Aussie Broadband Pty Ltd

ABN 29 132 090 192

Annual Report - 30 June 2019 (restated)

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Aussie Broadband Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

This is a restatement of the report signed on 11 October 2019 and an explanation of the impact of the restatement is set out at Note 23 to the financial statements.

Board of Directors

The following persons were directors of Aussie Broadband Pty Ltd during the year ended 30 June 2019 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 with 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's qualifications include BE (Chemical, Monash), MBA (AGSM NSW) and MAICD. 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.

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 has served on the Aussie Broadband Board since 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.

Kerry Clapham – Non-Executive Director (resigned 8 March 2019)

Kerry's experience spans over 30 years in the information and communication technology industry, including co-founder of Westvic Broadband. He is passionate about people, business, technology and bridging the three elements to deliver efficient solutions.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Attended	Held
Phillip Britt	9	9
John Reisinger	8	9
Ian Watson	9	9
Patrick Greene	9	9
James (Kerry) Clapman	6	6

Company Secretary

Brian Maher – Company Secretary (appointed 29 November 2019)

The Company Secretary is Brian Maher. 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 consolidated entity is a national carrier of telecommunication services in Australia focused on providing NBN services to residential, business and government markets.

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

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2019 $	Consolidated 2018 $
Interim dividend: 31 October 2018 of $11.27 per ordinary share (2018: nil)	120,026	-

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $4,888,549 (30 June 2018: $1,080,745).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Convertible Notes
An offer for investing in convertible notes went out to selected investor groups during September 2019. The offer was oversubscribed and raised $25 million dollars. The convertible notes automatically convert to ordinary equity at IPO or change of control event, at the lesser of:

- The price per security that represents a 20% discount to IPO price up to 12 months from issuance or a 25% discount to IPO price thereafter; and
- The price per security determined on a pre-money, fully diluted valuation as at the Conversion date but up to a maximum valuation of $90m.

The Maturity date is 18 months from issuance. The coupon is calculated at 10% per annum from the issue date up to and including the conversion date if converted or the redemption date if redeemed. The Coupon converts to ordinary equity at IPO or is paid as a component of the redemption amount as the case may be.

Change of Company Type
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.

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 consolidated entity 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 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 consolidated entity 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 consolidated entity 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 consolidated entity's credit risk or going concern opinion assessment.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity 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 as described in the subsequent events.

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 2019 and up to the date of this report.

Indemnity and insurance of officer or auditor
No indemnities have been given during or until 30 June 2020, for any person who is or has been an officer or auditor of the company. From 1 July 2020 the Company 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 years ended 30 June 2019 and 30 June, the Group paid premiums of $13,372 and $26,519 respectively (2018: $nil) 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.

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.

Aussie Broadband Pty Ltd
Directors' report
30 June 2019

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

Phillip Britt
Director

14 August 2020

William Buck

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 during the year ended 30 June 2019 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director

Dated this 14th day of August 2020

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General information

The financial statements cover Aussie Broadband Pty Ltd as a consolidated entity 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	**Principal place of business**
3 Electra Avenue Morwell VIC 3840	3 Electra Avenue Morwell VIC 3840

A description of the nature of the consolidated entity'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. The directors have the power to amend and reissue the financial statements.

Aussie Broadband Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 (restated) $	Consolidated 2018 (restated) $
Revenue	4	99,652,197	49,265,940
Network and hardware expenses		(81,764,358)	(38,475,006)
Employee expenses		(11,643,738)	(7,182,241)
Marketing expenses		(3,830,233)	(1,340,644)
Other expenses		(4,786,401)	(2,423,805)
Earnings before interest, tax and depreciation and amortisation		**(2,372,533)**	**(155,756)**
Depreciation and amortisation		(1,656,274)	(900,885)
Interest and other finance expenses		(866,482)	(26,433)
Interest and other income		6,740	2,329
Loss before income tax		**(4,888,549)**	**(1,080,745)**
Income tax benefit	5	-	-
Loss after income tax being total comprehensive income for the year		**(4,888,549)**	**(1,080,745)**

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

Aussie Broadband Pty Ltd
Statement of financial position
As at 30 June 2019

		Consolidated	
	Note	2019 (restated) $	2018 (restated) $
Assets			
Current assets			
Cash and cash equivalents		490,236	386,446
Trade and other receivables	6	7,427,204	2,708,113
Inventories		384,118	223,248
Deposits		1,900,000	-
Prepayments		227,674	308,327
Total current assets		10,429,232	3,626,134
Non-current assets			
Plant and equipment	7	7,990,894	2,203,218
Intangibles	8	1,417,098	1,106,156
Financial assets	9	171,791	166,250
Total non-current assets		9,579,783	3,475,624
Total assets		20,009,015	7,101,758
Liabilities			
Current liabilities			
Trade and other payables		10,346,183	4,943,313
Revenue received in advance	10	7,098,001	3,957,232
Borrowings	11	7,012,664	703,299
Employee benefits		1,087,566	772,731
Total current liabilities		25,544,414	10,376,575
Non-current liabilities			
Borrowings	12	2,749,999	81,084
Employee benefits		138,793	59,715
Total non-current liabilities		2,888,792	140,799
Total liabilities		28,433,206	10,517,374
Net liabilities		(8,424,191)	(3,415,616)
Equity			
Issued capital	13	10,632,000	10,632,000
Accumulated losses		(19,056,191)	(14,047,616)
Total deficiency in equity		(8,424,191)	(3,415,616)

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

Aussie Broadband Pty Ltd
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2017 (restated)	10,632,000	(12,966,871)	(2,334,871)
Loss after income tax expense for the year	-	(1,080,745)	(1,080,745)
Total comprehensive income for the year	-	(1,080,745)	(1,080,745)
Balance at 30 June 2018 (restated)	10,632,000	(14,047,616)	(3,415,616)

Consolidated	Issued capital $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2018 (restated)	10,632,000	(14,047,616)	(3,415,616)
Loss after income tax benefit for the year	-	(4,888,549)	(4,888,549)
Total comprehensive income for the year	-	(4,888,549)	(4,888,549)
Transactions with owners in their capacity as owners:			
Dividends paid	-	(120,026)	(120,026)
Balance at 30 June 2019 (restated)	10,632,000	(19,056,191)	(8,424,191)

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

Aussie Broadband Pty Ltd
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 (restated) $	2018 (restated) $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		103,045,972	52,676,533
Payments to suppliers & employees (inclusive of GST)		(101,240,297)	(51,026,063)
		1,805,675	1,650,470
Interest received		308	2,297
Interest and other finance costs paid		(866,483)	(26,434)
Net cash from operating activities	22	939,500	1,626,333
Cash flows from investing activities			
Payments for property, plant and equipment		(2,181,221)	(434,123)
Payments for intangibles	8	(724,300)	(643,045)
Proceeds from disposal of property, plant and equipment		4,000	-
Net cash used in investing activities		(2,901,521)	(1,077,168)
Cash flows from financing activities			
Hire purchase repayments		(1,064,163)	(231,840)
Repayment of borrowings		(350,000)	(94,187)
Drawdown of debt facility		5,500,000	-
Payment to NAB - Transactional security deposit		(1,900,000)	-
Proceeds from the issue of share capital		-	12,400
Dividends paid		(120,026)	-
Net cash from/(used in) financing activities		2,065,811	(313,627)
Net increase in cash and cash equivalents		103,790	235,538
Cash and cash equivalents at the beginning of the financial year		386,446	150,908
Cash and cash equivalents at the end of the financial year		490,236	386,446

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

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

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018 using the cumulative effect method with changes reflected in the current period only, comparative figures have not been restated. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 1. Significant accounting policies (continued)

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 consolidated entity recorded a loss for the year of $4,888,549 (2018: $1,080,745). The consolidated entity has net liabilities of $8,424,191 and its current liabilities exceed current assets by $15,115,182 as at 30 June 2019 (30 June 2018: $6,750,441)

The directors' opinion that the consolidated entity is a going concern is based on a number of considerations including:

- The securing of $25m of funding by way of convertible notes debt 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 consolidated entity 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 consolidated entity has a proven record in being able to secure funding having raised the funding above and the directors are confident that it would be able to raise equity, debt or a combination of both in order to satisfy it repayment obligations with respect to its existing debt commitments.

- The ability of the consolidated entity to alter its business operations and plans to mitigate future cash flow requirements.

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

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 20.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Aussie Broadband Pty Ltd ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Aussie Broadband Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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 Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity expectes to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

Where incentives to existing customers (such as “refer a friend” or free periods in exchange for extended advance payments) or promotions to new customers (such as price discounts for a fixed period), revenue is recognised net of these variable consideration arrangements and recognised consistent with the recognition of the related transaction price. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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.

Rendering of services
Revenue from a contract to provide services is recognised over the passage of time as the services are rendered.

Interest
Interest revenue is recognised as interest accrues 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.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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 consolidated entity'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 settled in the consolidated entity'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.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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.

Note 1. Significant accounting policies (continued)

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

Customer routers
The majority of residential customers either use their own existing modem/router or purchase one from the consolidated entity on commencement of the contract. Some new customers are provided with a free router by the consolidated entity by way of a promotion. The original financial statements adopted a policy of capitalising the cost of these routers and amortising the cost through cost of sales over a 24 month period. In these restated financial statements this treatment has been amended to expense the cost of the free router upon issuance to the customer. This treatment more accurately reflects the nature of the contractual obligations whereby the provision of the router is a separate obligation from the provision of internet services in accordance with AASB15. The obligations are complete for this element once the customer has paid their first month's invoice. The impact of this amendment was an increase in cost of sales of $1,463,863.

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-20 years
Motor Vehicles	4-5 years
Office furniture & equipment	2-10 years
Leasehold improvements	3-40 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets
Intangible assets are initially recognized at cost, being the date of their acquisition. Subsequently intangible assets are measured in the following way:

IP Addresses
IP Addresses are subsequently measured at cost and tested annually for impairment.

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

Impairment of non-financial assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

Revenue received in advance liabilities
Revenue received in advance liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 tax authority. 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 other receivables or 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 tax authority, 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.

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. The pre-tax expected impact from the adoption of this standard using the modified retrospective approach is the recognition of a right of use asset and corresponding lease liability of $4.44 million.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various 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. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The consolidated entity 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.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom. Further information is set out in Note 5.

Employee benefits provision
As discussed in note 1, 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 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.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment: National carrier of telecommunication services in Australia focused on providing NBN services to residential, business and government

Note 4. Revenue

	Consolidated 2019 (restated) $	Consolidated 2018 (restated) $
Revenue from contracts with customers		
Rendering of services	95,118,162	46,052,757
Sale of goods	4,464,055	3,190,580
Other income from customers	69,980	22,603
	99,652,197	49,265,940

	Consolidated 2019 (restated) $	Consolidated 2018 (restated) $
Timing of revenue recognition		
Services transferred over time	94,742,766	45,690,220
Services transferred at a point in time	4,909,431	3,575,720
	99,652,197	49,265,940

Note 5. Income tax benefit

	Consolidated 2019 (restated) $	2018 (restated) $
Tax recognised in profit or loss		
Current tax benefit		
Current period	(1,761,201)	198,568
Utilisation of prior period unrecognised losses	-	(198,568)
Change in unrecognised tax losses	1,761,201	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	300,179	(522,768)
Change in the unrecognised deductible temporary differences	(300,179)	522,768
	-	-
Total tax benefit	-	-

	2019	2018
Reconciliation of effective tax rate		
Loss for the period	(4,888,549)	(1,080,745)
Tax at the statutory tax rate of 30%	(1,466,565)	(324,224)
Non-deductible expenses	5,543	24
Change in unrecognised deductible temporary differences	(300,179)	522,768
Utilisation of prior period unrecognised losses	-	(198,568)
Change in unrecognised tax losses	1,761,201	-
	-	-

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	2019	2018
Deductible timing differences	596,133	896,312
Tax losses	2,131,806	370,605
	2,727,939	1,266,917

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.

Note 6. Current assets - Trade and other receivables

	Consolidated 2019 (restated) $	Consolidated 2018 (restated) $
Trade receivables	7,493,169	2,496,837
Allowance for expected credit loss	(118,600)	(23,668)
Sundry debtors	52,635	234,944
	7,427,204	2,708,113

As at 30 June 2019 there were no materially significant amounts due from customers that were not impaired (2018: nil).

Note 7. Non-current assets - Plant and equipment

	Consolidated 2019 (restated) $	Consolidated 2018 (restated) $
Leasehold improvements - at cost	370,848	281,761
Less: Accumulated depreciation	(191,427)	(168,184)
	179,421	113,577
Plant and equipment - at cost	16,062,478	9,388,952
Less: Accumulated depreciation	(8,744,122)	(7,663,879)
	7,318,356	1,725,073
Motor vehicles - at cost	562,951	562,951
Less: Accumulated depreciation	(441,041)	(409,211)
	121,910	153,740
Office & computer equipment - at cost	710,886	463,622
Less: Accumulated depreciation	(339,679)	(252,794)
	371,207	210,828
	7,990,894	2,203,218

Note 7. Non-current assets - Plant and equipment (continued)

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

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Office & computer equipment $	Total $
Balance at 1 July 2017 (restated)	136,395	1,949,350	196,163	183,935	2,465,843
Additions	19,764	314,925	-	99,434	434,123
Depreciation expense	(42,582)	(539,202)	(42,423)	(72,541)	(696,748)
Balance at 30 June 2018 (restated)	113,577	1,725,073	153,740	210,828	2,203,218
Additions	89,087	6,737,340	-	247,264	7,073,691
Disposals	-	(43,071)	-	-	(43,071)
Depreciation expense	(23,243)	(1,100,986)	(31,830)	(86,885)	(1,242,944)
Balance at 30 June 2019 (restated)	179,421	7,318,356	121,910	371,207	7,990,894

Note 8. Non-current assets - Intangibles

	Consolidated 2019 (restated) $	2018 (restated) $
Software - at cost	3,938,285	3,229,981
Less: Accumulated amortisation	(2,879,532)	(2,467,063)
	1,058,753	762,918
Hawaiki submarine cable - at cost	15,996	-
Less: Accumulated amortisation	(889)	-
	15,107	-
IP Addresses at cost	343,238	343,238
	1,417,098	1,106,156

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

Consolidated	Software $	IP addresses $	Other intangibles $	Total $
Balance at 1 July 2017 (restated)	658,198	9,050	-	667,248
Additions	444,362	334,188	-	778,550
Amortisation expense	(339,642)	-	-	(339,642)
Balance at 30 June 2018 (restated)	762,918	343,238	-	1,106,156
Additions	708,304	-	15,996	724,300
Amortisation expense	(412,469)	-	(889)	(413,358)
Balance at 30 June 2019 (restated)	1,058,753	343,238	15,107	1,417,098

Note 9. Non-current assets - Financial assets

	Consolidated	
	2019 (restated) $	2018 (restated) $
Security deposits	171,791	166,250

Note 10. Current liabilities - Revenue received in advance

	Consolidated	
	2019 (restated) $	2018 (restated) $
Deferred customer revenue	5,066,584	2,222,078
Loyalty program and pre-paid customers	1,967,172	1,413,929
Gippsland Trade Training Centre	64,245	321,225
	7,098,001	3,957,232

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

	2019 (restated) $	2018 (restated) $
Opening balance	3,957,232	1,134,715
Payments received in advance (excl GST)	97,883,535	48,512,737
Transfer to revenue	(94,742,766)	(45,690,220)
Closing balance	7,098,001	3,957,232

Note 11. Current liabilities - Borrowings

	Consolidated	
	2019 (restated) $	2018 (restated) $
Loan - Longreach Direct Lending Fund	5,500,000	-
Related party payable	-	350,000
Hire purchase arrangements	1,512,664	353,299
	7,012,664	703,299

Refer to note 14 for further information on financial instruments.

The group entered into a secured term bilateral facility agreement with Longreach Credit Investors 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 28 February 2021 with no equity conversion feature. At 30 June 2019 the company was in breach of the financial covenants associated with the loan as a result of the restated financial statements and accordingly the loan has been classified as current and all costs incurred in securing the loan have been expensed at balance date. However, the lender has confirmed that they will not require a repayment of the debt and has waived the breach.

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.

The related party loan was repaid during the financial year.

Note 12. Non-current liabilities - Borrowings

	Consolidated	
	2019 (restated) $	2018 (restated) $
Hire purchase	2,749,999	81,084

Refer to note 14 for further information on financial instruments.

Note 13. Equity - issued capital

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

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

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 13. Equity - issued capital (continued)

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. At 30 June 2019 the company was in breach of the financial covenants associated with the Longreach loan as a result of the restated financial statements. This breach was waived by the lender. Other than this there have been no events of default on the financing arrangements during the financial year.

	Consolidated			
	2019 (restated) Shares	2018 (restated) Shares	2019 (restated) $	2018 (restated) $
Ordinary shares - fully paid	10,650	10,650	10,632,000	10,632,000

Note 14. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to two financial risks: credit risk 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 Consolidated entity and appropriate procedures, controls and risk limits. Executives reports to the Board on a monthly basis.

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk. Refer to notes 11 and 12 for details of borrowings. There was no material sensitivity to a reasonably possible change in interest rates in the financial statements.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity managers 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 agency credit agency information, confirming references and setting appropriate credit limits.

The Consolidated entity has adopted a lifetime expected credit loss approach in estimating expected credit losses in relation to trade receivables and contract assets through the use of a provision matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated entity based on recent sales experience, historical collection and forward-looking information that is available.

Generally, trade receivables and contract assets 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.

Note 14. Financial instruments (continued)

Set out below is the information about the credit risk exposure on the Consolidated entity's trade receivables and contract assets using a provision matrix:

30 June 2019

	Trade receivables				
	< 30 days	**30 – 60 days**	**61 – 90 days**	**>91 days**	**Total**
	$	**$**	**$**	**$**	**$**
Estimated total gross carrying amount at default	6,866,438	180,457	80,510	365,764	**7,493,169**
Expected credit loss	52,125	30,385	18,831	17,259	**118,600**

30 June 2018

	Trade receivables				
	< 30 days	**30 – 60 days**	**61 – 90 days**	**>91 days**	**Total**
	$	**$**	**$**	**$**	**$**
Estimated total gross carrying amount at default	2,439,737	38,843	5,966	12,291	**2,496,837**
Expected credit loss	16,491	4,971	728	1,478	**23,668**

Concentration of credit risk
At 30 June 2019 trade receivables included an amount of $1,274,806 owing by one customer amounting to 17% of all trade receivables. This amount was subsequently received in full. At 30 June 2018 there was no material concentration of credit risk.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity 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 consolidated entity 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.

Interest rate risk
The consolidated entity's borrowings are at fixed interest rates and there is no material exposure to interest rate fluctuations.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 15. Key management personnel disclosures

Directors
The following persons were directors of Aussie Broadband Pty Ltd during the financial year:

Phillip Britt
John Reisinger
Ian Watson
Patrick Greene
James (Kerry) Clapman (resigned 8 March 2019)

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

	Consolidated	
	2019 (restated) $	**2018 (restated) $**
Short-term employee benefits	346,130	300,009
Post-employment benefits	32,907	38,210
	379,037	338,219

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the company, and its network firms:

	Consolidated	
	2019 (restated) $	**2018 (restated) $**
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit of the financial statements	57,000	43,500
Other services - William Buck Pty Ltd		
Taxation and financial reporting	96,246	-
	153,246	43,500

Note 17. Contingent liabilities

The consolidated entity held security deposits for rental bonds and a NAB transactional security deposit of $2,071,791 (30 June 2018: $166,250).

Note 18. Commitments

Operating leases relate to the leasing of premises including offices. The Group has the option, under some of its leases, to lease the assets for additional terms. During the financial year ended 30 June 2019, the Group recognised $221,079 (2018: $206,150) as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2019 (restated) $	2018 (restated) $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	296,047	347,963
One to five years	326,612	390,482
Greater than five years	-	-
	622,659	738,445

Note 19. Related party transactions

Transactions with related parties
Details of the composition of key management personnel and their remuneration are included in note 15. During the year, related parties of key management personnel were employed on arm's length terms by the consolidated entity and were paid gross wages of $8,320 (2018: $8,832) 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 reporting date (2018: $350,000 loan owing to John Reisinger and $23,375 owing from Phillip Britt). These items were settled during the financial year.

Note 20. Parent entity information

During the year, the consolidated entity owned 100% interests in subsidiaries in the following controlled entities:

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

The financial results of these controlled entities are immaterial relative to the operations of the consolidated entity; as a consequence, the parent entity information required for reporting in these financial statements is materially the same as the consolidated information located in the financial statements.

Note 21. Events after the reporting period

Convertible Notes
An offer for investing in convertible notes went out to selected investor groups during September 2019. The offer was oversubscribed and raised $25 million dollars. The convertible notes automatically convert to ordinary equity at IPO or change of control event, at the lesser of:

- The price per security that represents a 20% discount to IPO price up to 12 months from issuance or a 25% discount to IPO price thereafter; and
- The price per security determined on a pre-money, fully diluted valuation as at the Conversion but up to a maximum valuation of $90m.

The Maturity date is 18 months from issuance. The coupon is calculated at 10% per annum from the issue date up to and including the conversion date if converted or the redemption date if is redeemed. The Coupon converts to ordinary equity at IPO or is paid as a component of the redemption amount as the case may be.

Change of Company Type
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.

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 consolidated entity 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 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 consolidated entity 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 consolidated entity 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 consolidated entity's credit risk or going concern opinion assessment.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 22. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2019 (restated) $	2018 (restated) $
Profit/(loss) after income tax (expense)/benefit for the year	(4,888,549)	(1,080,745)
Adjustments for:		
Depreciation and amortisation	1,656,274	900,885
Net loss on disposal of property, plant and equipment	39,070	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(4,695,716)	(1,656,293)
Decrease/(increase) in inventories	(160,870)	210,279
Increase in prepayments	51,738	(119,441)
Increase in trade and other payables	5,402,872	669,409
Increase in employee benefits	393,913	204,950
Increase in deferred revenue	3,140,768	2,497,289
Net cash from operating activities	939,500	1,626,333

Note 23. Restated Financial Statements

The previously issued financial statements of the Group for the year ended 30 June 2019 dated 11 October 2019 have been withdrawn and are replaced by these financial statements. The restatement was necessary as result of the identification of errors, additional post balance sheet information and changes in accounting treatment.

	Note	Consolidated 2019 $	2018 $
Profit / (Loss) after income tax (expense)/benefit for the year per original financial statements		(510,744)	171,698
Adjustments for identified errors			
Revenue in advance adjustments		-	(947,538)
Increase in AASB9 expected credit loss		(94,932)	-
Additional cost accruals		(1,229,446)	(266,767)
Asset balance adjustments and write-offs		(453,374)	(65,103)
Depreciation correction		(96,873)	96,873
Adjustments for additional post balance sheet date information			
Late billing adjustment by supplier		(191,063)	-
Adjustments for changes in accounting treatments			
Write off of intangible assets		(473,906)	(147,501)
Write off of balance of other financing expenses		(296,694)	-
Expensing of free routers in accordance with AASB15		(1,463,865)	-
Derecognition of deferred tax asset movements		(77,652)	77,593
Restated Profit / (Loss) after income tax (expense)/benefit for the year		(4,888,549)	(1,080,745)

Note 23. Restated Financial Statements (continued)

2019	Per original financial statements $	Impact of restatement $	Restated financial statements $
Consolidated statement of financial position			
Cash and cash equivalents	488,406	1,830	490,236
Trade and other receivables	7,469,501	(42,297)	7,427,204
Deposits	2,035,000	(135,000)	1,900,000
Prepayments	835,657	(607,983)	227,674
Plant and equipment	7,986,766	4,128	7,990,894
Intangibles	4,830,930	(3,413,832)	1,417,098
Deferred tax asset	1,268,971	(1,268,971)	-
Financial Assets	99,941	71,850	171,791
Trade and other payables	(8,492,944)	(1,853,239)	(10,346,183)
Revenue in advance	(5,589,031)	(1,508,970)	(7,098,001)
Current borrowings	(1,263,621)	(5,749,043)	(7,012,664)
Current employee benefits	(873,440)	(214,126)	(1,087,566)
Non-current borrowings	(8,480,646)	5,730,647	(2,749,999)
Non-current deferred tax liability	837,727	(837,727)	-
Net liabilities	(276,912)	(8,147,279)	(8,424,191)
Reserves	(1,954,698)	1,954,698	-
Accumulated losses	12,863,610	6,192,581	19,056,191

These changes relate to the profit and loss adjustments set out in the reconciliation above, as well as adjustments relating a) to the accounting for IP addresses, formerly at fair value, now at cost; and b) the derecognition of tax balances in line with the critical accounting estimate set out in Note 2.

Consolidated statement of profit or loss and other comprehensive income			
Revenue (formerly Sales Revenue)	101,745,942	(2,093,745)	99,652,197
Other income	6,433	(6,433)	-
Interest revenue	308	(308)	-
Network and hardware costs (formerly cost of sales)	(83,939,179)	2,174,821	(81,764,358)
Employee expenses	-	(11,643,738)	(11,643,738)
Marketing expenses (formerly Marketing, distribution and selling expenses)	(9,597,204)	5,766,971	(3,830,233)
Other expenses (formerly Corporate & administration expenses)	(6,670,177)	1,883,776	(4,786,401)
Depreciation and amortisation	(1,564,397)	(91,877)	(1,656,274)
Interest and other finance expense	(570,122)	(296,360)	(866,482)
Interest and other income	-	6,740	6,740
Income tax (expense) / benefit	76,522	(76,522)	-

Many of the impacts in the statement of profit loss are related to reclassifications, in particular the separation of employee expenses.

Note 23. Restated Financial Statements (continued)

2018	Per original financial statements $	Impact of restatement $	Restated financial statements $
Consolidated statement of financial position			
Trade and other receivables	2,674,568	33,545	2,708,113
Deposits	135,000	(135,000)	-
Prepayments	595,261	(286,934)	308,327
Plant and equipment	2,106,344	96,874	2,203,218
Intangibles	3,165,756	(2,059,600)	1,106,156
Deferred tax asset	1,191,319	(1,191,319)	-
Financial Assets	74,400	91,850	166,250
Trade and other payables	(4,864,994)	(78,319)	(4,943,313)
Revenue in advance	(3,953,229)	(4,003)	(3,957,232)
Current borrowings	(350,000)	(353,299)	(703,299)
Current employee benefits	(597,156)	(175,575)	(772,731)
Non-current borrowings	(415,989)	334,905	(81,084)
Non-current deferred tax liability	(573,630)	573,630	-
Net liabilities	(262,371)	(3,153,245)	(3,415,616)
Issued Capital	(10,644,400)	12,400	(10,632,000)
Reserves	(1,338,470)	1,338,470	-
Accumulated losses	12,232,841	1,814,775	14,047,616

These changes relate to the profit and loss adjustments set out in the reconciliation above, as well as adjustments relating a) to the accounting for IP addresses, formerly at fair value, now at cost; and b) the derecognition of tax balances in line with the critical accounting estimate set out in Note 2.

Consolidated statement of profit or loss and other comprehensive income			
Revenue (formerly Sales Revenue)	51,125,373	(1,859,433)	49,265,940
Other income	32	(32)	-
Interest revenue	2,297	(2,297)	-
Network and hardware costs (formerly cost of sales)	(42,285,472)	3,810,467	(38,475,005)
Employee expenses	-	(7,182,241)	(7,182,241)
Marketing expenses (formerly Marketing, distribution and selling expenses)	(3,963,402)	2,622,758	(1,340,644)
Other expenses (formerly Corporate & administration expenses)	(3,605,347)	1,181,542	(2,423,805)
Depreciation and amortisation	(997,757)	96,872	(900,885)
Interest and other income	-	2,329	2,329
Income tax (expense) / benefit	(77,593)	77,593	-

Many of the impacts in the statement of profit loss are related to reclassifications, in particular the separation of employee expenses

Note 23. Restated Financial Statements (continued)

2017	Per original financial statements $	Impact of restatement $	Restated financial statements $
Consolidated statement of financial position			
Deposits	135,000	(135,000)	-
Prepayments	318,638	(153,127)	165,511
Intangibles	2,260,361	(1,593,113)	667,248
Deferred tax asset	1,268,912	(1,268,912)	-
Financial Assets	74,400	91,850	166,250
Trade and other payables	(4,327,275)	53,374	(4,273,901)
Revenue in advance	(2,100,649)	965,934	(1,134,715)
Current borrowings	(552,280)	(291,068)	(843,348)
Current employee benefits	(560,675)	(12,918)	(575,593)
Non-current borrowings	(445,548)	178,485	(267,063)
Net Liabilities	(648,460)	(1,686,411)	(2,334,871)
Reserves	(1,124,079)	1,124,079	-
Accumulated losses	12,404,539	562,332	12,966,871

These changes relate to the profit and loss adjustments set out in the reconciliation above, as well as adjustments relating a) to the accounting for IP addresses, formerly at fair value, now at cost; and b) the derecognition of tax balances in line with the critical accounting estimate set out in Note 2.

Consolidated statement of profit or loss and other comprehensive income			
Revenue (formerly Sales Revenue)	24,950,005	511,882	25,461,887
Other income	538,398	(538,398)	-
Interest revenue	4,728	(4,728)	-
Network and hardware costs (formerly cost of sales)	(20,502,824)	2,729,353	(17,773,471)
Employee expenses	-	(6,076,135)	(6,076,135)
Marketing expenses (formerly Marketing, distribution and selling expenses)	(4,438,426)	2,569,005	(1,869,421)
Other expenses (formerly Corporate & administration expenses)	(2,611,581)	1,235,918	(1,375,663)
Interest and other income	-	270,632	270,632
Income tax (expense) / benefit	965,425	(965,425)	-

Aussie Broadband Pty Ltd
Notes to the financial statements
30 June 2019

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

(a) in the Directors' opinion and to the best of their knowledge 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 Consolidated entity as at 30 June 2019 and of their performance for the year ended 30 June 2019;

(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) to the best of the Directors' knowledge, attached financial statements and notes give a true and fair view of the Consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

(d) there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable;

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

On behalf of the directors

Phillip Britt
Director

14 August 2020

William Buck

Aussie Broadband Pty Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the restated financial report of Aussie Broadband Pty Ltd (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other matter

We draw attention to Note 23 to the financial report, which describes that these financial statements restate financial statements for the same reporting period which were initially authorised and issued by the directors of the Group on 11 October 2019.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN: 59 116 151 136

N.S Benbow
Director

Dated this 14th day of August 2020