 2017

The following related parties subscribed to the convertible notes issued in July 2017, on the same terms and conditions as other note holders. The notes were converted to ordinary shares at listing date at a 25% discount.

Convertible notes	Amount subscribed $	Converted share capital $
John Mackay	100,000	125,000
Peter McGrath	50,000	62,500
Benjamen Jennings	100,000	125,000
Benjamin Gilbert	50,000	62,500
Total	**300,000**	**375,000**

28 Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent
	30 June 2018
	$
Total comprehensive income for the year	**(4,771,574)**

The comparative result for the period from incorporation to the 30 June 2017 was a loss of $191,974.

Statement of financial position

Current assets	1,064,590
Total assets	**27,685,561**
Current liabilities	136,385
Total liabilities	**159,943**
Net assets	27,525,618
Equity	
Issued capital	26,274,193
Share based payment reserve	6,214,974
Retained earnings	(4,963,549)
Total equity	**27,525,618**

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 2018.

Capital commitments – property plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2018.

Our sweet spot is your multi-site, multi-country business

One single, integrated platform.

Providing secure, flexible and fast communication solutions to a diverse global workforce has never been easier. Or more cost effective.

Transform your enterprise communications using a single, reliable provider operating global voice and data networks.

Our global network is hosted in 23 (and growing) locations across every (populated) continent.

Directors' Declaration

In the Directors' opinion:

1. the financial statements and notes, as set out on pages 20 to 51, 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 2018 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

Ben Jennings
Director

Sydney
1 October 2018

pwc

Independent auditor's report

To the members of CommsChoice Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of CommsChoice Group Limited, formerly CC Telecommunications Group Pty Ltd (the Company) and its controlled entities (together the Group or CommsChoice Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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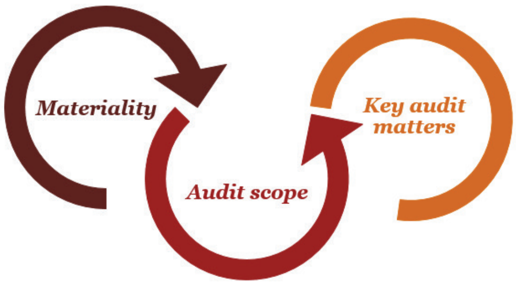
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of \$112,000, which represents approximately 1% of the Group's revenue. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Business combinations – Impairment of intangible assets – Basis of preparation of the financial report – Tax – Revenue • These are further described in the *Key audit matters* section of our report.

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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***

Business combinations (Refer to note 24)
 	
We have focused on the initial acquisition of 5 businesses that formed the CommsChoice Group in December 2017 given the financial and operational impacts on the Group. Accounting for acquisitions requires the exercise of significant judgement by the Group including the determination of purchase consideration and identification and assignment of fair values to the assets and liabilities acquired.
 	
The Group engaged a third party valuation expert to assist them in the determination and assignment of provisional fair values at 16 December 2017.
 	
As the acquisitions only occurred on 16 December 2017 the acquisition accounting at the end of the financial year is provisional pending finalisation of the Group's determination of fair values of the assets and liabilities acquired.
	Our audit procedures included:
	
	• Reading the relevant acquisition agreements and assessing the appropriateness of accounting for the purchase consideration.
	
	• Assessing, with the assistance of our valuation experts in certain aspects, the provisional purchase price allocation by:
	
	  ○ Assessing the appropriateness of the methodology applied by the Group for calculating the fair values;
	
	  ○ Considering the reasonableness of the key valuation assumptions such as the discount rate and challenging inputs in the Group's valuation models such as revenue growth rates and attrition rates.
	
	• Reconciling the identified provisional fair values to the accounting records.
	
	• Considering and assessing the adequacy of the Group's business combination disclosures, in light of the requirements of Australian Accounting Standards.

Impairment of intangible assets (Refer to note 11) We have focused on the carrying value of goodwill and other intangible assets because of the relative financial size of the balances at the financial year end and the judgement involved by the Group in assessing the carrying value.	Our audit procedures included: • Evaluating whether the Group's identification of the CGU was consistent with our knowledge of the Group's operations and internal reporting.

Key audit matter	*How our audit addressed the key audit matter*
The Group's goodwill and other intangible assets recoverable amount is determined at the cash generating unit (CGU) level. For the purpose of goodwill allocation, the Group has determined it has one CGU which represents the consolidated CommsChoice business. The Group assessed the carrying value by comparing it to a recoverable amount model at 30 June 2018. The Group concluded that no impairment charge was required.	• Challenging the reasonableness of the Group's assumptions in the recoverable amount model by performing the following procedures: o Engaging our valuation experts to assess the discount rate and terminal growth rate by comparing them against market benchmarks; o Testing the mathematical accuracy of selected aspects of the Group's cash flow models and agreeing selected inputs to the Group's Board approved forecast for FY19; o Assessing the historical reliability of the Group's forecasts through a comparison of the Group's actual performance against previous forecasts; o Comparison of forecasts to historical actuals and industry growth rates and challenging the Group's growth assumptions; o Testing the sensitivity of the model for reasonable possible changes to the assumptions. • Evaluating the adequacy of the disclosures made in note 11 including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.
Basis of preparation of the financial report (Refer to note 2 a) In preparing the consolidated financial report the Group has adopted the going concern basis of preparation.	Our audit procedures included: • Consideration of the Group's cash flow forecast which concludes that the Group is a going concern for at least 12 months from the date of signing of the financial report including: o Developing an understanding of the key

Key audit matter	*How our audit addressed the key audit matter*
We considered the Group's going concern assessment to be a key audit matter due to its importance to the financial report and given that the Group is growing, with competing demands for the available cash resources. This is typical of a Group at this stage of its development.	cash flow items in the forecast, agreeing to supporting documentation where available; o Holding discussions with Directors and management to develop an understanding of other potential cash flows not factored in the model. In relation to financial statement disclosures, we considered the basis of preparation disclosures in note 2 a, in light of the requirements of Australian Accounting Standards.
Tax (Refer to notes 6, 12 and 16) The Group recognised $1million of deferred tax assets at 30 June 2018. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits to be realised. This was a key audit matter because accounting for the tax implications of the business combination was complex. Significant judgement was also required to determine whether sufficient profits would be available to utilise the recognised deferred tax assets.	Our audit procedures included: • Obtaining the calculations of tax balances on acquisition and associated fair value adjustments. • Testing the calculation of the acquisition balances and assumptions used in their calculation for reasonableness. • Obtaining the forecast for future years, assessing the assumptions underpinning it and challenging the key assumptions through comparison to historical performance and other industry trends. • Assessing whether the tax balances had been appropriately recognised in the financial report as at 30 June 2018 in accordance with Australian Accounting Standards.
Revenue (Refer to note 4) We have focused on revenue recognition due to the magnitude of the balance, the complexity of the Group's billing systems and certain manual processes and reconciliations for financial reporting.	Our audit procedures included: • Considering and assessing the appropriateness of the Group's accounting policies for revenue. • Sample testing the reconciliation from the billing system to the general ledger through agreeing a sample of the journals processed to supporting

Key audit matter	How our audit addressed the key audit matter
Manual calculations are also prepared by the Group for the deferred and accrued revenue balances to determine the timing of revenue recognition in the relevant financial period.	documentation. • Sample testing individual revenue items to supporting documentation providing evidence of service delivery, pricing and payment. • Assessing the timing of revenue recognition by testing the mathematical accuracy of the Group's deferred and accrued revenue calculations at financial year end. • Assessing the Group's accounting policy and adequacy of the Group's disclosure of revenue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors Report, ASX additional information and Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Other matter

The Group was not required to prepare or lodge an audited financial report for the year ended 30 June 2017. The comparative amounts included in this financial report are therefore unaudited.

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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue 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 the 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 at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 17 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of CommsChoice Group Limited for the year ended 30 June 2018 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Sydney
1 October 2018

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 27 September 2018.

Distribution of shareholders

Securities

Fully paid ordinary shares
Fully paid shares vol escrow to CY18 financial results release

Analysis of numbers of equity holders by size holding:

	Total holders	Number of shares	Percentage
1 to 1,000	3	117	0.00
1,001 to 5,000	28	97,960	0.09
5,001 to 10,000	36	304,790	0.28
10,001 to 100,000	248	12,308,836	11.31
100,001 and over	99	96,120,820	88.32
	414	**108,832,523**	**100.00**

Equity Security Holders

Twenty largest quoted equity security holders

	Number held	Percentage of total shares issued
GJFE INVESTMENTS PTY LTD <ELLISON INVESTMENTS A/C>	19,470,884	17.89%
ORACLE TELECOM PTY LTD <ORACLE TELECOM A/C>	8,566,193	7.87%
JENNINGS GROUP INVESTMENTS PTY LTD <JENNINGS FAMILY A/C>	6,853,423	6.30%
WEB PROFITS PTY LTD <WEBPROFITS UNIT A/C>	5,401,319	4.96%
BASEJUMP PTY LTD <THE DUNPHY INVESTMENT A/C>	5,396,287	4.96%
MR MATTHEW WILLIAM BURGE	5,374,095	4.94%
TRISTAN PLUMMER PTY LIMITED <TRISTAN PLUMMER FAMILY A/C>	5,368,649	4.93%
TTOR PTY LTD <H M & C PETRICEVIC SUPER A/C>	3,986,811	3.66%
MR GRANT ELLISON	2,476,610	2.28%
TIERNAN O'CONNOR PTY LIMITED <TIERNAN O'CONNOR FAMILY A/C>	2,092,458	1.92%
AUST EXECUTOR TRUSTEES LTD <KENTGROVE CAPITAL FUND>	2,000,000	1.84%
MR CHRISTOPHER JOHN CARNIE	1,478,018	1.36%
MR NATHAN MICHAEL PITMAN	1,478,018	1.36%
MR BEN GILBERT	1,450,001	1.33%
ZERMATT PTY LTD <MONTANA CRANS SUPERFUND A/C>	1,085,000	1.00%
MR MARK BLUM	1,053,479	0.97%
HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>	1,050,000	0.96%
ORACLE TELECOM TRUST	800,000	0.74%
MATTHEW PARRY	790,109	0.73%
MR SCOTT NEYLON	790,109	0.73%
Total Securities of Top 20 Holdings	**76,961,463**	**70.72%**

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	960,000	2

Voting rights

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

Ordinary shares

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

Options

No voting rights.

Corporate Directory

Directors	John Mackay – Independent Non-Executive Chairman Peter McGrath – Independent Non-Executive Director Cameron Petricvec – Non-Executive Director Ben Jennings – Non-Executive Director Stephen Bell – Non-Executive Director Grant Ellison – Executive Director & Executive GM, Business Development
Secretary	Andrew Metcalfe
Executives	Ben Gilbert – Chief Executive Officer Patrick Harsas – Chief Financial Officer
Notice of Annual General Meeting	The Annual General Meeting of CommsChoice Group Limited **will be held at** Minter Ellison Meeting Room 1, Level 23 Rialto Towers 525 Collins Street Melbourne VIC 3000 **time** 11.00 am **date** 19 November 2018
Registered Office	Suite 24, 50 New Street Ringwood NSW 3134
Principal place of business	Level 10, 89 York Street Sydney NSW 2000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	PricewaterhouseCoopers One International Towers Sydney Watermans Quay Barangaroo NSW 2000
Solicitors	MinterEllison Rialto Towers, 525 Collins Street Melbourne VIC 3000
Bankers	National Australia Bank
Stock exchange listing	CommsChoice Group Limited shares are listed on the Australian Securities Exchange (ASX code: CCG)
Website	www.commschoice.com

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