

Aussie Broadband Pty Ltd

ABN 29 132 090 192

Annual Financial Report for the year ended 30 June 2020

AUSSIE BROADBAND PTY LTD AND ITS CONTROLLED ENTITIES

ABN: 29 132 090 192

For the year ended 30 June 2020

Directors' Report

The Directors present their report, together with the financial statements, on the Group (referred to hereafter as 'the Group') consisting of Aussie Broadband Pty Ltd (referred to hereafter as the 'company' or 'parent') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

This report provides information on the structure and progress of our business, financial performance for the year ended 30 June 2020 and comment on likely developments.

Board of Directors

The following persons were Directors of Aussie Broadband Pty Ltd during the year ended 30 June 2020 and up to the date of this report. All Directors held their position as a Director throughout the entire year and up to the date of this report unless otherwise stated.

Adrian Fitzpatrick - Non-Executive Director and Chairman (appointed 1 July 2020)

Adrian has extensive operational, financial management and strategic experience from a career that has spanned over 30 years. He has held senior leadership and management positions with Pitcher Partners, where he was one of the firm's founding partners. He holds Non-Executive Directorships with ARB Corporation Limited and RXP Services Limited, is a Director of the Accident Compensation Conciliation Service and holds one not-for-profit Board position. Adrian is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and holds a Bachelor of Commerce from the University of Melbourne.

Richard Dammery – Non-Executive Director (appointed 1 July 2020)

Richard has held senior leadership roles in a range of major Australian and New Zealand companies including Woolworths Group, where he was Chief Legal Officer and Company Secretary. His telco experience includes roles at Telstra, Telecom New Zealand and AAPT in legal, regulatory and commercial roles, and he has also served as a partner of major law firm Minter Ellison. Richard currently serves on the Boards of Nexus Hospitals Group and Creative Partnerships Australia, and he is also an Adjunct Professor (Practice) and Industry Fellow at Monash Business School. Richard is a Fellow of Australian Institute of Company Directors and holds a Bachelor of Arts and a Bachelor of Laws from Monash University, Master of Business Administration from University of Melbourne and a Ph. D from University of Cambridge.

Richard is the Chair of the Remuneration and Community Committee.

Vicky Papachristos – Non-Executive Director (appointed 1 July 2020)

Vicky is an experienced company Director, executive and marketing and business development consultant with over 30 years' experience. She has worked in both Australia and the USA, across private, public/ASX, government, not-for-profit/mutual organisations and start-ups. She holds professional Directorships with Big River Industries Limited, GMHBA Private Health Insurance, health.com.au, AIA Health Insurance and Camp Quality Revenue Committee. Vicky is a member of the Australian Institute of Company Directors and holds a Bachelor of Engineering from Monash University and a Master of Business Administration from Australian Graduate School of Management.

Vicky is Chair of the Audit, Risk and Compliance Committee.

Patrick Greene – Non-Executive Director

Patrick has owned retail businesses since 1987 and has extensive sales, marketing, financial and management experience. He has won Franchisee of the Year Awards at a state and national level. Patrick was a co-founder of Westvic Broadband before it merged with Wideband Networks in 2008.

Phillip Britt – Managing Director and Executive Director

Phillip is a highly experienced executive with 24 years in the telecommunications industry. He co-founded Wideband Networks in 2003 and became Managing Director when it merged with Westvic Broadband in 2008 under the name Aussie Broadband. He has served on the Board of Directors of Aussie Broadband since the merger. Phillip is a graduate of the JMW Leader of the Future program, has held voluntary leadership roles at a state and national level, and is an inductee into the telco industry Edison Awards Hall of Fame.

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John Reisinger – Chief Technology Officer and Executive Director

John has worked in the telco industry since 2001. He was a co-founder of Wideband Networks and has held the role of Chief Technology Officer at Aussie Broadband since 2008, also serving on the Board as a Director since that time. He holds a Bachelor of Computing from Monash University and is a graduate of the JMW Leader of the Future program.

Ian Watson - Non-Executive Director (resigned 30 June 2020)

Ian started his working life as a Telecom Australia (now Telstra) technician. After gaining an Electronics Technician Certificate, he worked in private industry as a senior technician in designing, building and maintaining commercial communications wireless networks for 10 years. Ian completed a Business Computer Applications Certificate and later became a partner and manager in a computer and network cabling business for 5 years. He co-founded Westvic Broadband in 2003, which later merged with Wideband Networks in 2008 to form Aussie Broadband. Ian served on the Aussie Broadband Board from 2014 and was Chair from 2017 until he resigned.

Scott Robson – Non-Executive Director (appointed 7 August 2019, resigned 30 June 2020)

Scott is a specialist in financial strategy, capital and business turnarounds with over 8 years corporate advisory experience. Scott has been an Associate Director at Mawson since 2014 and he previously worked at one of Australia's largest accounting firms in financial advisory. Scott is a registered Chartered Accountant and a graduate of Monash University with Majors in Finance & Accounting. He joined the Aussie Broadband Board in 2019.

Attendance at Board and Committee Meetings

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Full Board	
	Attended	Held
Phillip Britt	16	16
Patrick Greene	16	16
John Reisinger	14	16
Scott Robson	16	16
Ian Watson	16	16

Company Secretary

Brian Maher – Company Secretary (appointed 29 November 2019)

The Company Secretary is Brian Maher who was appointed 29 November 2019. Brian is a Chartered Accountant and Chartered Secretary and holds a Bachelor of Arts from the University of Nottingham, and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Phillip Britt resigned as Company Secretary on 29 November 2019.

Principal activities

The principal activity of the Group is a national carrier of telecommunications services in Australia focused on providing NBN services to residential and business segments.

No significant changes in the nature of the Group's activity occurred during the financial year.

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Dividends

Dividends paid during the financial year were \$nil (30 June 2019: \$120,026).

Review of operations

The loss for the Group after providing for income tax amounted to \$12,299,027 (30 June 2019: \$4,888,549)

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

At a general meeting of the company on 22 July 2020 shareholders passed special resolutions to, inter alia:

- Change the company type of the company from a proprietary company limited by shares to a public company limited by shares;
- Change the company name from Aussie Broadband Pty Ltd to Aussie Broadband Limited effective from the date on which the company changes its type to a public company limited by shares; and
- Repeal its constitution and replace it with a new constitution effective from the date on which the company changes its type to a public company limited by shares

These changes were made in contemplation of a listing on the Australian Stock Exchange later in the year and the effective date is dependent on completion of ASIC notification processes.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Likely developments and expected results of operations

The Group anticipates concluding a listing on the Australian Stock Exchange during the year ending 30 June 2021 generating additional equity.

The Group will continue to invest in its marketing activities to fuel ongoing organic customer growth. In addition, and subject to the successful completion of an initial public offering, the Group will invest in the development of its own optic fibre network over the next 2 years.

Environmental regulation

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

Shares contingently issuable

There were no unissued ordinary shares or performance rights of Aussie Broadband Pty Ltd under option outstanding at the date of this report. There were however shares contingently issuable relating to the convertible notes issued in October 2019. See Note 17 to the financial statements for more information.

Shares issued on the exercise of options

There were no ordinary shares of Aussie Broadband Pty Ltd issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnification and insurance of officer or auditor

The Group has agreed to indemnify the directors of the Company for all liabilities, costs and expenses that may arise from their position in the Company to the maximum extent permitted by the Corporations Act 2001.

During the year, the Group paid premiums of \$26,519 (2019:\$13,372) for insurance policies that included the insurance of Directors and Officers of the Group against a liability incurred as a Director or officer, to the extent permitted by the Corporations Act 2001.

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Impacts of COVID-19

The coronavirus (COVID-19) pandemic developed in late 2019 and rapidly increased through 2020. Although the impact of COVID-19 has been detrimental to many businesses and industries, and whilst there have been some impacts to the telecommunications sector in Australia, the operations of the Group have not been materially adversely affected to date.

The business has continued to see significant growth through the COVID-19 period. Operationally the business has coped well with the implementation of a COVIDSafe plan for its office locations and many staff working from home. There have been some interruptions to the supply chain of routers but the business has found alternative equipment where necessary and the impact on customers has been some modest delays in delivery times.

The Group and its suppliers have worked co-operatively to ensure that the increase in bandwidth utilisation has had limited impact on financial performance and customer experience. There has been no material impact on the repayment of trade receivables to date but the Group continues to monitor debt collection on a regular basis.

As the Group has not been adversely affected by the pandemic, there are no current matters which impact on the Group's credit risk or going concern opinion assessment.

Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Proceedings on behalf of the company

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors.



Adrian Fitzpatrick
Chairman



Phillip Britt
Managing Director

Melbourne

20 August 2020



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Aussie Broadband Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Aussie Broadband Pty Ltd for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

S Bell

Suzanne Bell
Partner

Melbourne
20 August 2010

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General information

The financial statements cover Aussie Broadband Pty Ltd as a Group consisting of Aussie Broadband Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Aussie Broadband Pty Ltd.'s functional and presentation currency.

Aussie Broadband Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office: 3 Electra Avenue Morwell VIC 3840

Principal place of business: 3 Electra Avenue Morwell VIC 3840

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 statements were authorised for issue, in accordance with a resolution of Directors, on the date of signing of the attached Directors report.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Revenue	5	190,493	99,652
Network and hardware expenses		(145,700)	(81,764)
Employee expenses		(22,869)	(11,644)
Marketing expenses		(11,216)	(3,830)
Administration and other expenses	6	(7,644)	(4,787)
Depreciation and amortisation	11,12,14	(5,503)	(1,656)
Interest expenses		(6,984)	(867)
Interest income		102	7
Change in fair value of derivative	19	(2,978)	-
Loss before income tax benefit		(12,299)	(4,889)
Income tax benefit	7	-	-
Loss after income tax benefit for the year		(12,299)	(4,889)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(12,299)	(4,889)
Loss per share		\$	\$
Basic and diluted loss per share for the year attributable to ordinary equity holders of the parent	23	(1,155)	(459)

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

Consolidated Statement of Financial Position
For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	21,435	490
Trade and other receivables	9	11,389	7,427
Inventories	10	1,692	384
Financial assets	13	1,947	1,900
Prepayments		590	228
Total current assets		37,053	10,429
Non-current assets			
Property, plant and equipment	11	5,408	7,991
Right-of-use assets	14	12,385	-
Intangibles	12	2,458	1,417
Deferred tax	7	-	-
Financial assets	13	228	172
Total non-current assets		20,479	9,580
Total assets		57,532	20,009
Liabilities			
Current liabilities			
Trade and other payables	15	16,115	10,346
Contract liabilities	20	10,764	7,098
Borrowings	17	27,238	7,013
Derivative	19	10,384	-
Lease liabilities	14	4,009	-
Employee benefits	16	1,970	1,087
Total current liabilities		70,480	25,544
Non-current liabilities			
Borrowings	17	-	2,750
Lease liabilities	14	7,541	-
Deferred tax	7	-	-
Employee benefits	16	234	139
Total non-current liabilities		7,775	2,889
Total liabilities		78,255	28,433
Net liabilities		(20,723)	(8,424)
Equity			
Issued capital	21	10,632	10,632
Accumulated losses	22	(31,355)	(19,056)
Total deficiency in equity		(20,723)	(8,424)

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Issued capital	Accumulated losses	Total (deficiency) in equity
Consolidated	\$'000	\$'000	\$'000
Balance at 30 June 2018	10,632	(14,047)	(3,415)
Loss after income tax benefit for the year	-	(4,889)	(4,889)
Total comprehensive income for the year	-	(4,889)	(4,889)
<i>Transactions with owners in their capacity as owners:</i>			
Dividends paid	-	(120)	(120)
Balance at 30 June 2019	10,632	(19,056)	(8,424)

	Issued capital	Accumulated losses	Total surplus/ (deficiency) in equity
Consolidated	\$'000	\$'000	\$'000
Balance at 30 June 2019	10,632	(19,056)	(8,424)
Loss after income tax benefit for the year	-	(12,299)	(12,299)
Total comprehensive income for the year	-	(12,299)	(12,299)
Balance at 30 June 2020	10,632	(31,355)	(20,723)

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Notes	2020	2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		209,303	103,046
Payments to suppliers & employees (inclusive of GST)		(201,231)	(101,240)
		8,072	1,806
Interest received		102	-
Interest and other finance costs paid		(1,277)	(866)
Net cash from operating activities		6,897	940
Cash flows from investing activities			
Payments for property, plant and equipment	11	(3,899)	(2,181)
Payments for intangibles	12	(1,529)	(725)
Proceeds from disposal of property, plant and equipment		63	4
Net cash used in investing activities		(5,365)	(2,902)
Cash flows from financing activities			
Hire purchase repayments		-	(1,064)
Payment of lease liabilities		(3,898)	-
Repayment of borrowings		-	(350)
Drawdown of debt facility		23,436	5,500
Payment for security deposits		(125)	(1,900)
Dividends paid	24	-	(120)
Net cash from financing activities		19,413	2,066
Net increase in cash and cash equivalents		20,945	104
Cash and cash equivalents at the beginning of the financial year		490	386
Cash and cash equivalents at the end of the financial year	8	21,435	490

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

Notes to the financial statements

For the year ended 30 June 2020

Note 1. Reporting entity

Corporate information

The consolidated financial statements of Aussie Broadband Pty Ltd (the 'parent') and its subsidiaries (collectively, the 'Group') for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 19 August 2020. Aussie Broadband Pty Ltd is a private company incorporated and domiciled in Australia. The financial statements are presented in Australian dollars, which is the functional currency of the parent and its subsidiaries and presentation currency of the Group.

The registered office and principal place of business is located at 3 Electra Avenue Morwell VIC 3840.

The principal activity of the Group is a national carrier of telecommunication services in Australia, focused on providing NBN services to its customers.

Note 2. Significant Accounting Policies

2.1 Basis of preparation

The consolidated financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB').

These consolidated financial statements also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements provide comparative information in respect of the previous period. The accounting policies have been applied consistently to all periods presented in the financial statements except for AASB 16 Leases which has been applied using the modified retrospective transition approach available under the standard from 1 July 2019.

2.2 Going concern

The Consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report. The Group recorded a loss for the year of \$12,299,027 (2019: \$4,888,549). The Group has net liabilities of \$20,723,218 and its current liabilities exceed current assets by \$33,426,820 as at 30 June 2020 (30 June 2019: \$15,115,182)

The Directors' opinion that the Group is a going concern is based on a number of considerations including:

- The nature of the current liabilities which include a \$25m convertible note debt and \$1.7m of accrued interest both of which are subject to mandatory provisions under the relevant deeds that require that they will convert to equity upon an anticipated initial public offering (IPO) on the Australian Stock Exchange later in 2020.
- The Group expects to raise additional equity in the IPO sufficient to enable it to fulfil its business strategy through to June 2022.
- In the absence of an IPO, the Group has a proven record in being able to secure funding having raised \$25m in October 2019 and the Directors are confident that it would be able to raise equity, debt or a combination of both in order to satisfy its repayment obligations with respect to its existing debt commitments.
- Further, in the absence of an IPO, the Group has the ability to alter its strategies, plans and operations to operate within the parameters of its available cash resources.

Although there exists uncertainty around the ability of the Group to finalise an IPO, secure additional equity investment and/or refinance its credit lines which may create doubt as to the ability of the Group to continue as a going concern, in the opinion of the Directors there is reasonable expectation that the Group will have adequate resources to continue to operate as a going concern and meet its obligations as they fall due in the foreseeable future.

Notes to the financial statements

For the year ended 30 June 2020

2.3 Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed at Note 4.

2.4 Parent entity information

In accordance with the Corporations Act 2001, these consolidated financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 28.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.6 Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Identification of reportable operating segments

The Group provides National carrier of telecommunication services in Australia focused on providing NBN services. It is organised into two operating segments: Residential and Business.

2.7 Revenue

Revenue from contracts with customers

The Group's primary revenue streams relate to the provision of NBN internet services, together with related hardware, to residential and business customers.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer, with the exception of new development connections, for which the Group considers itself to be an agent.

The Group's primary performance obligations are the supply of internet data services and related hardware. Generally, contracts are a bundle of goods and services including NBN services, related hardware such as modems,

Notes to the financial statements

For the year ended 30 June 2020

mobile broadband and handsets. The Group allocates the transaction price to the distinct goods and services in the bundle based on observable standalone selling prices of these products and services. However, any lease components (with the Group as lessor) are separated and accounted for under the lease accounting standard, AASB 16.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery of those goods at the customer's location.

Rendering of services

Revenue is recognised when control has transferred to the customer. Transfer of control from sale of services occurs based on passage of time (for contracts with fixed monthly fees) or when the services have been consumed (for usage or excess based contracts).

Billing in advance

Where goods or services have been billed in advance and the performance obligations to transfer the goods or services to the customer have not been satisfied, the consideration received will be recognised as revenue received in advance and recognised as a contract liability until such time as those performance obligations are met, and revenue is recognised.

Residential contracts

Residential sales represent sales to residential property owners for NBN services and related hardware. Residential contracts are described as 'no lock-in contracts' whereby the customer can terminate the services at any time. In such a situation, the customer is entitled to a pro-rata refund of the monthly subscription fee paid in advance. For these contracts, the enforceable duration of the contract is short-term (less than 1 month).

Business customer contracts

Business sales represent sales to small, medium, and large enterprises including government for telecommunication services, including NBN, telephony, other internet, and support services. Business contracts are generally described as 'no lock-in contracts' and operate on a similar basis to residential contracts. Some business contracts are based on a fixed monthly charge for each service/hardware provided and range in duration from 12 to 36 months. Penalties to the customer apply in the event of early termination and accordingly the enforceable duration of the contracts coincide with the term stipulated in the contract. Modems, hardware, and telephony systems provided under these contracts are generally considered to represent leases, with the Group as lessor, and are accounted for in accordance with AASB 16.

Costs to obtain a contract (sales commissions)

Sales commissions paid under the long-term contract commission structure are directly attributable to obtaining customer contracts mainly in the business customer segment and are paid or payable throughout the life in relation to the acquired customer. The sales commissions value is determined and payable on a regular basis over the period that customer ultimately remains with the Group. As such, the costs are expensed as incurred.

Management has elected to apply the practical expedient to immediately expense commissions payable or paid on any sales contract which has a term of 12 months or less.

Sales commissions paid under the sales commission scheme are immediately expensed as and when paid. These commissions are based on sales made to residential and business customers who are under a 'no-lock-in' contract and therefore the contract operates on a month-to-month basis.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of equipment provide customers with a right to return the goods within a specified period. The rights of return and volume rebates give rise to variable consideration.

Notes to the financial statements

For the year ended 30 June 2020

Significant financing component

The payment terms in the Group's contracts range from monthly in advance for the goods or services to 30 days. On this basis, it is considered that there is not a significant time difference between payment and performance by the Group (either providing the goods or services). Accordingly, the Group does not believe that the contracts contain a significant financing component.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due).

Interest revenue

Interest revenue is recognised as interest accruing using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

2.8 Income Tax

Income tax expense for the year is the tax payable on that year's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior years, where applicable. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Group's statement of financial position.

Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

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- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.9 Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office ('ATO'). In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

2.10 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

2.11 Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, are considered an integral part of the Group's cash management.

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2.12 Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 14 to 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. A percentage of aged debt revenue is used to determine the expected credit loss provision. This is continually reviewed and adjusted for any market factors. The recent COVID-19 pandemic has not had a material impact on the Group's expected credit loss position.

2.13 Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Plant and equipment

Recognition and measurement

Plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Plant and equipment	3 to 10 years
Motor vehicles	5 years
Office furniture & equipment	3 to 20 years
Lease hold improvements	10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.15 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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Subsequently intangible assets are measured in the following way:

IP Addresses

IPv4 Addresses have an indefinite useful life. The Group determined that this assessment remained appropriate because there is a finite number of these IP Addresses which for the foreseeable future will remain widely used globally. The Group will continue to monitor the useful life of the IP Addresses and make changes to the useful life as appropriate. IP Addresses are subsequently measured at cost less any accumulated impairment loss.

Software

Software is subsequently measured at cost, and amortised over a five-year period, which is the period of their expected benefit.

Hawaiki Submarine Cable set up

Hawaiki Submarine Cable set up is subsequently measured at cost, and amortised over a 36-month period, which is the period of its expected benefit.

2.16 Leases

Accounting policy for leases as of 1 July 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (where relevant). The Group recognises lease liabilities to make lease payments and right-of-use ('ROU') assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is made available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and any lease payments made at or before the commencement date less any lease incentives received. The cost of right-of-use assets also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property 3 to 10 years
- Network equipment 3 to 7 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The ROU assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate ('IBR') at the lease commencement date because the interest rate implicit in the lease is generally considered to not be readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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The Group's lease liabilities are included in the lease liability in the statement of financial position (see Note 14).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low-value (where relevant). Lease payments on short-term leases and leases of low-value assets are recognised as expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Accounting policy for leases up to 30 June 2019

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, a leased asset is depreciated over the useful life of the asset.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising on operating leases is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.17 Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment, or more frequently if 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. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value-in-use.

For all other non-financial assets, the Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such

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transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.18 Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient and are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories financial assets at amortised cost, financial assets at fair value through OCI, and financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate ('EIR') method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, deposits, and cash and cash equivalents.

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Impairment

The Group recognises an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment such as the recent COVID-19 pandemic.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost or at fair value through profit or loss, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings and convertible notes.

Convertible notes

Upon initial recognition, convertible notes are analysed to determine whether they contain liability and/or equity components based on the terms of the contract. On issuance, where a convertible note contains both components, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds would then be allocated to the conversion option that is recognised and included in equity. Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised. Transaction costs are deducted from equity, net of associated income tax. Where the conversion option is classified as equity, the carrying amount of the conversion option is not remeasured in subsequent years.

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Where the equity conversion feature is not considered to represent an equity component, i.e., because it fails the fixed for fixed conversion requirements, it instead would represent an embedded derivative that needs to be separated from the host non-derivative debt contract and measured at fair value initially and subsequently. In such a situation, the face value of the convertible note is separated between the non-derivative debt contract and the embedded derivative. Transactions costs are allocated to the non derivative post contract on initial recognition.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9 *Financial Instruments* ('AASB 9'). Separated embedded derivatives, e.g. those relating to the convertible notes which are not considered to be equity components, are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in profit or loss.

This category generally applies to trade and other payables and borrowings. For more information, refer to Note 17.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.19 Fair value measurement

The Group measures financial instruments, and non-financial assets at fair value at each balance sheet date in accordance with AASB 13 *Fair Value Measurement* ('AASB 13').

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. No transfers between the levels of the fair value hierarchy have occurred during 2020 or 2019.

Management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.20 Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting dates are calculated at undiscounted amounts based on the remuneration rates that the Group expects to pay as at the reporting date, including related on-costs such as workers compensation insurance and payroll tax.

Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than superannuation plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to high quality corporate bonds at the balance sheet date which have maturity dates approximating to the terms of the company's obligations.

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2.22 Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by each entity at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Note 3. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied AASB 16 *Leases* ('AASB 16'). The nature and effect of the changes as a result of adoption of this new accounting standard and interpretation is described below.

Several other amendments apply for the first time from 1 July 2019, but do not have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 16 *Leases*

AASB 16 supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Notes to the financial statements

For the year ended 30 June 2020

The effect of adoption of AASB 16 as at 1 July 2019 is as follows:

	<u>\$'000</u>
Assets	
ROU asset	5,337
Total assets	<u><u>5,337</u></u>
Liabilities	
Lease liabilities	5,337
Total liabilities	<u><u>5,337</u></u>
Total adjustment on equity:	
Retained earnings	-

The Group has lease contracts for various items of property and network equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.16 Leases for the accounting policy prior to 1 July 2019.

Upon adoption of AASB 16, the Group now applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets (where relevant). Refer to Note 2.16 (iii) Leases for the accounting policy beginning on or after 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets (where relevant). For all leases, the ROU assets were recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the relevant IBR at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemption to leases with lease terms that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 July 2019:

- ROU assets of \$5,337,189 were recognised and presented separately in the statement of financial position.
- Lease liabilities of \$5,337,189 were recognised and presented separately in the statement of financial position.

Notes to the financial statements

For the year ended 30 June 2020

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	2020
	\$'000
Operating lease commitments as at 30 June 2019 (undiscounted)	623
Discounted value of operating lease commitments	
Add	
Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	87
New leases recognised in accordance with AASB 16	4,627
Commitments relating to short-term leases	
Lease liabilities as at 1 July 2019	5,337
Weighted average incremental borrowing rate as at 1 July 2019	5.51%

Standards issued but not yet effective

Listed below are the accounting standards and interpretations that are issued but are not yet effective up to the date of issuance of these financial statements which could potentially impact the Group. Based on current assessments completed, these are not expected to have a material impact on the Group in the current or future reporting periods. There are a range of other standards and interpretations that are issued but are not yet effective that will have no impact on the Group and therefore have not been listed below.

Reference & Title	Effective date
Revised Conceptual Framework	Reporting periods beginning on or after 1 July 2020
Amendments to AASB 3: <i>Definition of a Business</i>	Reporting periods beginning on or after 1 January 2020
Amendments to AASB 101 and AASB 108: <i>Definition of Material</i>	Reporting periods beginning on or after 1 January 2020

Note 4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets and liabilities, contingent liabilities, revenues and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The judgements, 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.

In the process of applying the Group's accounting policies, management has made the judgements. Those with the most significant effect on the amounts recognised in the consolidated financial statements have been outlined below. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgements

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Notes to the financial statements

For the year ended 30 June 2020

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Typically the Group included the renewal period as part of the lease term for:

- Property leases with shorter non-cancellable periods (3 – 5 years). The Group historically exercises these renewal options.
- The Group also has several leases of space on towers to which it attaches its broadband communication equipment. Many of these leases are in 'hold-over' whereby the non-cancellable period of the lease has expired however the Group is entitled to continue to lease the tower space on a month-to-month basis. The entity includes the hold-over period as part of the lease and has determined the hold-over periods of these leases to be between 5 – 7 years, based on business plans and forecasts. There will be a significant negative effect if a replacement tower is not readily available and the costs associated with relocating the Group's broadband communication equipment to alternative towers is significant.

The Group does not typically include the renewal period for data network cable leases as the end of each contract provides an opportunity to tender the services and secure better terms.

Refer to Note 14 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Recovery of deferred tax assets

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

Estimates and assumptions

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due. These provision rates are considered representative across all customers of the Group based on recent sales experience, historical collection and forward-looking information that is available.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate which can lead to an increased number of defaults in the telecommunications sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

An additional consideration at the current time is the potential impact of COVID-19 on anticipated credit loss experience. To date the impact has been minimal and no additional allowance has been incorporated. The Group will continue to monitor the experience and update its assumptions as necessary.

Employee benefits

As discussed in Note 16, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in

Notes to the financial statements

For the year ended 30 June 2020

respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessee would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Note 5. Revenue

	2020	2019
	\$'000	\$'000
<i>Disaggregation of revenue</i>		
<i>The disaggregation of revenue from contracts with customers is as follows:</i>		
Rendering of services	179,965	95,118
Sale of goods	10,462	4,464
Other income from customers	66	70
Revenue from contracts with customers	190,493	99,652

Timing of revenue recognition

Services transferred at a point in time	10,870	4,909
Services transferred over time	179,623	94,743
	190,493	99,652

Contract balances

	2020	2019
	\$'000	\$'000
Contract liabilities (Note 20)	10,764	7,098

Performance obligations

Information about the Group's performance obligations are summarised below:

NBN internet data, mobile calls and data, telephony services, Fetch and customer support performance obligations are satisfied over-time and payment is generally due monthly, either in advance or arrears.

Certain contracts with customers contain performance obligations for the delivery of equipment (i.e., modems and hardware). These performance obligations are satisfied upon delivery of the equipment and payment is generally due within 30 days of delivery.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at 30 June 2020 is as follows:

	2020	2019
	\$'000	\$'000
Within one year	11,401	29,884
More than one year	11,105	16,322
	22,506	46,206

Notes to the financial statements
For the year ended 30 June 2020

Note 6. Administration and other expenses

	2020	2019
	\$'000	\$'000
Included in other expenses are:		
Professional expenses	3,014	2,299
Office expenses	2,959	2,376
Other expenses	1,297	112
IPO preparation expenses	374	-
Total	7,644	4,787

Note 7. Income tax benefit

	2020	2019
	\$'000	\$'000
Tax recognised in profit or loss		
<i>Current tax expense</i>		
Current period	(608)	(1,761)
Change in unrecognised tax losses	608	1,761
	-	-
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(1,489)	300
Change in the unrecognised deductible temporary differences	1,489	(300)
	-	-
Total tax expense	-	-
Reconciliation of effective tax rate		
Loss for the period	(12,299)	(4,889)
Tax at the statutory tax rate of 30%	(3,690)	(1,467)
Non-deductible expenses	1,593	6
Change in unrecognised deductible temporary differences	1,489	(300)
Change in unrecognised tax losses	608	1761
	-	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible timing differences	2,085	596
Tax losses	2,740	2,132
	4,825	2,728

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

Notes to the financial statements
For the year ended 30 June 2020

Note 7. Income tax benefit (continued)

Deferred tax balances relate to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Right-of-use asset/liability	24	-	24	-
Intangible asset – software	-	(18)	18	35
Expected credit loss provision	81	36	45	29
Deferred revenue	-	-	-	(665)
Accrued revenue	(49)	(16)	(33)	54
Employee provisions	661	368	293	129
Convertible note and derivative	920	-	920	-
Other deferred tax differences	448	226	222	118
Derecognition of deductible temporary differences	(2,085)	(596)	(1,489)	300
Net deferred tax balance	-	-		
Deferred tax expense/(benefit)			-	-

Note 8. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash on hand	1	3
Cash at bank	21,434	487
Total	21,435	490

Note 9. Trade and other receivables

	2020	2019
	\$'000	\$'000
Trade receivables	11,493	7,493
Allowance for expected credit loss (Note 27)	(269)	(119)
Sundry debtors	165	53
	11,389	7,427

Trade receivables are non-interest bearing and are generally on terms of 30 days.

Set out below is the movement in the allowance for expected credit loss of trade receivables:

	2020	2019
	\$'000	\$'000
As at 1 July	119	24
Allowance for expected credit loss	1,183	585
Write-off	(1,033)	(490)
As at 30 June	269	119

Further details on the ageing of trade receivables and expected credit loss are included in Note 27.

Notes to the financial statements
For the year ended 30 June 2020

Note 10. Inventories

Inventories comprise of routers, IP phones and other data network equipment that are sold to customers in connection with their data and broadband services. Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

	2020	2019
	\$'000	\$'000
Routers	1,660	336
IP Phones	22	16
Other	10	32
	1,692	384

Note 11. Property Plant and Equipment

	2020	2019
	\$'000	\$'000
Leasehold improvements, at cost	446	371
Less: accumulated depreciation	(223)	(191)
	223	180
Plant and equipment, at cost	13,544	16,062
Less: accumulated depreciation	(9,988)	(8,744)
	3,556	7,318
Motor vehicles, at cost	492	563
Less: accumulated depreciation	(365)	(441)
	127	122
Office & Computer equipment, at cost	1,394	711
Less: accumulated depreciation	(566)	(340)
	828	371
Capital WIP	674	-
	674	-
Total property, plant & equipment at net book value	5,408	7,991

Notes to the financial statements
For the year ended 30 June 2020

Note 11. Property Plant and Equipment (continued)

	Lease hold improve't.	Plant & Equipment	Motor Vehicles	Office & Computer Equipment	Capital WIP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	114	1,724	154	211	-	2,203
Additions	89	6,737	-	247	-	7,073
Disposals	-	(42)	-	-	-	(42)
Depreciation expense	(23)	(1,101)	(32)	(87)	-	(1,243)
Carrying amount at 30 June 2019	180	7,318	122	371	-	7,991
	Lease hold improve't.	Plant & Equipment	Motor Vehicles	Office & Computer Equipment	Capital WIP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	180	7,318	122	371	-	7,991
Additions	74	4,948	138	684	674	6,518
Disposals	-	(179)	(59)	-	-	(238)
Depreciation expense	(31)	(2,708)	(74)	(227)	-	(3,040)
Transfer to ROU		(5,823)				(5,823)
Carrying amount at 30 June 2020	223	3,556	127	828	674	5,408

Notes to the financial statements
For the year ended 30 June 2020

Note 12. Intangibles

	2020	2019
	\$'000	\$'000
Software, at cost	4,484	3,939
Less: accumulated depreciation	(3,299)	(2,880)
	<u>1,185</u>	<u>1,059</u>
IP Addresses	<u>1,273</u>	<u>343</u>
	<u>1,273</u>	<u>343</u>
Hawaiki submarine cable, at cost	-	16
Less: accumulated depreciation	-	(1)
	<u>-</u>	<u>15</u>
Total intangible assets at net book value	<u>2,458</u>	<u>1,417</u>

Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current and previous financial year are set out below.

	Software	IP	HWK	Total
	\$'000	Addresses	Submarine	\$'000
	\$'000	\$'000	Cable set	\$'000
	\$'000	\$'000	up	\$'000
Carrying amount at 1 July 2018	763	343	-	1,106
Additions	708	-	16	724
Amortisation expense	(412)	-	(1)	(413)
Carrying amount at 30 June 2019	1,059	343	15	1,417
Carrying amount at 1 July 2019	1,059	343	15	1,417
Additions	606	930	-	1,536
Write down	(44)	-	(10)	(54)
Amortisation expense	(436)	-	(5)	(441)
Carrying amount at 30 June 2020	<u>1,185</u>	<u>1,273</u>	<u>-</u>	<u>2,458</u>

The amortisation expenses are recognised in profit or loss in 'depreciation and amortisation'.

IP Addresses with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Recent purchases confirm that the fair value of the asset is greater than its carrying value therefore did not trigger an impairment.

Notes to the financial statements
For the year ended 30 June 2020

Note 13. Financial assets

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Current		
Deposits	1,947	1,900
Total	<u>1,947</u>	<u>1,900</u>
Non-current		
Security deposits	15	15
Other deposits	213	157
Total	<u>228</u>	<u>172</u>

The group held security deposits for rental bonds and transactional security deposits with various financial institutions.

Note 14. Leases

Group as a lessee

The Group has lease contracts for various offices, long-range data connections and specific equipment in connection with services provided to the Group by various data centres. Lease agreements are typically for fixed periods of three to five years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Set out below are the carrying amounts of ROU assets recognised and the movements during the period:

	<u>Property</u>	<u>Network equipment</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
As at 1 July 2019	711	4,626	5,337
Additions ¹	-	8,326	8,326
Modification	744	-	744
Depreciation expense	(284)	(1,738)	(2,022)
As at 30 June 2020	1,171	11,214	12,385

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<u>Property</u>	<u>Network equipment</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
As at 1 July 2019	711	4,626	5,337
Additions ²	-	7,407	7,407
Modification	744	-	744
Accretion of interest	24	245	269
Payments	(324)	(1,883)	(2,207)
As at 30 June 2020	1,155	10,395	11,550

Current	4,009
Non-current	7,541

¹ This includes an amount of \$5,823,258 transferred from Plant & Equipment relating to assets acquired under a Finance lease prior to the adoption of AASB 16

² This includes an amount of \$ 4,907,152 transferred from borrowing costs relating to assets acquired under a Finance lease prior to the adoption of AASB 16

Notes to the financial statements

For the year ended 30 June 2020

Note 14. Leases (continued)

The maturity analysis of lease liabilities is disclosed at Note 27.

The following are amounts recognised in profit or loss:

	2020
	\$'000
Depreciation expense of ROU assets	2,022
Interest expense on lease liabilities	269
Total amount recognised in profit or loss	2,291

The Group had cash outflows for ROU leases of \$2,207,670 which includes interest of \$268,539. The Group also had cash outflows of \$2,283,482 which includes interest of \$323,903 relating to the assets transferred from Plant & Equipment during the year.

The Group has lease contracts for property that contain variable payments based on the outcome of market rent reviews and the Consumer Price Index ('CPI'). The potential future cash outflows relating to changes in these variable payments are not reflected in the measurement of lease liabilities until those indexes or rates change in the future and affect cash outflows.

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 25.

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

The Group has determined that, with the exception of data network cable leases, it is reasonably certain of exercising all extension options in its current lease agreements. The potential future rental payments relating to periods following the exercise date of extension options have therefore been included in the measurement of lease liabilities.

Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see Note 4 for a discussion of significant judgements, estimates and assumptions).

Note 15. Trade and other payables

	2020	2019
	\$'000	\$'000
Trade creditors	11,175	8,305
Accrued charges	2,972	1,827
Other creditors	1,968	214
Total	16,115	10,346

No interest is payable on trade creditors and standard payment terms are 30 days.

Note 16. Employee benefits

	2020	2019
	\$'000	\$'000
Current		
Annual leave	1,535	829
Long service leave	435	258
Total	1,970	1,087
Non-current		
Long service leave	234	139
Total	234	139

Notes to the financial statements

For the year ended 30 June 2020

Note 17. Borrowings

	2020	2019
	\$'000	\$'000
Current		
Hire purchase liabilities	-	1,513
Other debts - Longreach	5,500	5,500
Convertible notes	21,738	-
Total	27,238	7,013
Non-current		
Hire purchase liabilities	-	2,750
Total	-	2,750

Hire purchase liabilities have been transferred to Lease Liabilities (see note 14) as a result of the adoption of AASB16.

Secured term bilateral facility agreement

The Group entered into a secured term bilateral facility agreement with Longreach Credit Investment Pty Ltd and AMAL Trustees Pty Ltd as trustee for the Longreach Direct Lending Fund in December 2018.

The facility amount of the loan is \$5,500,000 and matures in February 2021.

The rate of interest is 12% per annum and is paid in arrears on the last day of each calendar month and on the maturity date.

Convertible notes

In October 2019, the Group issued convertible notes to investors and raised \$25,000,000. Each note has a face value of \$100 and has a maturity date and an automatic redemption date of 18 months from the issue date – being April 2021, if the notes are not converted prior to this date. The convertible notes automatically convert to ordinary equity at IPO or upon a change of control (Trade or Share sale) event. The conversion price is the lesser of:

- (a) The price per share that shares are issued to investors under the IPO, or the price per share determined to be the value of the Shares under the particular transaction at time of a Share sale or Trade sale, less:
 - (i) If the Conversion Event occurs on or prior to the first anniversary of the Issue Date, a discount of 20% and;
 - (ii) If the Conversion Event occurs after the first anniversary of the Issue Date, a discount of 25%.
- (b) The price per security in the Company determined using the aggregate value of all the securities in the Company on a pre-money, fully diluted basis (for the avoidance of doubt, taking into account the discount on the Conversion Price that would apply under paragraph (a) and any Coupon to be converted) as at the Conversion Date but up to a maximum valuation cap of \$90,000,000.

The Coupon is calculated on each note at 10% per annum from the issue date up to and including the conversion date if converted or the redemption date if the convertible notes are redeemed. The Coupon is capitalised and will not be paid to the Noteholder during the term that the Notes are on issue. The Coupon calculated and payable does not compound and is calculated on the basis of a 365-day year. The Coupon converts to ordinary equity at IPO or is paid as a component of the redemption amount as the case may be.

Notes to the financial statements
For the year ended 30 June 2020

Note 17. Borrowings (continued)

Reconciliation of convertible note	2020
	\$ '000
Opening balance	25,000
Transaction costs	(1,564)
Net proceeds	23,436
Amount classified as derivative option	(7,406)
Accreted interest	5,708
Carrying amount of liability as at 30 June 2020	21,738

The Group did not have any undrawn facilities as at 30 June 2020 or 2019.

Reconciliation of changes in liabilities arising from financing activities:

	30 June 2019	Changes from financing cash flows	Changes from adoption of AASB 16	Accreted interest	Change in fair value	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	9,763	-	(4,263)	-	-	5,500
Convertible notes	-	16,030	-	5,708	-	21,738
Derivative	-	7,406	-	-	2,978	10,384
Lease liabilities	-	-	11,550	-	-	11,550
Total liabilities from financing activities	9,763	23,436	7,287	5,708	2,978	49,172

Note 18. Reconciliation of loss after income tax to net cash from operating activities

	2020	2019
	\$'000	\$'000
Profit or (loss) after income tax (expense) / benefit for the year	(12,299)	(4,889)
Adjustments for:		
Depreciation and amortisation	5,503	1,656
Net loss on disposal of property, plant and equipment	203	40
Change in operating assets and liabilities:		
Increase in trade and other receivables	(3,961)	(4,696)
Decrease / (increase) in inventories	(1,308)	(161)
Increase in prepayments	(341)	52
Increase in trade and other payables	5,769	5,403
Increase in interest payable	5,708	
Increase in employee benefits	978	394
Increase in contract liabilities	3,667	3,141
Increase in fair value of derivative	2,978	-
Net cash from operating activities	6,897	940

Notes to the financial statements

For the year ended 30 June 2020

Note 19. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

Classification of financial assets and financial liabilities

Set out below is the classification of financial assets and liabilities according to their measurement bases together their carrying amounts as reported on the balance sheet:

		2020			2019		
	Note	At amortised cost \$'000	At fair value \$'000	Total \$'000	At amortised cost \$'000	At fair value \$'000	Total \$'000
Financial assets							
Cash and cash equivalents	8	21,435	-	21,435	490	-	490
Trade & other receivables	9	11,389	-	11,389	7,427	-	7,427
Financial Assets	13	2,175	-	2,175	2,072	-	2,072
Total		34,999	-	34,999	9,989	-	9,989
Financial liabilities							
Trade & other payables	15	16,115	-	16,115	10,346	-	10,346
Borrowings	17	5,500	-	5,500	5,500	-	5,500
Convertible note	17	21,738	-	21,738	-	-	-
Derivative		-	10,384	10,384	-	-	-
Lease liabilities	3, 14	11,550	-	11,550	623	-	623
Total		54,903	10,384	65,287	16,469	-	16,469

Fair value hierarchy – financial assets and liabilities measured at fair value

Set out below is the assets and liabilities carried at fair value:

	Fair value hierarchy level	2020 \$'000	2019 \$'000
Financial assets		-	-
Financial liabilities		-	-
Derivative	3	10,384	-
Total		10,384	-

The derivative option is considered a level 3 financial instrument as its value is derived based on significant unobservable inputs for which there is no active market or prices cannot be observed. The group values the embedded derivative using the Monte Carlo valuation technique. The significant unobservable inputs used in the valuation include volatility, probability of conversion, floor on the conversion assumption and equity value of the company.

The valuation is sensitive to reasonably possible changes in the equity value of the company input. Keeping all other inputs constant, a relative increase of 10% would result in an increase in the fair value of \$1,407,457.

Reconciliation of embedded derivative

	2020 \$'000
Opening balance	-
Fair value on initial recognition	7,406
Fair value movements	2,978
Balance at period end	10,384

Notes to the financial statements

For the year ended 30 June 2020

Note 19. Fair values (continued)

Fair value hierarchy – financial assets and liabilities not measured at fair value

The Group has determined that the carrying values of financial instruments carried at amortised cost approximate fair value.

Note 20. Contract liabilities

	2020	2019
	\$'000	\$'000
Customer prepayments	10,764	7,098
Total contract liabilities	10,764	7,098

All contract liabilities are current.

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	2020	2019
	\$'000	\$'000
Opening balance	7,098	3,957
Payments received in advance (excluding GST)	179,623	97,884
Transfer to revenue	(175,957)	(94,743)
Closing balance	10,764	7,098

Note 21. Issued capital

	2020	2019
	\$'000	\$'000
Ordinary shares, fully paid	10,632	10,632

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

The shares do not have a par value.

Note 22. Accumulated losses

	2020	2019
	\$'000	\$'000
Accumulated losses at beginning of financial year	19,056	14,047
Loss after income tax benefit	12,299	4,889
Dividend paid	-	120
Accumulated losses at end of financial year	31,355	19,056

Notes to the financial statements

For the year ended 30 June 2020

Note 23. Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest, amortisation of transaction costs and the fair value movements on the embedded derivative in relation to the convertible notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2020	2019
Loss for the year (\$)	(12,299,627)	(4,888,549)
Number of shares	10,650	10,650
Basic loss per share (\$)	(1,155)	(459)

At 30 June 2020, the convertible notes were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive. There are no other dilutive instruments held by the Group as at 30 June 2020.

Note 24. Dividends

No dividends were paid in the current year.

Dividends paid by the company in the previous financial year:

	Per Share	Total Amount	Date of Payment 31 October 2018	Franked Tax Rate	% Franked
Interim Dividend - ordinary	\$11.27	\$120,026		30%	100%
				2020	2019
				\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%				454,993	454,993
Total				454,993	454,993

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (i) Franking credits/(debits) that may arise from the payment of the current year tax liability or receipt of a tax refund.
- (ii) Franking debits that may arise from the payment of any dividends recognised as a liability at balance date.
- (iii) Franking credits that may be prevented from being distributed in subsequent financial years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends or the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend.

Notes to the financial statements

For the year ended 30 June 2020

Note 25. Commitments

The Group has one lease contract that has not yet commenced as at 30 June 2020. The future lease payments for this non-cancellable lease contract is \$56,000 within one year, \$306,231 within the next five years and \$355,006 thereafter.

Capital expenditure contracted for at the end of each financial year but not recognised as liabilities is as follows:

	2020	2019
	\$'000	\$'000
Property, plant and equipment	5,392	-
Total committed spend	5,392	-

Capital commitments relate to contractual commitments associated with upgrades to network infrastructure and the development of the fibre optic network.

Note 26. Capital Management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Note 27. Financial risk management

Financial risk management objectives

The Group's activities expose it to three financial risks: credit, market and liquidity risk.

Risk management is carried out by senior executives under supervision of the Board of Directors ('the Board'). The executives are responsible for the identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Executives report to the Board on a regular basis.

The Group's principal financial liabilities comprise of borrowings including a convertible loan, a secured term bilateral facility, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

Market risk – interest rates

The Group's main interest rate risk arises from borrowings. Borrowing obtained at fixed rates expose the Group to fair value interest rate risk. Refer to Note 17 for details of borrowings.

Interest rate sensitivity

	Increase/ (decrease) in basis points	\$'000
2020	100 (100)	104 (104)
2019	100 (100)	- -

Notes to the financial statements

For the year ended 30 June 2020

Note 27. Financial risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group manages its credit risk by obtaining, where possible, direct debit arrangements with its customers upon signing contracts for services. When in-arrears payment arrangements are made, typically with larger corporate accounts, these customers are assessed for their credit worthiness by obtaining credit rating agency information, confirming references and setting appropriate credit limits. For 2020, there was no particular concentration of credit risk in any single customer (2019: \$1,274,806.50 NBN Co Ltd).

The Group has adopted a lifetime expected credit loss approach in estimating expected credit losses in relation to trade receivables through the use of a provision matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection and forward-looking information that is available (factors specific to debtors and the economic environment such as the recent COVID-19 pandemic).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

30 June 2020

	Trade receivables				Total
	< 30 days	30 – 60 days	61 – 90 days	>91 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Estimated total gross carrying amount at default	10,899	324	145	125	11,493
Expected credit loss	123	68	48	30	269

30 June 2019

	Trade receivables				Total
	< 30 days	30 – 60 days	61 – 90 days	>91 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Estimated total gross carrying amount at default	6,866	180	81	366	7,493
Expected credit loss	52	30	19	18	119

Notes to the financial statements

For the year ended 30 June 2020

Note 27. Financial risk management (continued)

Liquidity risk

The Group monitors its risk of a shortage of cash. Vigilant liquidity risk management is required by the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

30 June 2020

	<12 months	1-5 years	Total
Trade payables	16,115	-	16,115
Borrowings ³	27,238	-	27,238
Lease liabilities	4,009	7,541	11,550

30 June 2019

	<12 months	1-5 years	Total
Trade payables	10,346		10,346
Borrowings	7,013	2,750	9,763
Lease liabilities	296	327	623

Fair value of financial instruments

Refer Note 19 for details of fair value.

³ Borrowings include \$25,000,000 convertible note intended to convert to equity at the IPO

Notes to the financial statements

For the year ended 30 June 2020

Note 28. Parent entity information

During the year, the Group owned 100% interests and voting rights in subsidiaries in the following controlled entities:

- Westvic Broadband Pty Ltd (Australia)
- Wideband Networks Pty Ltd (Australia)

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

Statement of profit or loss and other comprehensive income:

	2020 \$'000	2019 \$'000
Revenue	190,493	99,652
Network and hardware expenses	(145,707)	(81,764)
Employee expenses	(22,869)	(11,644)
Marketing expenses	(11,215)	(3,830)
Other expenses	(7,643)	(4,786)
Depreciation and amortisation	(5,503)	(1,656)
Interest expense	(6,986)	(867)
Interest Income	102	7
Change in fair value of embedded derivative option	(2,978)	-
Loss before income tax	(12,306)	(4,888)
Income tax benefit	-	-
Loss after income tax	(12,306)	(4,888)

Notes to the financial statements
For the year ended 30 June 2020

Note 28. Parent entity information (continued)

Statement of financial position:

	2020	2019
	\$'000	\$'000
Current assets		
Cash and cash equivalents	21,410	466
Trade and other receivables	11,389	7,427
Inventories	1,692	384
Deposits	1,947	1,900
Prepayments	590	228
Total current assets	37,028	10,405
Non-current assets		
Plant & Equipment	5,397	7,980
Right of Use	12,385	-
Intangibles	2,458	1,417
Deferred tax asset	-	-
Deposits	85	37
Investment in Subsidiary	1	1
Total non-current assets	20,326	9,435
Total assets	57,354	19,840
Current Liabilities		
Trade and other payables	15,581	9,813
Revenue in advance	10,760	7,094
Borrowings	27,238	7,013
Derivative	10,384	-
Lease Liabilities	4,009	-
Employee benefits	1,970	1,088
Total current liabilities	69,942	25,008
Non-current liabilities		
Borrowings	-	2,750
Lease Liabilities	7,541	-
Employee benefits	234	139
Total non-current liabilities	7,775	2,889
Total liabilities	77,717	27,897
Net assets	(20,363)	(8,057)
Equity		
Issued capital	10,632	10,632
Accumulated losses	(30,995)	(18,689)
Deficiency in equity	(20,363)	(8,057)

Notes to the financial statements

For the year ended 30 June 2020

Note 28. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries:

There are no guarantees between the parent entity and its subsidiaries. There is no deed of cross guarantee.

Capital commitments – Property, plant and equipment

The parent has one lease contract that has not yet commenced as at 30 June 2020. The future lease payments for this non-cancellable lease contract is \$56,000 within one year, \$306,231 within the next five years and \$355,006 thereafter.

Capital expenditure contracted for at the end of each financial year but not recognised as liabilities is as follows:

	2020	2019
	\$'000	\$'000
Property, plant and equipment	5,392	-
Total committed spend	5,392	-

Capital commitments relate to contractual commitments associated with upgrades to network infrastructure and the development of the fibre optic network.

Note 29. Key management personnel

Directors loans and interests

The Group did not extend any loans to, nor were there any transactions with, key management personnel.

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below.

Compensation of key management personnel of the Group

Key management personnel ('KMP') refer to those who have authority and responsibility for planning, directing and controlling the activities of the Group. KMP are deemed to include the following:

- The non-executive Directors of the Group
- The executive Directors of the Group being the Managing Director and the Chief Technology Officer
- The Chief Financial Officer

	2020	2019
	\$	\$
Short-term employee benefits	615,926	346,130
Post-employment benefits	53,809	32,907
Total compensation paid to key management personnel	669,735	379,037

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Notes to the financial statements

For the year ended 30 June 2020

Note 30. Related party transactions

Transactions with related parties

Details of the composition of key management personnel and their remuneration are include in note 29. During the year, related parties of key management personnel were employed on arm's length terms by the Group and were paid gross wages of \$8,320 (2019: \$8,320) plus 9.5% superannuation.

Receivable from and payable to related parties

There were no trade receivables from, or trade payables to, related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to, or from, related parties at the current and previous reporting date.

Note 31. Segment information

For management purposes, the Group is organised into business units based on the types of customers it provides services to and has identified two reportable segments:

- The "Residential" segment, which provides telecommunications services focusing on providing NBN services to residential users.
- The "Business" segment, which provides telecommunications services focusing on providing NBN services to business users.

No operating segments have been aggregated to form the above reportable operating segments.

The Managing Director is identified as the Chief Operating Decision Maker ('CODM') and they monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

There are no transfers between operating segments and Other represents income and expenses that are not allocated specifically to segments.

Year ended 30 June 2020	Residential \$'000	Business \$'000	Other \$'000	Total \$'000
Revenue	165,760	24,733		190,493
Network and hardware expenses	(129,955)	(15,745)		(145,700)
Employee expenses	(19,313)	(3,556)		(22,869)
Marketing expenses	(10,068)	(1,148)		(11,216)
Other expenses	(6,332)	(673)	(639)	(7,644)
Total expenses	(165,668)	(21,122)	(639)	(187,429)
				-
Earnings before interest, tax, depreciation and amortisation (EBITDA)	92	3,611	(639)	3,064
Depreciation and amortisation			(5,503)	(5,503)
Interest expense			(6,984)	(6,984)
Interest income and other income			102	102
Change in fair value of embedded derivative			(2,978)	(2,978)
Profit/(Loss) before income tax	92	3,611	(16,002)	(12,299)
Income tax benefit			-	-
Profit/(Loss) after income tax	92	3,611	(16,002)	(12,299)

Notes to the financial statements
For the year ended 30 June 2020

Note 31. Segment information (continued)

Year ended 30 June 2019	Residential \$'000	Business \$'000	Other \$'000	Total \$'000
Revenue	83,332	16,320		99,652
Network and hardware expenses	(72,165)	(9,599)		(81,764)
Employee expenses	(9,474)	(2,170)		(11,644)
Marketing expenses	(3,437)	(393)		(3,830)
Other expenses	(4,321)	(466)		(4,787)
Total expenses	(89,397)	(12,628)		(102,025)
				-
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(6,065)	3,692		(2,373)
				-
Depreciation and amortisation			(1,656)	(1,656)
Depreciation - right of use			-	-
Interest expense			(867)	(867)
Interest income			7	7
Profit/(Loss) before income tax	(6,065)	3,692	(2,516)	(4,889)
Income tax benefit				-
Profit/(Loss) after income tax	(6,065)	3,692	(2,516)	(4,889)

Note 32. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by the auditor of the Group:

	2020 \$	2019 \$
Audit services		
William Buck Audit (Vic) Pty Ltd - Audit of financial statements	53,994	57,000
KPMG - Audit of financial statements	238,050	-
Other services		
William Buck Audit (Vic) Pty Ltd - Taxation and financial reporting	170,709	96,246
KPMG - Financial advisory	269,025	-
Total	731,778	153,246

Notes to the financial statements

For the year ended 30 June 2020

Note 33. Events occurring after reporting date

At a general meeting on 22 July 2020, shareholders passed special resolutions to, inter alia:

- Change the company type of the company from a proprietary company limited by shares to a public company limited by shares;
- Change the company name from Aussie Broadband Pty Ltd to Aussie Broadband Limited effective from the date on which the company changes its type to a public company limited by shares; and
- Repeal its constitution and replace it with a new constitution effective from the date on which the company changes its type to a public company limited by shares

These changes were made in contemplation of a listing on the Australian Stock Exchange later in the year and the effective date is dependent on completion of ASIC notification processes.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Aussie Broadband Pty Ltd
Directors' Declaration
30 June 2020

In accordance with a resolution of the Directors of Aussie Broadband Pty Ltd, the Directors declare that:

- (a) in the Directors' opinion the Financial Statements and notes are in accordance with the Australian Corporations Act 2001, including:
 - (i) complying with the applicable Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as at 30 June 2020 and of their performance for the year ended 30 June 2020;
- (b) the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- (c) the financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- (d) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Adrian Fitzpatrick
Chairman



Phillip Britt
Managing Director

20 August 2020

Independent Auditor's Report

To the shareholders of Aussie Broadband Pty Ltd

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Aussie Broadband Pty Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Other Information

Other Information is financial and non-financial information in Aussie Broadband Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit 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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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/ar4.pdf. This description forms part of our Auditor's Report.



KPMG

KPMG

S Bell

Suzanne Bell
Partner
Melbourne
20 August 2020