Aussie Broadband Pty Ltd

ABN 29 132 090 192

Annual Report - 30 June 2019

Aussie Broadband Pty Ltd
Directors' report
30 June 2019

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.

Directors
The following persons were directors of Aussie Broadband Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Phillip Britt
John Reisinger
Ian Watson
Patrick Greene
James (Kerry) Clapman (resigned 8 March 2019)
Scott Robson (appointed 7 August 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 segments.

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	**2018**
	$	**$**
Interim dividend: 31 October 2018 of 11.27 cents (2018: 0 cents) per ordinary share	120,026	-

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $510,744 (30 June 2018: profit of $171,697).

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
An offer for investing in convertible notes went out to selected investor groups during September 2019. The offer was oversubscribed and has raised $25 million dollars. The convertible notes automatically convert to ordinary equity at IPO or change of control event, at;
- 20% discount to IPO price up to 12 months from issuance
- 25% discount to IPO price thereafter

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.

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.

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:

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

Held: represents the number of meetings held during the time the director held office.

Shares contingently issuable
There were no unissued ordinary shares, performance rights or other contingently exercisable shares of Aussie Broadband Pty Ltd under option outstanding at the date of this report, with the exception the convertible notes that were issued and 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 or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

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

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

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

On behalf of the directors

Phillip Britt
Director

Ian Watson
Director

11 October 2019

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 11th day of October 2019

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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 $	Consolidated 2018 $
Revenue			
Sales revenue	4	101,745,942	51,125,373
Cost of sales		(83,939,179)	(42,285,472)
		17,806,763	8,839,901
Other income		6,433	32
Interest revenue		308	2,297
Gross profit		17,813,504	8,842,230
Expenses			
Corporate & administration expenses		(6,670,177)	(3,605,347)
Marketing, distribution & selling expenses		(9,597,204)	(3,963,402)
Total expenses		(16,267,381)	(7,568,749)
Operating profit		**1,546,123**	**1,273,481**
Depreciation and amortisation		(1,564,397)	(997,757)
Interest expense		(570,122)	(26,434)
Profit/(loss) before income tax (expense)/benefit		**(588,396)**	**249,290**
Income tax (expense)/benefit	5	77,652	(77,593)
Profit/(loss) after income tax (expense)/benefit for the year		**(510,744)**	**171,697**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of IP Addresses, net of tax		616,229	214,391
Other comprehensive income for the year, net of tax		616,229	214,391
Total comprehensive income for the year		**105,485**	**386,088**

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

	Note	Consolidated 2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents		488,406	386,446
Trade and other receivables	6	7,469,501	2,674,568
Inventories		384,118	223,248
Deposits		2,035,000	135,000
Prepayments		835,657	595,261
Total current assets		11,212,682	4,014,523
Non-current assets			
Plant and equipment	7	7,986,766	2,106,344
Intangibles	8	4,830,930	3,165,756
Deferred tax		1,268,971	1,191,319
Financial assets	9	99,941	74,400
Total non-current assets		14,186,608	6,537,819
Total assets		25,399,290	10,552,342
Liabilities			
Current liabilities			
Trade and other payables		8,492,944	4,864,994
Revenue received in advance	10	5,589,031	3,953,229
Borrowings	11	1,263,621	350,000
Employee benefits		873,440	597,156
Total current liabilities		16,219,036	9,765,379
Non-current liabilities			
Borrowings	12	8,480,646	415,989
Deferred tax	13	837,727	573,630
Employee benefits		138,793	59,715
Total non-current liabilities		9,457,166	1,049,334
Total liabilities		25,676,202	10,814,713
Net liabilities		(276,912)	(262,371)
Equity			
Issued capital		10,632,000	10,632,000
Reserves		1,954,698	1,338,470
Accumulated losses		(12,863,610)	(12,232,841)
Total deficiency in equity		(276,912)	(262,371)

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 $	IP address revaluation reserve $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2017	10,632,000	1,124,079	(12,404,538)	(648,459)
Profit after income tax expense for the year	-	-	171,697	171,697
Other comprehensive income for the year, net of tax	-	214,391	-	214,391
Total comprehensive income for the year	-	214,391	171,697	386,088
Balance at 30 June 2018	10,632,000	1,338,470	(12,232,841)	(262,371)

Consolidated	Issued capital $	IP address revaluation reserve $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2018	10,632,000	1,338,470	(12,232,841)	(262,371)
Loss after income tax benefit for the year	-	-	(510,744)	(510,744)
Other comprehensive income for the year, net of tax	-	616,229	-	616,229
Total comprehensive income for the year	-	616,229	(510,744)	105,485
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(120,026)	(120,026)
Balance at 30 June 2019	10,632,000	1,954,699	(12,863,611)	(276,912)

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 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		99,352,927	56,143,157
Payments to suppliers & employees (inclusive of GST)		(97,370,665)	(54,287,966)
		1,982,262	1,855,191
Interest received		308	2,297
Interest and other finance costs paid		(570,122)	(20,743)
Net cash from operating activities	22	1,412,448	1,836,745
Cash flows from investing activities			
Payments for property, plant and equipment		(3,246,255)	(434,268)
Payments for intangibles	8	(1,198,207)	(935,100)
Proceeds from disposal of property, plant and equipment		4,000	-
Net cash used in investing activities		(4,440,462)	(1,369,368)
Cash flows from financing activities			
Repayment of borrowings		(350,000)	(231,839)
Drawdown of debt facility		5,500,000	-
Payment to NAB - Transactional security deposit		(1,900,000)	-
Dividends paid		(120,026)	-
Net cash from/(used in) financing activities		3,129,974	(231,839)
Net increase in cash and cash equivalents		101,960	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		488,406	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 Modified retrospective approach 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').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of intangible assets, as disclosed in Note 2.

Note 1. Significant accounting policies (continued)

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.

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 is expected 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 when as those performance obligations are met and revenue is recognised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. 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.

Note 1. Significant accounting policies (continued)

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

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	3-10 years
Motor Vehicles	8 years
Office furniture & equipment	3-20 years
Leasehold improvements	10 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 fair value, with changes in fair value (adjusted for related tax effects) taken through equity. For further detail, refer to Note 2.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

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 of $4.78 million and a lease liability of $4.81 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.

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

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2019 $	Consolidated 2018 $
Major product lines		
Services provided	97,213,161	47,907,092
Hardware sales	4,464,056	3,190,580
Other income from customers	68,725	27,764
	101,745,942	51,125,436
Timing of revenue recognition		
Services transferred at a point in time	101,488,962	50,868,393
Services transferred over time	256,980	256,980
	101,745,942	51,125,373

Note 5. Income tax expense/(benefit)

	Consolidated 2019 $	Consolidated 2018 $
Income tax expense/(benefit)		
Deferred tax - origination and reversal of temporary differences	(77,652)	77,593
Aggregate income tax expense/(benefit)	(77,652)	77,593
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	(77,652)	77,593
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	(588,396)	249,290
Tax at the statutory tax rate of 30%	(176,519)	74,787
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible items	5,542	2,806
	(170,977)	77,593
Under provision from prior year	93,325	-
Income tax expense/(benefit)	(77,652)	77,593

Note 5. Income tax expense/(benefit) (continued)

	Consolidated	
	2019	2018
	$	$
Amounts charged directly to equity		
Deferred tax liabilities (note 13)	264,097	95,546

Note 6. Current assets - Trade and other receivables

	Consolidated	
	2019	2018
	$	$
Trade receivables	7,469,501	2,674,568

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	2018
	$	$
Leasehold improvements - at cost	370,848	281,761
Less: Accumulated depreciation	(191,427)	(168,184)
	179,421	113,577
Plant and equipment - at cost	16,051,791	9,388,952
Less: Accumulated depreciation	(8,744,123)	(7,755,332)
	7,307,668	1,633,620
Motor vehicles - at cost	562,951	562,951
Less: Accumulated depreciation	(441,040)	(409,211)
	121,911	153,740
Office & computer equipment - at cost	710,887	463,622
Less: Accumulated depreciation	(333,121)	(258,215)
	377,766	205,407
	7,986,766	2,106,344

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	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)	(630,655)	(42,423)	(77,962)	(793,622)
Balance at 30 June 2018	113,577	1,633,620	153,740	205,407	2,106,344
Additions	89,087	6,737,339	-	247,264	7,073,690
Disposals	-	(43,071)	-	-	(43,071)
Depreciation expense	(23,243)	(1,020,220)	(31,830)	(74,904)	(1,150,197)
Balance at 30 June 2019	179,421	7,307,668	121,910	377,767	7,986,766

Note 8. Non-current assets - Intangibles

As stated in Note 1, IP Addresses are measured at their fair value, which is the value that can be achieved in an active market. In formulating these financial statements, the Directors considered that IP Addresses are traded freely between willing sellers and buyers with an appropriate and timely access to prices for those assets. In making this assessment, the Directors considered;

- The depth and liquidity of trading activity on the market
- The availability of traded price data, and
- The nature of IP Addresses, being an highly tradeable, exchangeable and homogeneous product.

Using a three level hierarchy as prescribed in AASB 13, based on the lowest level of input that is significant to the entire fair value measurement, the IP addresses are considered a level 1 based on the characteristics of the addresses and the markets these are traded in as noted above. The addresses have quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

	Consolidated 2019 $	Consolidated 2018 $
Software - at cost	4,559,692	3,377,482
Less: Accumulated amortisation	(2,879,531)	(2,467,063)
	1,680,161	910,419
Hawaiki submarine cable - at cost	15,996	-
Less: Accumulated amortisation	(889)	-
	15,107	-
IP Addresses Purchased	3,135,662	2,255,337
	4,830,930	3,165,756

Note 8. Non-current assets - Intangibles (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	Software $	IP Addresses $	NNI Activations $	Hawaiki Submarine Cable set up $	Total $
Balance at 1 July 2017	658,198	1,602,163	-	-	2,260,361
Additions	444,362	-	147,500	-	591,862
Revaluation increments	-	653,175	-	-	653,175
Amortisation expense	(339,642)	-	-	-	(339,642)
Balance at 30 June 2018	762,918	2,255,338	147,500	-	3,165,756
Additions	708,304	-	473,907	15,996	1,198,207
Revaluation increments	-	880,324	-	-	880,324
Amortisation expense	(412,468)	-	-	(889)	(413,357)
Balance at 30 June 2019	1,058,754	3,135,662	621,407	15,107	4,830,930

Note 9. Non-current assets - Financial assets

	Consolidated 2019 $	**Consolidated 2018 $**
Security deposits	30,000	30,000
Other deposits	69,941	44,400
	99,941	74,400

Note 10. Current liabilities - Revenue received in advance

	Consolidated 2019 $	**Consolidated 2018 $**
Customers	3,557,614	2,218,075
Loyalty program	1,967,172	1,413,929
Gippsland Trade Training Centre	64,245	321,225
	5,589,031	3,953,229

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

	2019 $	2018 $
Opening balance	3,953,229	2,082,254
Payments received in advance	5,524,786	3,953,229
Transfer to revenue	(3,888,984)	(2,082,254)
Closing balance	5,589,031	3,953,229

Note 11. Current liabilities - Borrowings

	Consolidated	
	2019	2018
	$	$
Related party payable	-	350,000
Hire purchase arrangements	1,263,621	-
	1,263,621	350,000

Refer to note 14 for further information on financial instruments.

The related party loan was repaid during the financial year.

Note 12. Non-current liabilities - Borrowings

	Consolidated	
	2019	2018
	$	$
Loan - Longreach Direct Lending Fund	5,500,000	-
Hire purchase	2,980,646	415,989
	8,480,646	415,989

Refer to note 14 for further information on financial instruments.

The consolidated entity 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 in February 2021 with no equity conversion feature.

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.

Note 13. Non-current liabilities - Deferred tax

	Consolidated	
	2019	2018
	$	$
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Intangible asset - IP Addresses	837,727	573,630
Deferred tax liability	837,727	573,630
Movements:		
Opening balance	573,630	478,084
Charged to equity (note 5)	264,097	95,546
Closing balance	837,727	573,630

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 finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance 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. For all of the financial year there was no particular concentration of credit risk in any single customer (2018: none). Details of the ageing profile of accounts receivable are disclosed in note 5.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions 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 rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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.

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)

Note 15. Key management personnel disclosures (continued)

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

	Consolidated	
	2019	**2018**
	$	**$**
Short-term employee benefits	346,130	300,009
Long-term 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	**2018**
	$	**$**
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 of $2,134,941 (30 June 2018: $209,400).

Note 18. Commitments

	Consolidated	
	2019	**2018**
	$	**$**
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 and previous reporting date (2018: $350,000 loan owing to John Reisinger).

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

An offer for investing in convertible notes went out to selected investor groups during September 2019. The offer was oversubscribed and has raised $25 million dollars. The convertible notes automatically convert to ordinary equity at IPO or change of control event, at;
- 20% discount to IPO price up to 12 months from issuance
- 25% discount to IPO price thereafter

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.

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 $	2018 $
Profit/(loss) after income tax (expense)/benefit for the year	(510,744)	171,697
Adjustments for:		
Depreciation and amortisation	1,564,397	1,133,262
Net loss on disposal of property, plant and equipment	39,071	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(4,794,933)	(1,590,830)
Decrease/(increase) in inventories	(160,870)	210,279
Increase in prepayments	(265,937)	(276,623)
Decrease in net tax assets and liabilities	(77,652)	77,593
Increase in trade and other payables	3,646,346	519,326
Increase in employee benefits	355,362	42,292
Increase in deferred revenue	1,617,408	1,549,749
Net cash from operating activities	1,412,448	1,836,745

Aussie Broadband Pty Ltd
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the 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

- there are reasonable grounds to believe that the company 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

Ian Watson
Director

11 October 2019

Aussie Broadband Pty Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the 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* (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 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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Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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 11th day of October 2019