P 1300 137 800
E info@opticomm.net.au

Level 1, 22 Salmon Street
Port Melbourne VIC 3207
opticomm.net.au

19th February 2020

The Manager
Markets Announcement Office
Australian Securities Exchange
4th floor, 20 Bridge Street
Sydney NSW 2000

ELECTRONIC LODGEMENT

Number of Pages: 26 (including this page)

Dear Sir or Madam

OptiComm Ltd (OPC) - Appendix 4D & Half Year Report for the period ended 31 December 2019

Please find enclosed Appendix 4D as required under ASX Listing Rule 4.2A.3 and a copy of the Half-Year Report for the activities of OptiComm Ltd and controlled entity for the period ended 31 December 2019.

This statement is authorised for lodgment by the Board.

Yours faithfully

John Phillips
Company Secretary

Investor Relations
Tel: +61 9024 9503; 0418 530 478
investors@opticomm.net.au

Pro Forma Results compared to the prior period

	Movement %	Pro Forma Half Year to December 2019 $'000	Pro Forma Half Year to December 2018 $'000
Revenue from Ordinary activities	Up 19%	35,191	29,684
Profit from ordinary activities before tax	Up 8%	15,506	14,316
Profit from ordinary activities after tax	Up 7%	10,776	10,040

Statutory Results for Announcement to the Market

	Movement %	Half Year to December 2019 $'000	Half Year to December 2018 $'000
Revenue from Ordinary activities	Up 19%	35,191	29,684
Profit from ordinary activities before tax	Down 0.5%	14,572	14,641
Profit from ordinary activities after tax	Down 1%	10,151	10,268

Operational Highlights

As at 31 December 2019, the Group had installed fibre network infrastructure to over 114,000 lots across Australia, an increase of nearly 7,500 in the half year. Over 86,000 dwellings built on these lots are connected to the Group's networks, with over 66,500 of these dwellings receiving active internet, telephone and other telecommunications services provided by Retail Service Providers (RSPs) from whom the Group receives a monthly recurring wholesale access charge for use of its fibre network infrastructure. Average Revenue Per User (ARPU) for the month of December 2019 was over $51, which is an 8% increase over ARPU as at December 2018. Active premises (premises receiving internet, telephone and other telecommunications services) increased by over 6,300 in the half year .

Explanation of results

For further information of the results please refer to the accompanying ASX Release and "Review of Operations" within the Directors' Report of the half year report.

This document includes presentation of results on a statutory as well as non-statutory "pro forma" basis. The non-statutory pro forma basis excludes in the current period one off costs relating to the initial public offering and also adjusts the prior period comparison for costs that would have been incurred as a listed company.

The results should be read in conjunction with the Interim Financial reports for the period lodged with the ASX on 19th February 2020 and the associated presentation released to the market.

Dividends

	Half year to 31 Dec 2019 $	Half year to 31 Dec 2018 $	% change
Interim dividend per ordinary share – 100% franked (2018 – 100%)	0.036	$1.85*	-38*

* Note the 2018 dividend was paid on a lower number of shares. As part of the Initial Public Offer in August 2019, the company undertook a share sub-division whereby the total issued shares of OptiComm Ltd was increased from 3,242,354 to 97,000,986. Further to that additional shares of 7,074,000 were issued as part of the initial public offering, and another 34,000 shares were issued as part of an employee share scheme. The percentage change in the dividend has been calculated on the difference between the total interim dividend payments in the respective half years.

2020 Interim dividend dates:

Record date	24th March 2020
Payment date	9th April 2020

There were no dividend reinvestment plans in operation during the period.

Net Tangible Asset per Security

Net tangible assets per ordinary share is $0.76 as at 31 December 2019 (as at 31 December 2018: $17.09*).

* Note the 2018 Net tangible assets per ordinary share was calculated on a lower number of shares. As part of the Initial Public Offer in August 2019, the company undertook a share sub-division whereby the total issued shares of OptiComm Ltd was increased from 3,242,354 to 97,000,986. Further to that additional shares of 7,074,000 were issued as part of the initial public offering, and another 34,000 shares were issued as part of an employee share scheme. .

Other information required by listing rule 4.2A.3

The remainder of information requiring disclosures to comply with listing rule 4.2A.3 is contained in the half-year report (which includes the Directors' Report) and an ASX Release.

Audit review

This report has been based on accounts which have been reviewed by the Group's auditors. A copy of the unqualified review can be found in the half-year report.

Allan Brackin
Chairman
19th February 2020

OptiComm Ltd and Controlled Entity

ABN 50 117 414 776

Financial report for the Half-Year Ended 31 December 2019

Contents

DIRECTORS REPORT AND OPERATIONAL REVIEW

Your directors present their report on the consolidated entity (referred to herein as the Group or consolidated group) consisting of OptiComm Limited and its controlled entity for the half- year ended 31 December 2019.

Directors

The following persons were directors of OptiComm Limited during the six month period and up to the date of this report, unless otherwise stated:

- Allan Brackin – Chairman and Independent Non-Executive Director
- Paul Cross – Chief Executive Officer and Managing Director
- David Redfern – Non-Executive Director
- Kenneth Ogden – Independent Non-Executive Director
- Greg Adcock – Independent Non-Executive Director
- Jennifer Douglas – Independent Non-Executive Director

Company Secretary

- John Phillips

Principal Activities

The principal activities of the consolidated group are:

- build, own and operate fibre-based open access wholesale telecommunication networks in residential single dwelling unit development estates, apartment or unit developments with multiple dwellings, retirement and independent living unit estates and commercial precincts and buildings;
- provide wholesale access to its networks to Retail Service Providers who provide retail telecommunications, entertainment and other services to end user consumers (being residents and businesses in dwellings within the Broadacre estates and Multi Dwelling Unit complexes that are connected to the Group's networks);
- provide ongoing support and maintenance services to the networks, including those networks that the Group manages but does not own; and
- provide other ancillary value add services, such as integrated building administration support networks (referred to as 'Integrated Communication Networks') that support building operations and other building services within mixed use developments, such as hotels and apartments, shopping centres, and other commercial complexes.

All operations are conducted in Australia.

Significant Changes in State of Affairs

On the 14th July 2019 the Group undertook a share subdivision whereby the total issued shares of OptiComm Ltd was increased from 3,242,354 to 97,000,986. On the 22nd August the Group listed on the Australian securities exchange issuing 7,040,000 additional ordinary shares at $2.00 per share on the date of listing. Additionally, 34,000 shares were issued for nil consideration to eligible employees in the company as part of the company's employee share plan and 220,336 performance rights have been granted under the company's long term incentive plan to eligible executives and employees as part of their remuneration packages but are not yet vested. There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Dividends

After the balance date, the Group declared an interim dividend for the half year ended 31 December 2019 of 3.6 cents per share, fully franked with a record date of 24 March 2020. The financial effect of this dividend has not been brought to account in the financial statements prior to the period ended 31 December 2019 and will be recognised in subsequent financial reports. The payment date is expected to be on or around 9 April 2020.

Operating Results

Group financial results

OptiComm recorded a pro forma NPAT result of $10,776,000 for the half year ended 31 December 2019 (pro forma 31 December 2018: $10,040,000) which is an increase of 7% over the prior corresponding period. Statutory net profit after tax (NPAT) of $10,151,000 for the half year ended 31 December 2019 (31 December 2018: $10,268,000) decreased by 1% over the prior corresponding period.

Pro forma and statutory results

Pro forma results are provided for the financial period ended 31 December 2019 to allow shareholders to assess the Group's performance as a listed company. Pro forma and statutory results are summarised in Table 1 below. Pro forma adjustments have been made on a consistent basis with those made in the prospectus.

Table 1: Pro Forma and Statutory results

These Pro Forma balances reflect one off Non-IFRS measures included below to provide useful information to recipients for measuring the underlying operating performance of the Group in light of the significant non-recurring events that have occurred, primarily being the IPO. The proforma balances have been adjusted for the following items:

1 Estimated costs of employee incentive arrangements including employee share schemes, performance rights plan and short-term incentive plan have been adjusted for;
2 Costs associated with the Initial Public Offering on 22 August 2019 have been excluded;
3 Estimated costs to be incurred as a public company have been adjusted for such as ASX and Registry costs, D&O insurance, additional Directors fees; adjustment for the adoption of AASB 16 Leases.

	Pro Forma Half Year Ended 31 December 2019 $'000	**Pro Forma Half Year Ended 31 December 2018 $'000**	**Statutory Half Year Ended 31 December 2019 $'000**	**Statutory Half Year Ended 31 December 2018 $'000**
Revenue	35,191	29,684	35,191	29,684
Cost of sales	(7,611)	(4,931)	(7,611)	(4,931)
Employee expenses	(6,874)[1]	(6,216)[1]	(6,778)	(6,072)
Operating expenses	(1,909)[2]	(1,735)[3]	(3,035)	(1,641)
EBITDA	**18,797**	**16,802**	**17,767**	**17,040**
Depreciation and amortisation	(2,983)	(2,403)[3]	(2,983)	(2,327)
EBIT	**15,814**	**14,399**	**14,784**	**14,713**
Net finance costs	(308)	(84)[3]	(212)	(72)
Net profit before tax	**15,506**	**14,315**	**14,572**	**14,641**
Income tax expense	(4,730)	(4,275)	(4,421)	(4,373)
NPAT	**10,776**	**10,040**	**10,151**	**10,268**

The consolidated pro forma profit of the consolidated group for the half year ended 31 December 2019 amounted to $10,776,000 after providing for income tax. This represented a 7% increase on the pro forma results for the half year ended 31 December 2018. The improvement was largely from a significant increase in wholesale access revenue consistent with an increase in active services and wholesale access charges. Recurring revenue from our fibre network infrastructure continues to be our single largest revenue stream and is expected to grow year on year as we add more active premises to the network.

Construction

The Group undertakes construction of fibre optical networks, generally known as the 'last mile' in Broadacre estate and Multi Dwelling Unit developments for developers. The developer makes non-refundable cash contributions to the Group for the design and delivery of the developer's network on a per lot basis. The construction of the 'trunk' or Head Works part of the network is often completed under the same contract. Construction revenue is driven by matters which include:

- demand for new dwellings in the Group's target markets which then drives residential development;
- the Group's ability to contract with the relevant developers to service their development with the Group's Fibre-to-the-Premises solution and the price which the developer is charged for the network contribution and the headworks contribution; and
- the number of lots completed annually, noting that construction revenue is recognised when the relevant stage (comprising a parcel of lots) reaches practical completion. Practical completion is defined as when the fibre (pre dwelling connection) has connectivity within a stage of an estate.

Construction segment revenue was $14,688,000 for the half year ended 31 December 2019 (2018: $14,081,000) representing a 4% increase on the prior corresponding period.

Network operations

The Group receives recurring revenue from Retail Service Provider's (RSP's) for access to, and use of, its networks by their residential and commercial end users, in the form of a monthly wholesale access charge. RSPs contract directly with the end user consumers on appropriate data and telephony and the quantum of the levies paid by RSPs to The Group are calculated based on the bandwidth capacity that the RSPs as applicable require to service their customer base. The monthly charge also includes a provisioning fee which is levied on RSPs when a user first joins that RSP. Network revenue is driven by the number of dwellings connected to the Group network that then sign up to receive active internet, telephone and other telecommunications services provided by a RSP – these are termed Active Premises, with the end user receiving the active services, the Active Service User.

Active premises reached over 66,500 at 31 December 2019 which is a net increase of over 6,300 in the 6 months to 31 December 2019.

Network operations segment revenue was $20,503,000 for the half year ended 31 December 2019 (2018: $15,603,000) representing a 31% increase on the prior corresponding period.

Financial Position

The net assets of the consolidated group at 31 December 2019 are $79,422,000 (30 June 2019: $59,566,000). The movement in the half year is largely due to the following factors:

- Net Profit after tax for the half year of $10,151,000;
- Dividend payments of $3,747,000 made in the half year;
- Gross proceeds from the Initial Public Offering of $14,080,000 less costs of the offer incurred in the half year.

Table 2: Financial position

	Consolidated Group		
	31 December 2019	**30 June 2019**	**Change**
	$'000	**$'000**	**$'000**
Current assets	31,071	21,547	9,524
Non-current assets	93,226	80,614	12,612
Total assets	124,297	102,161	22,136
Current liabilities	21,916	20,898	1,018
Non-current liabilities	22,959	21,697	1,262
Total liabilities	44,875	42,595	2,280
Net assets/(liabilities)	**79,422**	**59,566**	**19,856**

Review of Operations

As at 31 December 2019, the Group had installed fibre network infrastructure to over 114,000 lots across Australia. Over 85,000 dwellings built on these lots are connected to the Group's networks, with over 66,500 of these dwellings receiving active internet, telephone and other telecommunications services provided by Retail Service Providers (RSPs) from whom the Group receives a monthly recurring wholesale access charge for use of its fibre network infrastructure.

Outlook and trading update

The Group's current focus remains on connecting premises within new undeveloped estates (termed Broadacre) and new Multi Dwelling Unit developments to a broadband fibre network by working with developers to install high-speed, multipurpose fixed-line network infrastructure to these developments during the construction phase.

The Group's growth is also supported by continued demand for property in Australia's capital cities, where new Broadacre developments and Multi Dwelling Units are typically located.

Drivers of residential market growth include:

- population growth including immigration levels;
- government policy settings such as decentralisation and regional development;
- demographic shifts such as 'downsizing' and attraction to inner city living;
- government programs such as first home buyer incentives and stamp duty relief; and
- credit availability and interest rates.

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Network wholesale access revenue continues to increase as our network infrastructure expands, new active premises are added, with broadband users demanding higher speeds and increased bandwidth. This in turn also increases our wholesale access charges.

Despite a challenging housing market, our construction revenue is up on the prior corresponding period, supported by an increased contribution from our integrated communication solutions for the commercial market. Indicators are for an improving housing market in 2020 with increased demand as consumer credit becomes more available. Additionally, first home buyer schemes at both the Federal and State level are also expected to further drive demand. The apartment market continues to be increasingly competitive with both fixed line and wireless operators competing aggressively to acquire market share. Our focus in this sector remains in the medium to high end part of the market where quality and depth of service offer are of more importance. This has enabled us to contract over 9,000 lots in this market segment for the half year to 31 December 2019.

A newer area of focus for us is the Independent Living Unit or otherwise known as "Lifestyle Communities" segment of the market with forecasts indicating that the number of residents in these communities will grow annually by 18,000 between 2017 and 2025. In this market segment we have over 6,000 lots contracted to date with a strong pipeline of opportunities that we anticipate contracting in the next 6 months.

Future Developments, Prospects and Business Strategies

The Group's primary focus is to execute on its contracted pipeline of development projects and generate recurring revenue from premises connected within those developments as they come online.

In addition to executing on its contracted pipeline, The Group's growth plans include:

- leveraging the Group's proven expertise and scale to target new developers outside those the Group currently has relationships with;
- targeting smaller development lots, including Multi Dwelling Units with less than 200 lots;
- targeting the 'build to rent' market sector which is a developing market within Australia;
- leverage existing infrastructure, such as Backhaul, to better service developments in a cost-effective manner;
- delivering 'smart city' solutions that will generate additional revenue streams;
- investing in new value add services (such as access control, intercom, security and Wi-Fi hotspots) giving developers the ability to offer a greater range of services in their developments;
- increasing focus on markets outside the Group's traditional markets (residential Broadacre and Multi Dwelling Units), including mixed use residential and commercial precincts, lifestyle villages and student accommodation;
- expanding the number of Retail Service Providers who access the Group's networks;

- investigating acquisition and other strategic opportunities as and when they arise;
- investigating opportunities for geographical expansion including leveraging existing relationships with developers who may expand into offshore locations; and
- exploring opportunities to leverage the Group's Broadacre experience and infrastructure to provide solutions to replace existing lower speed infrastructure for Brownfield premises.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2019 has been received and can be found on page 6 of this report.

Rounding of numbers

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the directors' report have been rounded off to the nearest $1,000.

Significant events after the reporting date

The Federal Government has reintroduced into Parliament a Telecommunications reform package, which includes the Regional Broadband Scheme (commonly known as the Bush Tax). This scheme, if passed, will impose on OptiComm a monthly charge of $7.10 for every active premise over a threshold of 55,000 active premises. A cross party Senate committee has recommended the legislation be passed. It is not expected that the scheme will apply before 30 June 2020. The Directors are not aware of any other matter or circumstance that has arisen since the end of the reporting period that, in their opinion, has significantly affected or may affect the Group in future years.

Environmental Regulation and Performance

The Group is not subject to any significant environmental regulation and the Directors are not aware of any environmental issues required to be disclosed.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Allan Brackin
Chairman
19 February 2020

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C K HENRY TO THE DIRECTORS OF OPTICOMM LIMITED AND CONTROLLED ENTITY

As lead auditor for the review of OptiComm Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of OptiComm Limited and the entity it controlled during the period.

C K Henry
Director

BDO Audit Pty Ltd

Brisbane, 19 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Group	
		31 Dec 2019 $000	**31 Dec 2018 $000**
Revenue from contracts with customers	3	35,191	29,684
Other income	3	96	83
Changes in inventories		8	67
Raw materials and consumables used		(7,619)	(4,998)
Employee expense		(6,778)	(6,072)
Depreciation and amortisation expense		(2,983)	(2,327)
Share capital raising costs		(1,126)	-
Finance costs		(308)	(155)
Other expenses		(1,909)	(1,641)
Profit before income tax expense		14,572	14,641
Income tax expense		(4,421)	(4,373)
Net profit for the half year		10,151	10,268
Other comprehensive income		-	-
Total comprehensive income for the half year		10,151	10,268
Total comprehensive income attributable to:			
Members of the parent entity		10,151	10,268
		10,151	10,268
Earnings per share			
Basic earnings per share ($)	4	$0.10	$0.11
1Diluted earnings per share ($)	4	$0.10	$0.11

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Consolidated Group	
		31 Dec 2019	30 Jun 2019
		$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		19,751	9,655
Trade and other receivables		9,324	9,892
Inventories		1,299	1,462
Other assets		697	538
TOTAL CURRENT ASSETS		31,071	21,547
NON-CURRENT ASSETS			
Property, plant and equipment	5	85,338	73,734
Deferred tax assets		7,042	6,460
Intangible assets		784	358
Other non-current assets		62	62
TOTAL NON-CURRENT ASSETS		93,226	80,614
TOTAL ASSETS		124,297	102,161
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		11,068	8,276
Contract liabilities		7,370	7,766
Borrowings	6	398	6
Current tax liabilities		1,394	3,193
Provisions	7	1,686	1,657
TOTAL CURRENT LIABILITIES		21,916	20,898
NON-CURRENT LIABILITIES			
Borrowings	6	1,479	-
Deferred tax liabilities		4,668	5,129
Provisions	7	16,812	16,568
TOTAL NON-CURRENT LIABILITIES		22,959	21,697
TOTAL LIABILITIES		44,875	42,595
NET ASSETS		79,422	59,566
EQUITY			
Issued capital	8a	21,973	8,606
Reserves	8c	120	-
Retained earnings		57,329	50,960
TOTAL EQUITY		79,422	59,566

The accompanying notes form part of these financial statements.

Consolidated Group

	Note	Issued Capital	Retained Earnings	Reserves	Total Equity
		$000	$000	$000	$000
Balance at 1 July 2018		8,049	53,588	81	61,718
Adjustment on adoption of AASB15		-	(10,745)	-	(10,745)
Balance at 1 July 2018 Restated		8,049	42,843	81	50,973
Comprehensive Income					
Profit for the half year		-	10,268	-	10,268
Total comprehensive income for the half year		-	10,268	-	10,268
Transactions with owners, in their capacity as owners, and other transfers					
Call for partially paid shares	8a	272	-	-	272
Dividends recognised for half the year		-	(5,998)	-	(5,998)
Total transactions with owners and other transfers		272	(5,998)	-	(5,726)
Balance at 31 December 2018	8c	8,321	47,113	81	55,515
Balance at 1 July 2019		8,606	50,960	-	59,566
Adjustment on adoption of AASB16	1	-	(35)	-	(35)
Balance at 1 July 2019 Restated		8,606	50,925	-	59,531
Comprehensive Income					
Profit for the half year		-	10,151	-	10,151
Total comprehensive income for the half year		-	10,151	-	10,151
Transactions with owners, in their capacity as owners, and other transfers					
Issued Shares	8a	13,367	-	-	13,367
Share based payments	8c	-	-	120	120
Dividends recognised for the half year		-	(3,747)	-	(3,747)
Total transactions with owners and other transfers		13,367	(3,747)	120	9,740
Balance at 31 December 2019		21,973	57,329	120	79,422

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF- YEAR ENDED 31 DECEMBER 2019

	Consolidated Group	
	31 Dec 2019 $000	31 Dec 2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	38,882	33,082
Payments to suppliers and employees	(16,199)	(15,680)
Interest received	67	83
Finance costs	(57)	4
Income tax paid	(6,926)	(3,846)
Net cash provided by operating activities	15,767	13,643
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	8	-
Payments for intangibles (software)	(503)	(6)
Purchase of property, plant and equipment	(12,551)	(9,150)
Payments for non-current cash deposits	-	61
Net cash used in investing activities	(13,046)	(9,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	14,080	-
Payments associated with initial public offering[1]	(2,566)	-
Proceeds from calls on partly paid shares	-	272
Proceeds/Repayment of borrowings	(392)	(6)
Dividends paid by parent entity	(3,747)	(5,998)
Net cash provided by/(used in) financing activities	7,375	(5,732)
Net increase in cash and cash equivalents	10,096	(1,183)
Cash and cash equivalents at beginning of financial year	9,655	11,708
Cash and cash equivalents at end of financial year	19,751	10,525

The accompanying notes form part of these financial statements.

[1]These are one-off costs directly related to the initial public offering on the 22nd August 2019

The consolidated financial statements and notes represent those of OptiComm Limited and its Controlled Entity (the "consolidated group" or "group").

The financial statements were authorised for issue on 19th February 2020 by the directors of the Group.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1st July 2019 was as follows:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	1,921*
Short-term leases not recognised as a right-of-use asset (AASB 16)	(33)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(76)
Right-of-use assets (AASB 16)	1,812
Lease liabilities - current (AASB 16)	(414)*
Lease liabilities - non-current (AASB 16)	(1,448)*
Tax effect on the above adjustments	15
Reduction in opening retained profits as at 1 July 2019	(35)

*amounts include new lease that commenced on 1 July 2019

Right-of-use assets

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

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

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

NOTE 2: OPERATING SEGMENTS

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

NOTE 2: OPERATING SEGMENTS (CONTINUED)

b. **Adjustments**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- other financial liabilities;
- intangible assets;
- some corporate costs.

c. **Segment information**

Segment performance

	31 Dec 2019	31 Dec 2018
	$000	$000
Revenue		
Network Operations	20,503	15,603
Construction	14,688	14,081
Total Revenue	35,191	29,684
EBITDA		
Network operations	14,617	11,362
Construction	(1,084)	(3,458)
Segment EBITDA	13,533	7,904
Reconciliation to Group EBITDA		
Costs of construction capitalised	5,845	9,325
Corporate and other	(1,612)[1]	(189)
Total reconciling items	4,233	9,136
Total EBITDA	17,766	17,040
Reconciliation to Group NPBT		
Depreciation and amortisation	(2,984)	(2,327)
Other income	96	83
Finance costs	(306)	(155)
Total Net profit before tax	14,572	14,641

1.This includes one off costs of $1.1m relating to the Initial Public Offering on the 22 August 2019.

Revenue by geographical region

Revenue, including revenue attributable to external customers is disclosed below, based on the location of the external customer:

	31 Dec 2019	31 Dec 2018
	$000	$000
Australia	35,287	29,767
Total revenue and other income	35,287	29,767

NOTE 3: REVENUE AND OTHER INCOME

The Group has recognised the following amounts relating to revenue in the statement of profit or loss.

	31 Dec 2019 $000	31 Dec 2018 $000
Revenue from contracts with customers		
- Construction revenue	12,506	11,750
- Connections revenue	2,182	2,331
- Network operations revenue	20,503	15,603
	35,191	29,684
Other sources of income	96	83
Total Revenue and other income	35,287	29,767

NOTE 4: EARNINGS PER SHARE

	Consolidated Group	
	31 Dec 2019 $000	31 Dec 2018 $000
Reconciliation of earnings to profit or loss:		
Earnings used to calculate basic and dilutive EPS	10,151	10,268
Weighted average number of ordinary shares during the half year used in calculating basic EPS	102,053.308	97,000,986
Weighted average number of ordinary shares outstanding during the half year used in calculating dilutive EPS	102,093,040	97,000,986

On the 14th July 2019 the Group undertook a share subdivision whereby the total issued shares of OptiComm Ltd was increased from 3,242,354 to 97,000,986. In addition, 34,000 employee shares were issued on 22 August 2019. The weighted average number of shares has been calculated using the number of shares issued during the half year and the period for which they were issued with the exception of the share subdivision which is calculated from 1 July 2019. 220,336 Performance Rights were granted on 28 November 2019. The diluted weighted average number of shares includes the Performance Rights for the period from when they were granted to the end of the reporting period. Under accounting standard AASB 133 the prior year comparatives have been adjusted retrospectively.

NOTE 5: LAND, PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	31 Dec 2019 $000	30 Jun 2019 $000
Land		
At cost	5	-
Network Infrastructure under construction		
At cost	14,543	9,418
Network Infrastructure		
At cost	89,702	83,858
Accumulated depreciation	(24,403)	(21,931)
Total Network Infrastructure	65,299	61,927

NOTE 5: LAND, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated Group	
	31 Dec 2019 $000	**30 Jun 2019 $000**
Plant and Equipment		
At cost	4,631	3,216
Accumulated depreciation	(1,225)	(1,032)
Total Plant and Equipment	3,406	2,184
Motor vehicles		
At cost	161	161
Accumulated depreciation	(51)	(43)
Total Motor vehicles	110	118
Right-of-use assets (Motor vehicles and equipment)		
At cost	212	63
Accumulated depreciation	(23)	(28)
Total Right-of-use assets (Motor vehicles and equipment)	189	35
Right-of-use assets (Property)		
At cost	1,882	-
Accumulated depreciation	(157)	-
Total Right-of-use assets (Property)	1,725	-
Office Fixture and Fittings		
At cost	93	90
Accumulated depreciation	(32)	(38)
Total Fixture and Fittings	61	52
Total property, plant and equipment	85,338	73,734

The consolidated Group leases land and buildings for its offices and warehouses under agreements of between 3-5 years with, in some cases, options for extension. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated Group also leases plant and equipment under agreements between 2-3 years.

The consolidated Group leases office equipment of less than 2 years. These leases are either short term or low value, so have been expensed as incurred and not capitalised as right-of-use assets.

6: BORROWINGS

	Consolidated Group	
	31 Dec 19	**30 Jun 19**
	$000	**$000**
CURRENT		
Equipment leases	30	6
Property leases	368	-
Total current borrowings	398	6

6: BORROWINGS (CONTINUED)

	Consolidated Group	
	31 Dec 19	30 Jun 19
	$000	$000
NON-CURRENT		
Equipment leases	122	-
Property leases	1,357	-
Total non-current borrowings	1,479	-
Total borrowings	1,877	6

NOTE 7: PROVISIONS

	Employee benefits	Customer Refund Liability	Make good	Other provisions	Total
	$000	$000	$000	$000	$000
Consolidated Group					
Opening balance at 1 July 2019	929	17,226	58	12	18,225
Additional provisions	358	806	5	11	1,180
Amounts used	(416)	(470)	(20)	(1)	(907)
Balance at 31 December 2019	871	17,562	43	22	18,498

	Consolidated Group	
	31 Dec 2019 $000	30 Jun 2019 $000
Analysis of total provisions		
Current	1,686	1,657
Non-current	16,812	16,568
	18,498	18,225

NOTE 8: EQUITY

(a) *Issued capital*

	31 Dec 19	30 Jun 19
	Shares	Shares
Ordinary shares	104,074,986	3,242,354
	104,074,986	3,242,354

NOTE 8: EQUITY (CONTINUED)

Movement in issued capital

Date	Details	No. of Shares	$000
1 July 2018	Opening balance	3,242,354	8,049
	Payment made for partially paid shares	-	272
31 December 2018	Closing balance	3,242,354	8,321

Date	Details	No. of Shares	$000
1 July 2019	Opening balance	3,242,354	8,606
14 July 2019	Additional shares following share subdivision	93,758,632	-
14 July 2019	Revised balance following share subdivision	97,000,986	8,606
22 August 2019	Shares issued – IPO (i)	7,040,000	14,080
22 August 2019	Shares issued – Employee share scheme (ii)	34,000	68
22 August 2019	Shares issue costs – net of tax	-	(781)
31 December 2019	Closing balance	104,074,986	21,973

i) The Company issued 7,040,000 new ordinary shares to the market at a price of $2.00.

ii) The company issued 34,000 shares to eligible employees of the company for nil consideration as part of an employee share scheme (refer to section 8(d) below).

(b) *Shares held by employee share plans*

The number of shares issued as part of employee share plans was 254,336 (2018: nil). Of these 34,000 shares have been issued and recorded against share capital. The balance of 220,336 represents performance rights that have been granted but are not yet vested. During the period 1,000 issued shares became unrestricted and as at 31 December 2019, the number of shares in employee share plans was 253,336.

The fair value of equity instruments issued is measured at grant date and are recorded in the Fair Value of equity instruments reserve.

The Group has a number of employee share plans that are available to executives and employees as part of their remuneration packages. This note summarises the employee share plans and the key events in the share-based payment arrangements during the half year.

During the half year, the Group has granted the following types of equity instruments as part of its equity-settled plans:

- Restricted shares
- Performance rights

Restricted shares are OptiComm shares that are subject to a restriction period.

Performance Rights are rights to OptiComm shares subject to the satisfaction of certain performance measures and service conditions over a defined performance period.

A summary of the key terms of these is presented in the tables below.

NOTE 8: EQUITY (CONTINUED)

This table provides a summary of the restricted shares that were outstanding at any time during the financial period:

Plan	Financial Year Granted	Restriction Period	Number of restricted shares allocated and outstanding at 31 December 2019
Employee Share Plan restricted shares	FY2020	3 years from the actual allocation date, unless employment ceases at which time they become unrestricted	33,000[1]

1 Subsequent to issue, 1000 shares have become unrestricted

This table provides a summary of the performance rights that existed at any time during the financial period:

Plan	Financial Year Granted	Date of testing against performance hurdles	Performance Hurdles	Subsequent restriction period once the performance rights have vested	Number of performance rights allocated and outstanding at 31 December 2019
Executive Long-term incentive (LTI) performance rights	FY2020	21-Aug-22	Service – must remain employed at test date; and Performance – Total Shareholder Return measured over the performance period on a CAGR basis to meet or exceed defined hurdle rates (refer note 8(d))	N/A	220,336

(c) Movement in Reserves – Fair value of equity instruments reserve

This reserve in the table below represents changes in fair value of equity instruments we have elected to measure at the fair value through the operating statement.

Date	Details	$
1 July 2018	Opening Balance	81,208
31 December 2018	Closing Balance	81,208

Date	Details	$
1 July 2019	Opening Balance	-
28 November 2019	Fair value of LTI Performance Rights granted	120,000
31 December 2019	Closing Balance	120,000

NOTE 8: EQUITY (CONTINUED)

(d) Description of share-based payment arrangements

Employee share plan (ESP) restricted shares

Restricted shares under the ESP were allocated to certain eligible employees at nil consideration (the Directors and CEO were excluded from the ESP) during the reporting period. The restricted shares are held in trust on behalf of the employees until the restriction period ends. The shares are released from trust on the earlier of three years from the date of allocation or the date on which the participating employee ceases employment. Although the shares are held in trust, the employees retain beneficial interest in these shares until the end of the restriction period. There are no performance hurdles for these restricted shares.

Performance Rights (equity settled)

Performance rights were allocated to eligible executives during the reporting period. Vesting criteria consists of tenure (must remain employed at the end of the 3 year test period) and the Group's Total Shareholder Return (TSR) (measured on a CAGR basis over 3 years) exceeding an absolute benchmark. This is as follows:

TSR performance hurdle – CAGR of OptiComm TSR (over 3 years)	% of Performance rights allocation which may be exercised
Less than 7.5%	0%
>7.5% and <10%	50% allocation at 7.5% and increasing by a straight line scale to 75% at 10%
>=10% and <12.5%	75% allocation at 10% and increasing by a straight line scale to 100% at 12.5%
>=12.5%	100% allocation

If the TSR measure is not satisfied, all of the applicable performance rights in the relevant tranche will lapse. In respect of the performance rights, an executive has no legal or beneficial interest in the underlying shares, no entitlement to receive dividends from the shares and no voting rights in relation to the shares until such time as the performance rights vest.

Recognition and Measurement

For each of the equity settled share plans the Group measures the fair value of the equity instrument at grant date and recognise the expense over the relevant vesting period in the income statement with a corresponding increase in equity. The expense is adjusted to reflect actual and expected levels of vesting. The fair values of our equity instruments are calculated by taking into account the terms and conditions of the individual plan. This is set out below:

Equity Instrument	Fair Value approach	Expense recognised in the half year
Restricted shares	Market value of OptiComm shares at grant date.	$68,000
Performance Rights	Monte Carlo valuation	$120,000 (representing the component of the full expense relating to the reporting period)

The following table lists the inputs to the models used for the valuation of the equity instruments.

	Performance rights
Measurement date	28 Nov 2019
Share Price	$4.23
Risk Free rate	0.73%
Dividend ($/half year)	$0.036
Expected life in years	2.75
Expected Stock volatility	40%
Fair Value	$3.61

NOTE 9: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated Group	
	31 Dec 2019 $000	**30 Jun 2019 $000**
Contingent Liabilities		
Estimates of the potential financial effect of contingent liabilities that may become payable:		
Bank Performance Guarantee Liability	965	1,032

Secured contingent liabilities in respect of bank performance guarantee indemnities. This facility represents a warranty in favour of certain clients and property lessors. The Group has a $2,000,000 bank guarantee which is secured by way of a floating charge over the Group's assets.

There are no other significant contingent liabilities or contingent assets.

NOTE 10: EVENTS AFTER THE REPORTING PERIOD

The Federal Government has reintroduced into Parliament a Telecommunications reform package, which includes the Regional Broadband Scheme (commonly known as the Bush Tax). This scheme, if passed, will impose on OptiComm a monthly charge of $7.10 for every active premise over a threshold of 55,000 active premises. A cross party Senate committee has recommended the legislation be passed. It is not expected that the scheme will apply before 30 June 2020. There were no other significant events after the report end date 31 December 2019.

NOTE 11: RELATED PARTY TRANSACTIONS

a. **Related Parties**

The Group's main related parties are as follows:

(i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the Group is OptiComm Limited, which is incorporated in Australia.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

b. **Transactions with Related Parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:
- Madison Technologies: (A company, controlled by David Redfern, a director)
- Pitcher Partners: (Kenneth Ogden, a director, is a partner of Pitcher Partners)
- PON Project Services Pty Ltd: (Paul Cross, a director, is a shareholder)

		Consolidated Group	
		31 Dec 2019 $	**31 Dec 2019 $**
(i)	*Purchases from director related entities:*		
	Madison Technologies	44,431	2,783
	Pitcher Partners	85,130	94,691
	PON Project Services Pty Ltd	458,205	2,694,008
		587,766	2,791,482

DIRECTORS’ DECLARATION

In accordance with a resolution of the directors of OptiComm Limited, the directors of the Group declare that:

1. the financial statements and notes, as set out on pages 7 to 20, are in accordance with the Corporations Act 2001, Australian Accounting Standards AASB 134 ‘Interim Financial Reporting; The Corporations Regulations 2001 and other mandatory financial reporting requirements;
2. give a true and fair view of the financial position as at 31 December 2019, and of the performance for the half year ended on that date of the consolidated group; and
3. in the directors’ opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the directors

Chairman
Allan Brackin
Dated this 19 day of February 2020

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of OptiComm Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of OptiComm Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

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

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

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

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

Independence

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

BDO Audit Pty Ltd

BDO

C K Henry

Director

Brisbane, 19 February 2020