

Annual Report

2022

Comms Group Limited
Consolidated Financial Report
For the year ended 30 June 2022
ACN 619 196 539

commsgroup
Global Cloud Communications

Contents

Comms Group Limited
ACN 619 196 539

Consolidated Financial Report –
for the year ended 30 June 2022

Directors' Report	6
Auditor's Independence Declaration	20
Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flow	24
Notes to the Consolidated Financial Statements	25
Directors' Declaration	60
Independent Auditor's Report	61
ASX additional information	66
Corporate Directory	69

Comms Group at-a-glance

A leading B2B provider of cloud communications (UCaaS) and managed IT & cloud services to businesses

We enhance business agility through innovative cloud-based communications and IT solutions

Voice Services

Data Services

Unified Communications Solutions (UCaaS)¹

Managed IT & Cloud Services

We service our customers via three key business units

next.[®]
telecom
a commsgroup business

Telco service provider to Australian SME & corporate mid-market sectors (<1,000 employees) with the latest products and award winning customer service.

www.nexttelecom.com.au

commsgroup
Global Cloud Communications

Specialist UCaaS¹ and CPaaS² provider to Wholesale, Enterprise and Global MNCs (>1,000 employees) with global network reach.

www.commsgroup.global

onPlatinum
a commsgroup business

Award-winning IT Managed Service Provider supporting corporate customers' ICT needs, focusing on innovation and developing long-term relationships.

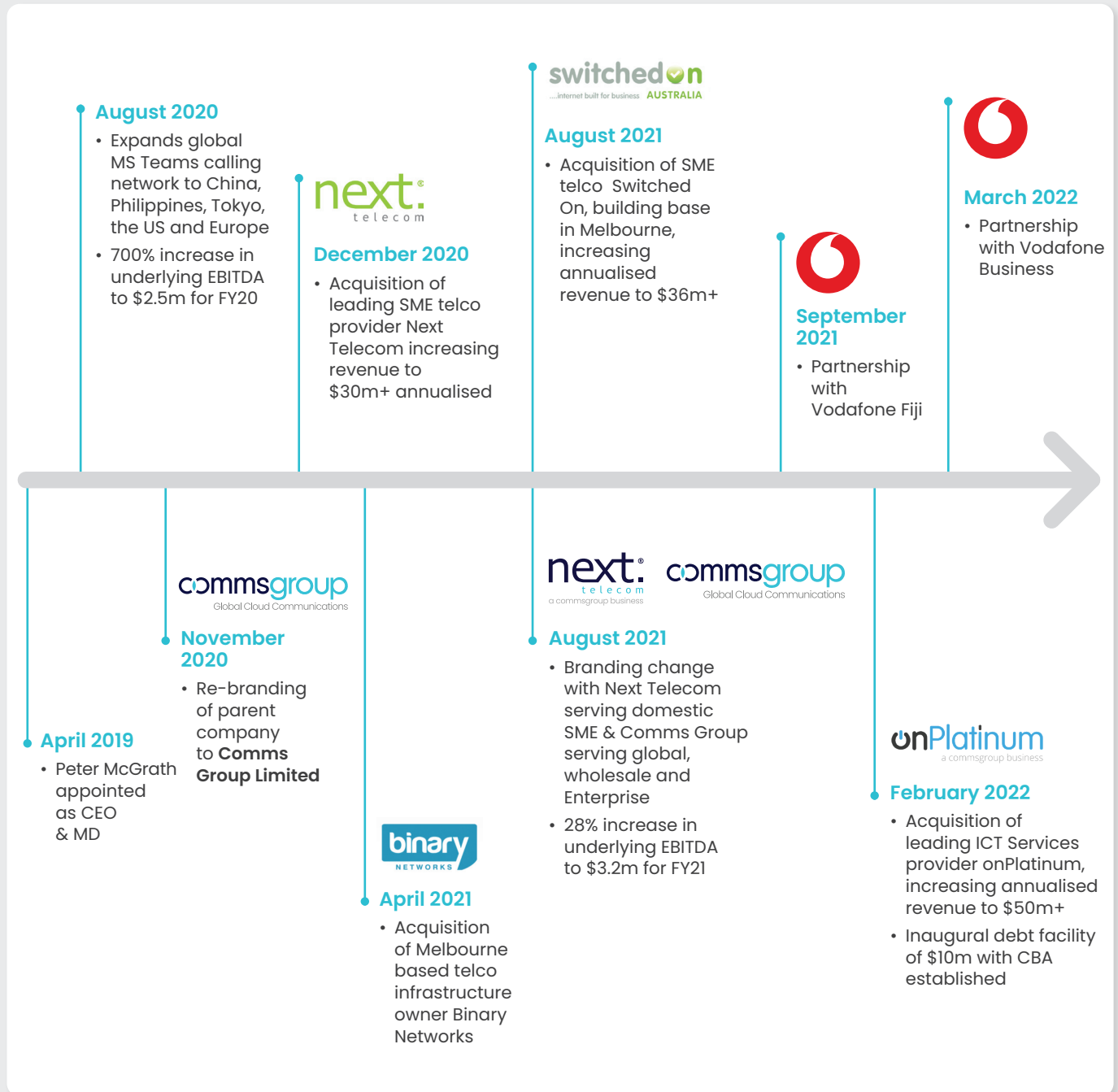
www.onplatinum.com.au

140 staff located across Sydney, Melbourne, Gold Coast, Singapore, Philippines and UK

¹ Unified Communications as a Service (UCaaS): a communications delivery model based on the cloud, that allows companies to access key comms services including telephony (voice), video, messaging, chat, collaboration, document storage supporting teamwork, agility, mobility and work from anywhere.

² CPaaS stands for Communications Platform as a Service. A CPaaS is a cloud-based platform that enables developers to add real-time communications features to their own applications without needing to build backend infrastructure and interfaces.

Key timeline of events



Our products and services

A highly focused B2B service provider with a full ICT product suite and leading position as a global unified communications provider



Voice Services

- Replace legacy ISDN/PABX lines
- Move traditional “in-office” PABX to the cloud
- Advanced cloud business phone/hosted PBX (domestic)
- Global PBX for International offices
- Inbound 13/1300/1800 services
- 4G/5G Mobile & Mobile Broadband

Wholesale/Global

- SIP Trunks
- SIP & MS Teams calling services wholesale
- Call Termination Services
- Global DIDs/Telephone numbers – 100+ countries



Data services

- High speed fibre-optic based data & internet services
- NBN services inc. NBN Enterprise Ethernet
- Own our own Layer 2 and Layer 3 (ISP) networks
- SD WAN
- Multi-carrier diversity services
- Access to Cloud Services
- Firewall services



Unified Comms Solutions (UCaaS)

- Industry leading Global Microsoft Teams calling (Direct Routing)
- Range of value-added applications
- Contact Centre
- Call Recording
- Call Analytics
- SMS messaging with integration to MS Teams



Managed IT services

- 24x7 IT Managed services
- Provision of ICT hardware
- Security services
- Cloud based services (Azure, VMWare)
- Own our own Cloud IaaS Virtual Server cluster (VMWare)
- Desktop as a service
- Backup as a service

Key business highlights

Corporate & Strategic

- Successfully acquired the businesses of Switched On Australia in August 2021 and on Group Holdings Pty Ltd in February 2022.
- These acquisitions have increased the Group's critical mass in the domestic SME and Corporate customer segments, expanded our coverage into Queensland and Victorian markets and importantly added new product and service capability in the IT services area.
- Restructured the Group into three key divisions being SME, ICT and Global, through which the Group now markets its products and services, with a CEO responsible for each division reporting to the Group CEO and Managing Director.
- Restructuring of the existing and acquired businesses continues, rationalising management systems and supply arrangements that continue to deliver significant synergies for the Group.

Customers & Sales

- In March 2022 the Group announced that it had been awarded a significant global supply contract to provide key Unified Communications and related telecommunications services to leading international telecommunications provider, Vodafone Business. This is in addition to the signing of Vodafone Fiji in September 2021.
- Acquisitions completed during the year and expansion in services to overseas customers continues to diversify the Group's customer base. The Group's sales pipeline continues to grow as the acceptance of cloud based communications continues, with a number of significant opportunities being presented during the year.
- Management and control of overdue receivables continues to be strong, restricting credit losses incurred during the year.

Financial

- Significant increase in Group revenue to \$41.3m (prior year \$25.2m) and Underlying EBITDA \$4.1m (prior year \$3.2m), after incurring significant start-up costs to establish the Vodafone Business contract.
- Net group assets \$30.0m including net working capital \$1.0m and cash at bank \$2.9m.
- As part of the acquisition of onPlatinum, established a \$10m Term Loan with CBA and increase to other working capital facilities.
- Based on average revenues since acquisition, including acquisitions completed during the year for a full year Group annual revenues would be in excess of \$50m.

Directors' Report

Your directors present their report on the consolidated entity consisting of Comms Group Limited (the "Company") and the entities it controlled (collectively "Comms Group" or the "Group") for the financial year ended 30 June 2022.

Directors and company secretary

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

JA Mackay	Appointed 11 October 2017
PJ McGrath	Appointed 11 October 2017
BJ Jennings	Appointed 11 October 2017
CE Bibby	Appointed 2 October 2019
RM O'Hare	Appointed 1 February 2021

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

Principal activities

Comms Group is a telecommunications and IT services business, providing a comprehensive range of telco and IT managed services. Comms Group services clients in Australia and internationally including New Zealand and Singapore.

The principal continuing activities of Comms Group are the provision of a full range of IT (Information Technology) and telecommunications services from the Cloud including IT managed services, cloud hosting, cloud communications and UCaaS (unified communications) services to business customers in Australia and internationally.

For the financial year ended 30 June 2022 Comms Group derived revenue from the sale of the above-mentioned IT and telecommunications services. These revenues consist of recurring charges for access to facilities and capabilities as well as consumption charges for variable usage of those facilities. Revenue was also derived from the installation and sale of hardware, equipment and consulting services to support the primary products of the business.

There were no significant changes in the nature of the activities of Comms Group during the reporting period.

Dividends

The Directors have resolved not to pay a final dividend for the year ending 30 June 2022.

A dividend was declared and payable to the vendors of on Group Holdings Pty Ltd prior to acquisition that was only paid out following the completion of the acquisition. The purchase price paid was adjusted to reflect this dividend owing at the date of acquisition.

Review of operations

The year ended 30 June 2022 has been another positive year for the Group with growth in both revenue and underlying EBITDA as well as the addition of a highly complimentary IT managed services business and some key customer wins.

Group revenues were up by 64% to \$41.3m, assisted by the inclusion of revenues from two acquisitions for part of the year as described below. Underlying EBITDA was \$4.1m which was a 28% increase on the prior year result. This continues the trend of increased profit established in 2020.

The Group continued to manage its cost base efficiently and supplier cost management, in particular, was strong. Overall gross margins improved by 1.5% to 46.5% for the full year.

Two key acquisitions were announced during the year being on Group Holdings Pty Ltd (onPlatinum) and Switched On that are explained in detail in the Annual Report. These businesses were acquired using existing cash resources and a new \$10.0m Term Loan facility from the Commonwealth Bank of Australia. The acquisitions have increased the Group's critical mass in the domestic SME and Corporate customer segments, expanded our coverage into Queensland, built a stronger base in the Melbourne market and importantly added new product and service capability to the group in the IT services area.




Following the acquisition of onPlatinum and the establishment of a separate Global division, the Group now markets its products and services via three key divisions being SME, ICT and Global, with a CEO responsible for each division reporting to the Group CEO and Managing Director.

The Group continued to deliver advanced Unified Communications solutions to businesses and enterprises during the year. In March 2022 the Group announced that it had been awarded a significant global supply contract to provide key Unified Communications and related telecommunications services to leading international telecommunications provider, Vodafone Business. This was a major win for the business and its expected it will lead to further business internationally for the Global division.

The Group continued to expand and enhance its leading global telephony platform into additional countries, particularly in the Asia Pacific region. Additional partners and wholesale customers were added who are using our global network to provide key services to their own customers.

Review of operations (continued)

The table below outlines the key services provided by each of the three key divisions:

SME & Corporate Telco Business	Corporate ICT Business	Global UCaaS and CPaaS Business
 <p>next. telecom a commsgroup business</p>	 <p>onPlatinum a commsgroup business</p>	 <p>commsgroup Global Cloud Communications</p>
<p>Telco service provider to Australian SME & corporate mid-market sectors (<1,000 employees) with the latest products and award winning customer service.</p>	<p>Award-winning IT Managed Service Provider supporting corporate customers' ICT needs, focusing on innovation and developing long-term relationships.</p>	<p>Specialist UCaaS¹ and CPaaS² provider to Wholesale, Enterprise and Global MNCs (>1,000 employees) with global network reach.</p>

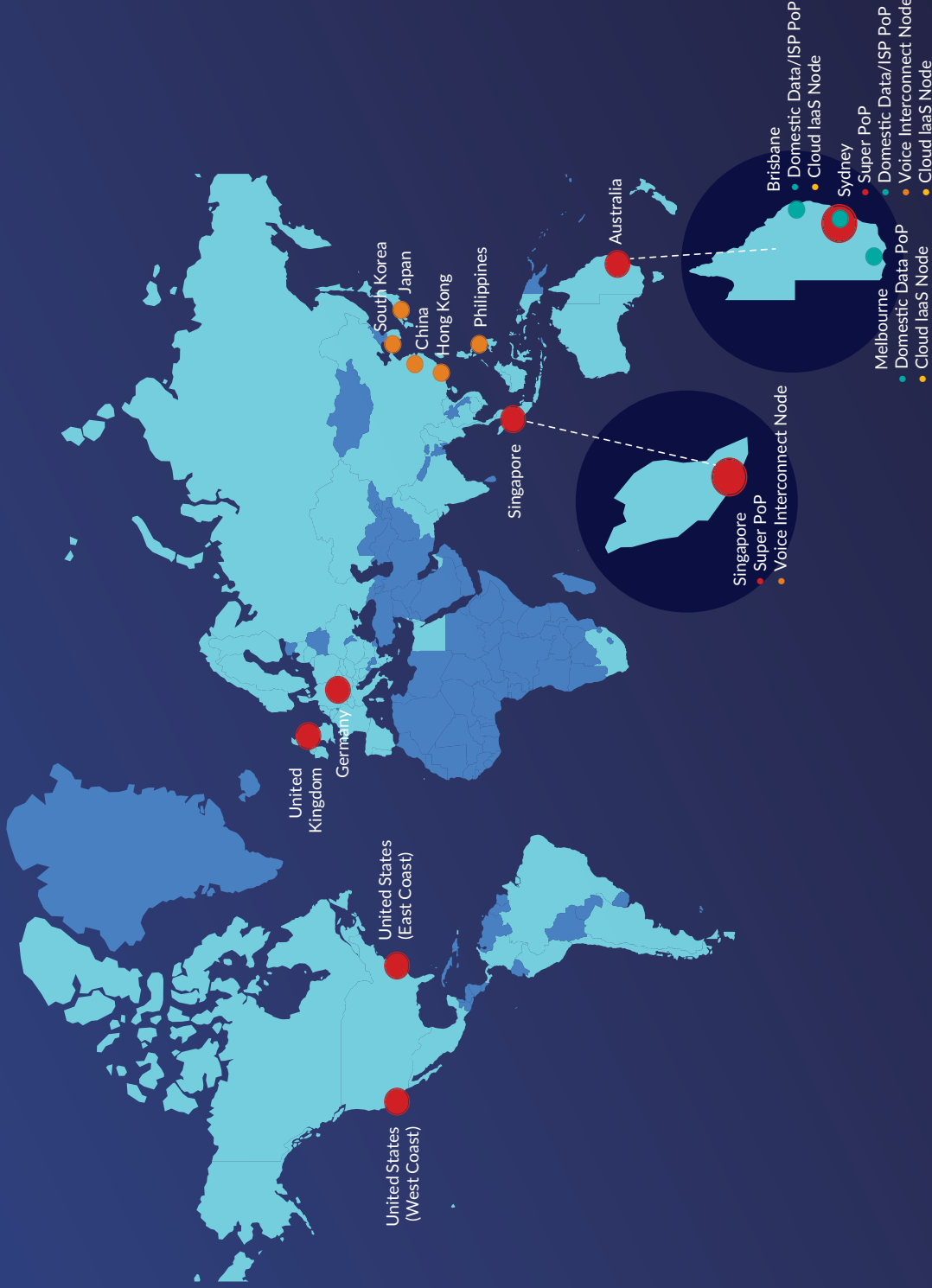
We would like to thank our dedicated staff across Australia, the Philippines, Singapore and the UK who have worked tirelessly over the last 12 months continuing to deliver excellent service to our valued customers.

We also thank our customers for their business and continued loyalty through the year and we look forward to supporting new customers in the year ahead.

¹ Unified Communications as a Service (UCaaS): a communications delivery model based on the cloud, that allows companies to access key comms services including telephony (voice), video, messaging, chat, collaboration, document storage supporting teamwork, agility, mobility and work from anywhere.

² CPaaS stands for Communications Platform as a Service. A CPaaS is a cloud-based platform that enables developers to add real-time communications features to their own applications without needing to build backend infrastructure and interfaces.

Global Network



65

Cloud Telephony with full PSTN replacement

Comms Group delivers call origination and PSTN replacement in 65 countries with another 30+ via on-premises solutions / carrier partners.

6

Voice SuperPOP Locations

We operate six Voice SuperPOP locations in Sydney, Singapore, London, Frankfurt and United States (East & West Coast).

13

Points of Presence / SBCs

With 13 Points of Presence / SBCs globally, Comms Group Global has extensive network reach and a comprehensive range of voice solutions.

3

Australian Data/ISP Network

Comms Group owns and operates a national data network, delivering layer 2/3 internet access and interconnects with major carriers and content providers.

3

Cloud IaaS Virtual Server cluster

Directors' Report

Group result

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

Reporting period	Statutory FY22	Statutory FY21
Trading entities	Full year results	Full Year results
Parent company	Full year results	Full year results

Total revenue from ordinary activities for the year was \$41.3m, representing an increase of \$16.1m over the prior reporting period.

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

	30 June 2022 \$M	30 June 2021 \$M
Revenue	41.3	25.2
Reported profit / (loss) before tax	(0.8)	0.7
Add: net finance costs ⁽¹⁾	0.5	0.1
Add: depreciation and amortisation ⁽¹⁾	2.4	1.1
EBITDA	2.1	1.9
Add: share based payments	0.7	0.3
Less: property rent as paid ⁽²⁾	-	0.1
Add: business acquisition and integration costs	1.4	0.9
Underlying EBITDA	4.1	3.2

⁽¹⁾ Includes lease interest and depreciation as per AASB 16

⁽²⁾ Rent of acquired businesses, expensed within 12 months of lease expiration

The EBITDA from operations are non-IFRS measures that are presented to provide an understanding of the underlying performance of the Group's operations. In the opinion of the Directors, the Group's underlying EBITDA reflects the results generated from ongoing operating activities which excludes non-operating adjustments that are considered to be non-cash or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result. The non-IFRS financial information is unaudited. However, the numbers have been extracted from the financial statements which have been subject to review by the Company's auditor.

Earnings per share

Earnings per share for the period is as follows:

	30 June 2022	30 June 2021
Net profit / (loss) after tax (\$m)	(0.68)	0.57
Earnings per share (cents)	(0.19)	0.22
Diluted earnings per share (cents)	(0.19)	0.22
Net profit (loss) after tax (ex-amortisation and impairment) (\$m)	1.72	1.70
Earnings per share (cents)	0.50	0.66
Diluted earnings per share (cents)	0.50	0.66

Business restructuring and simplification

The Group has continued to restructure and simplify its businesses as further acquisitions are made, rationalising and consolidating acquired management systems with those of the existing business.

During the year the Group restructured itself into three operating segments being Global (International, Wholesale and Enterprise), SME and ICT to better align customers, their needs and allocation of resources.

Acquisition of new businesses

On 31 August 2021 Comms Group acquired the operating assets and liabilities of Switched On – Victoria Pty Ltd (Switched On). Switched On is a Melbourne based telecommunication service provider focused on the SME market, with over 900 customers. Its services include voice and data solutions, mobile services, business phone system installation and maintenance and managed IT support services. The acquisition further strengthened Comms Group's position in the Melbourne market and bolstered its sales capability in this region. Switched On contributed \$2.13m to Group revenue and \$0.71m to Group profit before tax for the year.

On 3 February 2022 the acquisition of on Group Holdings Pty Ltd ("onPlatinum") which included the businesses of onPlatinum ICT Pty Ltd and Tango Technology Pty Ltd was completed. onPlatinum operates four key divisions including managed IT, cloud, data and voice services. The acquisition provides additional product and service offerings for Comms Group's existing customer base and services approximately 500 customers throughout Queensland and NSW. onPlatinum contributed \$6.65m to Group revenue and \$0.17m to Group net profit before tax for the year.

Operating segment

The Group has three operating segments under AASB 8 Operating Segments including Global (International, Wholesale and Enterprise), SME and ICT. Customers with similar and primarily telecommunication needs are allocated to either Global or SME based on their size and customers with primarily IT managed service needs are allocated to ICT (including those customers acquired as part of the onPlatinum acquisition). These customer bases are then managed by dedicated resources and each division has its own CEO, responsible for the delivery of service to all customers categorised to that division and financial performance of the division.

For internal purposes, each division has its own monthly and annual budget, against which actual results are measured and reported through to the Board of Directors.

The Group's revenues from external customers are predominantly domiciled in Australia.

Significant changes in the state of affairs

In addition to further restructuring during the year that continues to lower the Group's cost base, the completion of the acquisitions of Switched On and onPlatinum continued to add scale to the business and significantly enhanced the Group's product offering in IT managed services. Significant opportunities remain to rationalise current and acquired supplier accounts and arrangements and other operating costs where appropriate, cross-sell existing and acquired product ranges and strengthen the Group's financial position to both fund future opportunities and provide greater means by which to compete in the market place.

Events since the end of the financial year

On 1 July 2022 deferred consideration of \$2.0m was paid to the vendors of onPlatinum including a cash payment of \$1.0m and \$1.0m of CCG ordinary shares at 7.5 cents per share. A further cash payment of \$0.26m was also made on the same date, finalising the amount owing for the working capital and net debt acquired.

On 16 August 2022 a Deed of Termination was executed cancelling 7,500,000 options granted to a corporate stockbroker on 16 September 2021, originally issued as consideration to provide corporate broking services.

Whilst the impact of the Coronavirus (COVID-19) pandemic is ongoing, the impact on the Group continues to lessen particularly as the Groups' customer base and product offering continues to diversify. If additional or more aggressive strains appear, the impact will be dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

Likely developments and expected results of operations

Likely developments in the operations of the Group have been included in the Review of Operations section of this report. The Group is presently focused on additional restructuring that will enhance and consolidate existing management systems, leading to further cost efficiencies and gains beyond those generated in the year ended 30 June 2022.

Environmental regulation

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

Information on directors

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



John Angus Mackay

Independent Non-Executive Chair

Qualifications:
BA (Admin/Economics), AM

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

Other current directorships:
None

Former directorships (last 3 years):
Chair of Speedcast International Ltd (ASX: SDA)

Special responsibilities:
Member of the People and Culture Committee

Member of Audit, Risk and Compliance Committee

Interest in shares at 30 June 2022:
1,656,250



Peter McGrath

Executive Director and Chief Executive Officer

Qualifications:
B.Eng, MBA

Experience and Expertise:
Peter's business career spans 30 years in telecommunications, ICT and corporate advisory, with over 20 years in senior leadership positions. Peter has been involved in leadership as CEO of a number of major Australian telecommunications firms and he also has extensive experience in equity capital markets and corporate finance.

Other current directorships:
None

Former directorships (last 3 years):
Powerhouse Ventures Ltd (ASX: PVL)

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

Interest in shares at 30 June 2022:
18,456,067



Benjamin Jennings

Non-Executive Director

Qualifications:
B.Bus, CA

Experience and Expertise:
Benjamin has spent almost 18 years as an accountant working in both commercial and public practice roles in both Australia and the United Kingdom.

Benjamin established middle market advisory firm Jennings Partners Chartered Accountants in early 2009 to provide commercial advisory, mergers and acquisition, income taxation, and Finance Director/ Chief Financial Officer services to SME businesses, venture capital and private equity groups.

Other current directorships:
None

Former directorships (last 3 years):
None

Special responsibilities:
Chair of the Audit, Risk and Compliance Committee

Interest in shares at 30 June 2022:
15,575,071



Claire Bibby

Non-Executive Independent Director

Qualifications:
B.Comm, L.L.B. (Hons)

Experience and Expertise:
Claire is a highly experienced lawyer with over 30 years' experience as a lawyer, Executive and Non-Executive Director with ASX, multinational, private and NFP organisations and executive coach.

Other current directorships:
Non-Executive Director of AWN Holdings Limited, Non-Executive Director of Clime Investment Management Limited (ASX:CIW) and Non-Executive Director of Magnis Energy Technologies Limited (ASX: MNS; OTCQX: MNSEF).

Former directorships (last 3 years):
None

Special responsibilities:
Chair of the People and Culture Committee
Member of the Audit, Risk and Compliance Committee

Interest in shares at 30 June 2022:
270,334



Ryan O'Hare

Non-Executive Director

Experience and Expertise:
Ryan has founded a number of highly successful telecommunications and energy companies starting with CorpTEL Communications, which in 1998 became one of the largest privately owned telecommunication companies in Australia before its sale to AAPT, People Telecom in 2000 that is now part of the Vocus Group and Next Telecom, this is no now part of Comms Group. Ryan also founded & chairs one of Australia's largest diversified renewables and energy retailer Next Green Group.

Other current directorships:
None

Former directorships (last 3 years):
None

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

Interest in shares at 30 June 2022:
46,138,573 of which 20,729,650 are escrowed

Directors' Report

Board and Committee Meetings

During the financial year, the Directors held ten Board meetings, four Audit, Compliance and Risk Management Committee meetings and one People and Culture Committee meeting. Each Director's attendance at those meetings during the year were as follows:

Directors	Board		Audit, Risk & Compliance Committee		People & Culture Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
John Mackay	10	10	4	4	1	1
Peter McGrath	10	10	4	4	1	1
Benjamin Jennings	10	10	4	4	-	-
Claire Bibby	10	10	4	4	1	1
Ryan O'Hare	10	10	4	4	-	-

Insurance of officers and indemnities

During the year, the Company paid a premium of \$138,228 to insure the directors, officers and company secretary of the Group.

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

Remuneration Report (audited)

This Remuneration Report details remuneration information as it applies to Comms Group and its controlled entities for the year ended 30 June 2022 in accordance with the requirements of the Corporations Act 2001 (the Act) and has been audited as required by section 308 (3C) of the Act. The report details the remuneration arrangements for the Comms Group's key management personnel (KMP).

The report is structured as follows:

- (a) Key management personnel (KMP) covered in this report
- (b) Principles used to determine nature and amount of remuneration
- (c) Details of remuneration
- (d) Share based compensation
- (e) Service agreements
- (f) Additional disclosures relating to KMP

(a) Key management personnel covered in this report

Non-executive and executive directors (see page 11 for details about each director)

John Mackay	Non-Executive Chairman
Peter McGrath	Executive Director, Chief Executive Officer
Benjamin Jennings	Non-Executive Director
Claire Bibby	Non-Executive Director
Ryan O'Hare	Non-Executive Director

Other key management personnel

Matthew Beale	Chief Financial Officer
---------------	-------------------------

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

Remuneration policy

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

People and Culture Committee

The objective of the People and Culture Committee is to help the Board achieve its objective to ensure the Company:

- has a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

- has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Company, the performance of the executives and the general external pay environment.

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

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

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

Remuneration for key management personnel is linked to the performance of the Group. Directors and key management personnel are issued with share performance rights, which are directly linked to the performance of the Group in the form of share price targets. Remaining short term incentives, in the form of cash bonuses, are paid at the discretion of the People and Culture Committee. The People and Culture Committee is of the view that the above arrangements will continue to improve shareholder wealth over the coming years.

(c) Details of remuneration

Remuneration of Key Management Personnel

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

Under the Company's Constitution, the Directors decide

Directors' Report

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

Independent non-executive director remuneration currently consists of:

- For the financial year ended 30 June 2022, to John Mackay for serving as chair a base fee of \$72,014 per annum, to Benjamin Jennings for serving as a director a base fee of \$33,347 per annum, to Claire Bibby for serving as a director a base fee of \$34,869 per annum and to Ryan O'Hare for serving as a director a base fee of \$34,869 per annum; and
- Statutory superannuation, equivalent to the Government Superannuation Guarantee amount.

Executive remuneration currently consists of:

- For the financial year ended 30 June 2022, to Peter McGrath for serving as Managing Director a base wage of \$293,048 per annum and cash bonus of \$113,249 and Matthew Beale for serving as Chief Financial officer a base wage of \$201,163 per annum and cash bonus of \$27,273; and
- Statutory superannuation, equivalent to the Government Superannuation Guarantee amount.

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

	Year	Short-term benefits		Post-employment benefits		Share-based payments	Total
		Cash salary & fees	Cash bonus	Super-annuation	Termination payments	Equity-settled performance rights	
		\$	\$	\$	\$	\$	\$
Non-executive Directors							
John Mackay	2021	68,448	-	6,503	-	11,800	86,751
	2022	72,014	-	7,202	-	2,800	82,016
Benjamin Jennings	2021	18,265	-	1,735	-	7,867	27,867
	2022	33,347	-	3,335	-	1,867	38,549
Claire Bibby	2021	27,397	-	2,603	-	13,022	43,022
	2022	34,869	-	3,487	-	17,711	56,067
Ryan O'Hare	2021	11,416	-	1,084	-	-	12,500
	2022	34,869	-	3,487	-	-	38,356
Executive Directors							
Peter McGrath	2021	293,077	112,593	21,694	-	70,800	498,164
	2022	293,048	113,249	23,568	-	104,933	534,798
Other KMP							
Matthew Beale	2021	187,899	18,265	20,179	-	39,589	265,932
	2022	201,163	27,273	21,551	-	49,858	299,845
Total 2021		606,502	130,858	53,798	-	143,078	934,236
Total 2022		669,310	140,522	62,630	-	177,169	1,049,631

Directors' Report

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk	
	2022	2021	2022	2021
Non-executive Directors				
John Mackay	97%	86%	3%	14%
Benjamin Jennings	95%	72%	5%	28%
Claire Bibby	68%	70%	32%	30%
Ryan O'Hare	100%	100%	-	-
Executive Directors				
Peter McGrath	59%	63%	41%	37%
Other KMP				
Matthew Beale	74%	78%	26%	22%

Cash bonuses are discretionary and subject to the employees contract. The bonus paid is dependent upon the employee's service and company performance, with the level of bonus approximately in line with that paid for the prior year, adjusted for relative changes in the level of financial performance and performance against budget. The amounts payable are approved by the Board of Directors prior to payment.

(d) Share based compensation

Long Term Incentive Scheme

During the year a total of 12,680,000 performance rights were issued to Directors and Management under the Performance Rights Plan with 2,750,000 rights forfeited before the end of the year. 50% are subject to vesting at 20 cents per share, earliest of 18 months from grant date and the remainder 50% are subject to vesting at 30 cents per share, earliest 30 months from grant date.

Set out below are summaries of performance rights issued under the scheme:

Grant date	Expiry date	Vesting price: 18mths / 30 months	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
2022							
23/07/2019	22/07/2024	\$0.125 / \$0.20	15,100,000	-	-	(250,000)	14,850,000
28/04/2020	27/04/2025	\$0.125 / \$0.20	2,900,000	-	-	-	2,900,000
16/11/2020	15/11/2025	\$0.15 / \$0.25	1,000,000	-	-	(1,000,000)	-
24/11/2020	23/11/2025	\$0.125 / \$0.20	250,000	-	-	-	250,000
24/11/2020	23/11/2025	\$0.15 / \$0.25	1,250,000	-	-	-	1,250,000
5/02/2021	4/02/2026	\$0.20 / \$0.30	3,000,000	-	-	-	3,000,000
20/04/2021	19/04/2026	\$0.20 / \$0.30	2,000,000	-	-	(700,000)	1,300,000
21/01/2022	20/01/2027	\$0.20 / \$0.30	-	6,780,000	-	(800,000)	5,980,000
24/02/2022	23/02/2027	\$0.20 / \$0.30	-	2,000,000	-	-	2,000,000
18/05/2022	17/05/2027	\$0.20 / \$0.30	-	3,900,000	-	-	3,900,000
			25,500,000	12,680,000	-	(2,750,000)	35,430,000

Directors' Report

Grant date	Expiry date	Vesting price: 18mths / 30 months	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
2021							
23/07/2019	22/07/2024	\$0.125 / \$0.20	16,900,000	-	-	(1,800,000)	15,100,000
28/04/2020	27/04/2025	\$0.125 / \$0.20	2,900,000	-	-	-	2,900,000
16/11/2020	15/11/2025	\$0.15 / \$0.25	-	1,000,000	-	-	1,000,000
24/11/2020	23/11/2025	\$0.125 / \$0.20	-	250,000	-	-	250,000
24/11/2020	23/11/2025	\$0.15 / \$0.25	-	1,250,000	-	-	1,250,000
5/02/2021	4/02/2026	\$0.20 / \$0.30	-	3,000,000	-	-	3,000,000
20/04/2021	19/04/2026	\$0.20 / \$0.30	-	2,000,000	-	-	2,000,000
			19,800,000	7,500,000	-	(1,800,000)	25,500,000

The weighted average share price during the financial year was \$0.085 (2021: \$0.084).

The weighted average remaining contractual life through to the expiry date of share performance rights outstanding at the end of the financial year was 3.25 years (2021: 3.60 years).

For share performance rights granted during the current financial year, the valuation input models used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Vesting price: 18 mths / 30 mths	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date: 18 mths / 30 mths
2022							
21/01/2022	20/01/2027	\$0.110	\$0.20 / \$0.30	62%	-	0.91%	\$0.089 / \$0.072
24/02/2022	23/02/2027	\$0.100	\$0.20 / \$0.30	62%	-	0.91%	\$0.072 / \$0.057
18/05/2022	17/05/2027	\$0.090	\$0.20 / \$0.30	62%	-	0.91%	\$0.066 / \$0.053

The performance rights will vest provided the following conditions are met:

- The employee is continuously employed or continues to provide services to the Group up to the vesting period;
- The following applies to 50% of the total number of performance rights that may vest (tranche A):
 - Comms Group Share price hurdle of either \$0.125, \$0.15 or \$0.20 (whichever is applicable to the employee) achieved during the term. The share price hurdle must be reached on at least 20 consecutive trading days at any time during the term of the performance rights in order to satisfy this hurdle. The minimum vesting period is 18 months from grant date;
- The following applies to 50% of the total number of performance rights that may vest (tranche B):
 - Comms Group Share price hurdle of either \$0.25, \$0.20 or \$0.30 (whichever is applicable to the employee) achieved during the term. The share price hurdle must be reached on at least 20 consecutive trading days at any time during the term of the performance rights in order to satisfy this hurdle. The minimum vesting period is 30 months from grant date.

The exercise price is \$nil and the expiry date is 5 years after the grant date of the performance rights.

Issue of shares

There was no issue of shares to directors or other KMP as part of compensation during the year.

Issue of options

There was no issue of options to directors or other KMP as part of compensation during the year.

Directors' Report

(e) Service agreements

Director related entity remuneration

Benjamin Jennings is a director of Outforce Pty Ltd, which provide business process outsourcing services. Total amounts paid by the Group for the year ended 30 June 2022 were \$456,060 (2021: \$449,435). There was \$3,695 outstanding as a trade payable as at 30 June 2022.

Ryan O'Hare is a Director of Next Green Group Pty Ltd that owns Next Business Energy Pty Ltd who provides electricity to Next Telecom. Total amounts paid by the Group for the year ended 30 June 2022 were \$5,177 (2021: \$10,167). There was no fee outstanding as a trade payable as at 30 June 2022.

All transactions with these entities have been made on an arms-length basis.

Chief Executive Officer (CEO) and Managing Director employment contract

Comms Group has entered into an executive contract with Peter McGrath to govern his employment with the Group as CEO which includes:

- No fixed term;
- Total compensation of \$347,500 per annum (including superannuation entitlements);
- Maximum short term incentive of 35% of base salary plus superannuation entitlements primarily based on achievement of agreed KPIs if set by the by the People and Culture Committee and the Board, otherwise primarily based on the employees own performance and the financial performance of the Group relative to budget and the prior year;
- 9,000,000 performance rights under the performance Rights Plan, 50% subject to vesting at 12.5 cents per share, earliest of 18 months from grant date and 50% subject to vesting at 20 cents per share, earliest 30 months from grant date;
- 4,000,000 performance rights under the performance Rights Plan, 50% subject to vesting at 20 cents per share, earliest of 18 months from grant date and 50% subject to vesting at 30 cents per share, earliest 30 months from grant date
- The right to terminate the CEO's employment is nine months' notice by the Group and six months' notice by the CEO. Either party may elect to terminate employment in case of change of control and termination payment in the event of a change of control is nine months payment; and
- Non-compete restrictions on the employee for a period of up to six months post-employment.

Chief Financial Officer (CFO) employment contract

Comms Group has entered into an executive contract with Matthew Beale to govern his employment with the Group as Chief Financial Officer (CFO) which includes:

- Total compensation of \$254,049 per annum (including superannuation entitlements);
- 500,000 performance rights under the performance Rights Plan, 50% subject to vesting at 12.5 cents per share, earliest of 18 months from grant date and 50% subject to vesting at 20 cents per share, earliest 30 months from grant date;
- 1,000,000 performance rights under the performance Rights Plan, 50% subject to vesting at 15 cents per share, earliest of 18 months from grant date and 50% subject to vesting at 25 cents per share, earliest 30 months from grant date;
- 250,000 performance rights under the performance Rights Plan, 50% subject to vesting at 20 cents per share, earliest of 18 months from grant date and 50% subject to vesting at 30 cents per share, earliest 30 months from grant date;
- Maximum short term discretionary incentive of \$30,000 per annum primarily based on the employees own performance and the financial performance of the Group to budget and the prior year;
- The right to terminate the CFO's employment is four months' notice by the Group and three months' notice by the CFO. In the event termination occurs within twelve months of a change of control, then the Group gives six months' notice; and
- No non-compete restrictions post-employment.

(f) Additional disclosures relating to KMP

Shareholding

Key Management Personnel equity disclosures relate only to equity instruments of the Company.

The number of shares held in the Company during the year by each director or KMP of the Group including their relevant interests, is set out below:

Directors' Report

Ordinary shares	Total shares held 30 June 2021	Granted as compensation during the year	Received on grant of rights	Other movements – purchases	Total shares held 30 June 2022	Total shares at date of this report
John Mackay	1,656,250	-	-	-	1,656,250	1,656,250
Peter McGrath	14,024,813	-	-	4,431,254	18,456,067	18,456,067
Benjamin Jennings	15,257,192	-	-	317,879	15,575,071	15,575,071
Claire Bibby	270,334	-	-	-	270,334	270,334
Ryan O'Hare	45,227,300	-	-	911,273	46,138,573	46,138,573
Matthew Beale	1,985,790	-	-	1,115,800	3,101,590	3,101,590
Total	78,421,679	-	-	6,776,206	85,197,885	85,197,885

Shares issued on completion of business combinations

There were no shares issued on completion of business acquisitions to directors or KMP during the year.

End of Remuneration Report

Shares under option

There were no ordinary shares of Comms Group Limited under option at the date of this report. Options issued as compensation for corporate broking services have been cancelled subsequent to year-end.

Shares issued on the exercise of options

No shares were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted.

Shares under performance rights

Unissued ordinary shares of Comms Group Limited under performance rights at the date of this report are as follows:

Grant date	Vesting price: 18mths / 30 mths	Shares subject to performance rights
23/07/2019	\$0.125 / \$0.20	14,850,000
28/04/2020	\$0.125 / \$0.20	2,900,000
24/11/2020	\$0.125 / \$0.20	250,000
24/11/2020	\$0.15 / \$0.25	1,250,000
5/02/2021	\$0.20 / \$0.30	3,000,000
20/04/2021	\$0.20 / \$0.30	1,300,000
21/01/2022	\$0.20 / \$0.30	5,980,000
24/02/2022	\$0.20 / \$0.30	2,000,000
18/05/2022	\$0.20 / \$0.30	3,900,000
22/07/2022	\$0.15 / \$0.20	6,000,000
		41,430,000

Shares issued on the exercise of performance rights

No shares were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of performance rights granted.

Directors' Report

Proceedings on behalf of the Company

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

Non-audit services

BDO Audit Pty Ltd is the Group's auditor in accordance with section 327 of the Corporations Act 2001.

The Board of Directors, in accordance with advice from the Audit, Compliance and Risk Management Committee are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in note 30 do not compromise the external auditor's independence for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Corporate governance statement

Comms Group Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Comms Group Limited has reviewed its corporate governance practices against the Corporate Governance Principles & Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2022 corporate governance statement reflects the corporate governance practices in place throughout the 2022 financial year. The 2022 corporate governance statement which is approved at the same time as the Annual Report can be viewed at www.commsgroup.limited/corporate-governance

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



John Mackay
Director

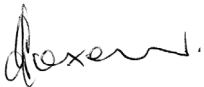
Sydney
24 August 2022

DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF COMMS GROUP LIMITED

As lead auditor of Comms Group Limited for the year ended 30 June 2022, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Comms Group Limited and the entities it controlled during the period.



Grant Saxon
Director

BDO Audit Pty Ltd

Sydney, 24 August 2022

Comms Group Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	30 June 2022	30 June 2021
		\$	\$
Revenue	4	41,046,537	25,120,500
Other income		296,883	108,768
		41,343,420	25,229,268
Cost of sales		(21,954,909)	(13,751,812)
Employee benefits expense	5	(11,765,196)	(6,169,988)
Administration expenses	5	(2,326,218)	(1,218,543)
Sales & marketing expenses		(1,154,892)	(788,002)
Information technology expenses		(1,163,987)	(776,516)
Professional fees		(617,206)	(463,649)
Property expenses		(256,184)	(147,608)
Other expenses		(3,696)	(54,804)
Finance expenses	5	(483,555)	(56,914)
Depreciation & amortisation	5	(2,396,882)	(1,126,889)
Profit / (loss) before income tax		(779,305)	674,543
Income tax (expense) / benefit	6	101,925	(106,254)
Profit / (loss) for the period		(677,380)	568,289
Other comprehensive income			
Foreign currency translation		(27,064)	13,399
Total comprehensive income attributable to shareholders		(704,444)	581,688
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the company:			
		Cents	Cents
Basic earnings per share	23	(0.19)	0.22
Diluted earnings per share	23	(0.19)	0.22

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

Comms Group Ltd

Consolidated Statement of Financial Position

	Notes	30 June 2022	30 June 2021
Current assets		\$	\$
Cash and cash equivalents		2,938,051	5,497,266
Trade and other receivables	8	4,939,410	4,103,837
Other current assets	9	1,949,077	807,062
Total current assets		9,826,538	10,408,165
Non-current Assets			
Property, plant & equipment	10	233,530	102,128
Right of use assets	11	3,194,120	1,466,598
Goodwill	12	20,622,808	15,614,886
Intangible assets	12	25,092,775	8,081,230
Deferred tax assets	13	2,478,455	1,996,794
Total non-current assets		51,621,688	27,261,636
Total assets		61,448,226	37,669,801
Current liabilities			
Trade and other payables	14	5,189,265	3,882,465
Deferred revenue	17	774,719	1,003,348
Provisions	18	1,135,038	462,814
Borrowings	19	750,000	-
Lease liabilities	15	927,886	365,003
Deferred consideration	16	5,362,318	-
Income tax payable		87,764	89,341
Total current liabilities		14,226,990	5,802,971
Non-current liabilities			
Provisions	18	308,445	258,445
Deferred tax liability	20	7,015,468	2,374,673
Borrowings	19	7,368,802	-
Lease liabilities	15	2,525,064	1,251,936
Total non-current liabilities		17,217,779	3,885,054
Total liabilities		31,444,769	9,688,025
Net assets		30,003,457	27,981,776
Equity			
Share capital	21	47,778,371	45,626,371
Share based payment reserves	22	981,088	409,253
Foreign currency translation reserve		(23,506)	3,558
Accumulated losses		(18,732,496)	(18,057,406)
Total Equity		30,003,457	27,981,776

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

Comms Group Ltd

Consolidated Statement of Changes in Equity

	Share capital	Share-based payments reserve	Foreign currency translation reserve	Retained earnings	Total
	\$	\$		\$	\$
Balance at 1 July 2020	32,988,263	489,453	(9,841)	(19,458,102)	14,009,773
Profit for the period to 30 June 2021	-	-	-	568,289	568,289
Foreign currency translation	-	-	13,399	-	13,399
Total comprehensive income for the period	-	-	13,399	568,289	581,688
Transactions with owners in their capacity as owners:					
Transfer of expired warrants to retained earnings	-	(340,290)	-	340,290	-
Contributions to equity net of transaction costs	5,967,575	-	-	-	5,967,575
Shares issued to vendors (note 28)	7,162,650	-	-	-	7,162,650
Expiry of equity-settled contingent consideration	(492,117)	-	-	492,117	-
Share based payments	-	260,090	-	-	260,090
Balance at 30 June 2021	45,626,371	409,253	3,558	(18,057,406)	27,981,776
Balance at 1 July 2021	45,626,371	409,253	3,558	(18,057,406)	27,981,776
Loss for the period to 30 June 2022	-	-	-	(677,380)	(677,380)
Foreign currency translation	-	-	(27,064)	-	(27,064)
Total comprehensive income for the period	-	-	(27,064)	(677,380)	(704,444)
Transactions with owners in their capacity as owners:					
Deferred consideration	152,000	(152,000)	-	-	-
Shares issued to vendors (note 28)	2,000,000	-	-	2,290	2,002,290
Share based payments	-	723,835	-	-	723,835
Balance at 30 June 2022	47,778,371	981,088	(23,506)	(18,732,496)	30,003,457

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

Comms Group Ltd

Consolidated Statement of Cash Flows

	Notes	30 June 2022	30 June 2021
Cash flows from operating activities			
		\$	\$
Receipts from customers (inclusive of GST)		46,296,741	27,126,021
Payments to suppliers and employees (inclusive of GST)		(44,152,328)	(26,150,665)
Interest received		823	621
Interest paid		(155,682)	(56,914)
Income tax paid		-	(28,410)
Net cash inflow from operating activities	7	1,989,554	890,655
Cash flows from investing activities			
Payments for intangible assets		(745,522)	(547,648)
Payments for property, plant & equipment		(152,570)	(20,261)
Payments for purchase of businesses, net of cash acquired	28	(10,715,482)	(2,710,399)
Income tax paid	28	(177,311)	-
Net cash outflow from investing activities		(11,790,885)	(3,278,308)
Cash flows from financing activities			
Lease payments		(776,686)	(392,617)
Proceeds from the issue of shares, net of transaction costs		-	5,870,099
Dividend paid		(100,000)	-
Net proceeds from borrowings	19	8,118,802	-
Net cash inflow from financing activities		7,242,116	5,477,482
Net (decrease) / increase in cash and cash equivalents		(2,559,215)	3,089,829
Cash and cash equivalents at the beginning of the period		5,497,266	2,407,437
Cash and cash equivalents at end of period		2,938,051	5,497,266

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

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

Note		Page
1	Corporate information	26
2	Summary of significant accounting policies	26
3	Segment reporting	32
4	Revenue	33
5	Individually significant profit or loss items	34
6	Income tax expense	35
7	Reconciliation of profit after tax to net operating activities	36
8	Trade and other receivables	36
9	Other current assets	38
10	Property, plant and equipment	38
11	Right of use assets	40
12	Intangibles	41
13	Deferred tax asset	43
14	Trade and other payables	44
15	Lease liabilities	44
16	Other liabilities	44
17	Deferred revenue	45
18	Provisions	45
19	Borrowings	46
20	Deferred tax liability	47
21	Share capital	47
22	Share based payments reserve	48
23	Earnings per share	49
24	Share based payments	50
25	Financial risk management	52
26	Commitments and contingencies	53
27	Entities within the consolidated group	53
28	Business combinations	54
29	Events after reporting date	57
30	Auditor's remuneration	57
31	Related party transactions	58
32	Parent entity information	59

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1 Corporate Information

The consolidated financial statements and notes represent those of Comms Group Limited (the “Company”) and its controlled entities (collectively, the “Group”) for the year ended 30 June 2022. The financial statements are presented in Australian dollars, which is the Group’s functional and presentation currency.

Comms Group Limited is a company limited by shares, incorporated and domiciled in Australia. The Company was listed on the Australian Securities Exchange (ASX) on 21 December 2017 and is the ultimate parent entity in the Group.

A description of the nature of the Group’s operations and its principal activities are included in the directors’ report, which is not part of the financial statements.

The financial report was authorised for issue by the Board of Directors on 24 August 2022.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Accounting Standards and Interpretations issued by the Australian Standards Board (AASB) and the Corporations Act 2001. Comms Group is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The Financial statements of Comms Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention unless otherwise indicated.

(iii) New standards and interpretations adopted

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current period.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2022 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the “consolidated entity”.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns 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 gained by the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

A list of controlled entities is contained in note 27 to the financial statements.

(c) Business combinations

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

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(d) Critical accounting estimates and judgements

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

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

(i) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward looking information, including accounting for the potential impacts of the COVID-19 pandemic.

(ii) Estimation of useful lives of assets

The Group reviews the estimated useful lives of property plant and equipment at the end of each financial year.

The Group adjusts the remaining effective useful life of its assets to better reflect their actual usage and future economic benefit.

(iii) Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2 (m). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

(iv) Recognition of deferred tax assets

The Group formed a tax consolidated group under Australian taxation law during the prior year. Historical losses accumulated by the operating subsidiaries in the group prior to and since acquisition by the Group have now been recognised in full as a deferred tax asset, in accordance with tax loss recoupment rules.

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

(v) Business combinations

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

(vi) Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

(vii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The fair value of share performance rights are determined by using the 30 day volume weighted average price (VWAP) as at grant date. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(viii) Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

(e) Revenue recognition

The Group recognises revenue as follows:

(i) Revenue from customers

Revenue recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

Contracts with customers can be summarised into the following distinct and separate transactions (there is no bundling of hardware, installation and monthly ongoing fees). The key driver for keeping these separate is efficiency of working capital; meaning it is advantageous to invoice separately upfront hardware and installation costs rather than finance them internally for later recovery from the monthly usage charges. By keeping the performance obligations separate it reduces the working capital drain on the business whilst making separation of transactions

easier to identify for revenue recognition:

- Voice network income;
- Data network income; and
- Managed services income.

The total price that is contracted to be paid for the above transactions are allocated to the contract stages and recognised as follows:

- Services which include – hosted voice, data and enterprise networks, managed IT services and cloud based communication enablement services are recognised over time on a straight line basis, as the services are rendered; and
- Hardware sales are recognised at the point in time where delivery has been made and control has been transferred to the customer.

Voice, data and managed services can either be billed in arrears for the preceding month's services or billed in advance of the following month's usage. Amounts billed in advance are recognised as deferred revenue on the statement of financial position.

(ii) Interest

Bank interest is recognised when received.

(iii) Other income

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

(f) Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(i) Investment allowances and similar tax incentives

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

(g) Cash and cash equivalents

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

(h) Trade 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 15–30 days. They are presented as current assets.

The Group 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

See note 8 for further information about the Group's accounting for trade receivables.

(i) Deferred revenue

Deferred revenue represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

(j) Property, plant and equipment

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

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

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

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

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

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

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

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

(k) 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 group 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.

(l) Intangible assets

(i) Goodwill

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

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

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

(ii) Customer contracts and brand

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

(iii) Internally generated software

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

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

Amortisation is calculated on a straight-line basis on all internally generated software products commencing from the time the asset is ready for use over the useful life of the asset not exceeding 5 years in any case.

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

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

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

(iv) Amortisation

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

- Customer contracts and brands 7-20 years
- Internally generated software 5 years

(m) Impairment of assets

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

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

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

(n) Trade and other payables

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

(o) Borrowings

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

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

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

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

(p) Borrowing costs

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

(q) 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 Group's incremental borrowing rate.

Lease payments comprise of 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. Variable lease payments are only included in measuring the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

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.

The Group recognised expenses for short term leases and low value leases on a straight line basis, in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(r) Provisions

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

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

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

2 Summary of significant accounting policies (continued)

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

(s) Employee benefits

(i) Short term employee benefits

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

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

(ii) Other long-term employee benefits

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

(iii) Defined contribution superannuation expense

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

(iv) Share-based payments

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

(v) Employee performance rights

The fair value of rights granted is recognised as an employee benefit expense with the corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted including any market performance conditions (e.g. the entity's share price), including the impact of any service and

non-market performance vesting performance conditions (e.g. sales growth targets), and including the impact of any non-vesting conditions.

(t) Contributed equity

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

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

(u) Dividends

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

(v) Goods and Services Tax (GST)

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

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

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

(w) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

3 Segment reporting

Identification of reportable operating segments

The Group has three operating segments under AASB 8 Operating Segments including Global (International, Wholesale and Enterprise), SME and ICT. These operating segments are based on the internal reports that are

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

3 Segment reporting (continued)

reviewed and used by the CEO and Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Other (non-operating) segments include the Head Office that accounts for the activities of the Board and other Group employees who provide services across the Group and other costs of being an ASX listed business.

On a monthly basis the CODM reviews each segments EBITDA that is prepared using the same accounting policies as those adopted in the financial statements.

	Global	SME	ICT	Other	Total
Revenue					
Sales to external customers	9,994,369	24,399,232	6,652,936	-	41,046,537
Intersegment sales	239,973	130,273	-	-	370,246
Total segment sales revenue	10,234,342	24,529,505	6,652,936	-	41,416,783
Less:					
Intersegment eliminations					(370,246)
Total revenue					41,046,537

Intersegment transactions

Intersegment transactions were made at market rates. Taking advantage of existing accounts and economies of scale, Global and SME purchase telecommunication services on behalf of each other. Intersegment transactions are eliminated on consolidation.

Intersegment receivables and payables

Intersegment receivables and payables are eliminated on consolidation.

Major customers

During the year ended 30 June 2022 no individual customer accounted for more than 10% of Group revenues.

The Group's revenues from external customers and non-current assets are predominantly domiciled in Australia.

4 Revenue

	Consolidated 30 June 2022	Consolidated 30 June 2021
Sales revenue	\$	\$
Voice revenue	19,279,568	14,675,827
Data revenue	11,997,342	5,523,471
Managed service revenue	9,769,627	4,921,202
	41,046,537	25,120,500

Sales revenue	\$	\$
Global division	9,994,369	11,735,498
SME division	24,399,232	13,385,002
ICT division	6,652,936	-
	41,046,537	25,120,500

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

4 Revenue (continued)

Disaggregation of revenue

The Group derives its revenue from the delivery of hosted voice, data and enterprise networks and cloud based communication enablement services that is recognised over the term of the contract. The table above provides a breakdown of revenue by major business line. As disclosed in note 3, the Group has three operating segments.

The disaggregation of revenue from contracts with customers is as follows;

	Consolidated 30 June 2022	Consolidated 30 June 2021
Timing of revenue recognition	\$	\$
Revenue recognised over time	39,675,844	24,561,211
Revenue recognised at a point in time	1,370,693	559,289
	41,046,537	25,120,500
Revenue from customers	35,328,797	18,471,176
Revenue from wholesale	5,717,740	6,649,324
	41,046,537	25,120,500

5 Individually significant profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Depreciation & amortisation		
Depreciation expense	70,838	40,846
Depreciation - right of use assets	763,766	325,442
Amortisation - customer contracts	1,097,450	530,495
Amortisation - brand	134,766	142,734
Amortisation - software	261,189	87,372
Amortisation - bundled equipment	68,873	-
Total depreciation & amortisation	2,396,882	1,126,889
Interest Expense		
Interest expense	362,916	-
Interest on lease liability	120,639	56,914
Total interest expense	483,555	56,914
Other costs		
Share based payments	723,835	260,090
Superannuation guarantee expense	888,749	445,610
Acquisition costs	793,200	582,116
Restructuring costs	38,127	-

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

6 Income tax expense

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Income tax expense / (benefit)		
Current tax	(42,270)	252,914
Deferred tax - origination and reversal of temporary differences	(59,655)	(606,923)
Deferred tax - recognition of prior year losses	-	460,263
Total income tax expense / (benefit)	(101,925)	106,254

The Group has tax losses available for use of \$2,029,254 all of which have been brought to account as deferred tax assets.

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Reconciliation of income tax expense / (benefit) and tax at the statutory rate		
Profit / (loss) before income tax	(779,305)	674,543
At the Group's statutory income tax rate of 25% (June 2021: 26%)	(194,826)	175,381
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible expenses	152,556	77,533
Application of carried forward losses not previously accounted for	-	(252,914)
Recognition of deferred tax assets for carried forward tax losses not previously accounted for	-	(354,009)
Deferred tax - origination and reversal of temporary differences	(59,655)	460,263
Income tax expense / (benefit)	(101,925)	106,254

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Profit / (loss) for the period	(677,380)	568,289
Adjustments for:		
Share based payments	723,835	260,090
Depreciation and amortisation	2,396,882	1,126,889
	2,443,337	1,955,268
Change in assets and liabilities:		
(Increase) / decrease in receivables	804,566	(657,315)
(Increase) / decrease in inventory	(312,880)	19,578
(Increase) / decrease in deferred tax	232,142	8,781
Increase / (decrease) in tax payables	(196,059)	26,250
Increase / (decrease) in payables	(19,444)	(352,266)
Increase / (decrease) in provisions	47,149	(103,529)
Increase / (decrease) in other working Capital	(1,009,257)	(6,112)
Net cash inflow from operating activities	1,989,554	890,654

8 Trade and other receivables

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Trade receivables	4,952,929	4,179,523
Less: provision for impairment of receivables	(156,675)	(75,686)
	4,796,254	4,103,837
Other receivables	143,156	-
Total trade and other receivables	4,939,410	4,103,837

(i) Classification of trade and other receivables

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

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

8 Trade and other receivables (continued)

(ii) Fair values of trade and other receivables

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

The expected credit losses (ECL) model directs the approach to determine the allowance for ECL on trade receivables to the lifetime ECL as there is no financing component in the receivable, nor is it a lease receivable.

This requires an allowance matrix be established that takes into account historical observed default rates which is adjusted for forward looking estimates.

Default rates do not exist in a structured or repetitive form. The nature of the service provided reduces the risk of default as opposed to a dispute. This is because;

- Credit ratings being applied on all contract wins;
- The ability to stop or disrupt telecom services for non-payment. For small businesses their phone (and phone number) is a vital tool for business survival. For larger businesses the phone or cloud based network is key to how they provide services and operate; and
- Disrupting payment is preceded by unpaid bill notices, the last ones which set out that non-payment activity is registered with a credit rating agency.

Based on what has been observed and business acquisitions made during the year, the following allowance matrix has been determined:

Not overdue: 1%, 1 to 30 days overdue: 3%, 31 days to 90 days overdue: 4% and more than 90 days overdue: 15%.

The ageing of the receivables and allowance for expected credit losses are as follows:

	Expected credit loss rate		Carrying amounts		Allowance for expected credit losses	
	2022 %	2021 %	2022 \$	2021 \$	2022 \$	2021 \$
Not overdue	1%	-	3,542,161	2,757,860	20,175	-
0 to 1 months overdue	3%	-	381,763	763,468	12,036	-
1 to 3 months overdue	4%	-	264,594	107,795	11,735	-
Over 3 months overdue	15%	14%	764,411	550,400	112,729	75,686
			4,952,929	4,179,523	156,675	75,686

Whilst some customers in industries more affected by the business challenges of the COVID-19 pandemic have experienced a fall in call volumes, through a greater focus on agreed credit terms and an extension to terms for some customers the Group has been able to minimise any credit losses to date.

Movements in expected credit losses of receivables are as follows:

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Opening balance	75,687	71,293
Addition - business combination	-	34,855
Provision for expected credit losses recognised during the year	151,664	-
Receivables written off during the year as uncollectible	(70,676)	(9,030)
Unused amount reversed	-	(21,431)
Closing balance	156,675	75,687

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

9 Other current assets

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Prepayments	956,323	496,054
Accrued revenue	95,192	13,865
Security deposits	550,947	247,709
Inventory	127,907	49,435
Bundled equipment	218,708	-
	1,949,077	807,062

10 Property, plant and equipment

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Computer Equipment	247,956	142,539
Less: Accumulated Depreciation	(163,272)	(117,555)
	84,684	24,984
Leasehold Improvements	157,128	33,045
Less: Accumulated Depreciation	(33,247)	(18,455)
	123,881	14,590
Office Furniture and Equipment	127,907	182,845
Less: Accumulated Depreciation	(111,912)	(133,400)
	15,995	49,445
Motor Vehicles	33,117	33,117
Less: Accumulated Depreciation	(24,147)	(20,008)
	8,970	13,109
Total property, plant and equipment	233,530	102,128

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

10 Property, plant and equipment (continued)

	Computer equipment	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2020	27,773	16,926	17,675	17,249	79,623
Additions - business combination	2,737	2,333	42,981	-	48,051
Additions	11,134	7,213	1,914	-	20,261
Disposals	-	(1,361)	(3,600)	-	(4,961)
Depreciation expense	(16,660)	(10,521)	(9,525)	(4,140)	(40,846)
Balance at 30 June 2021	24,984	14,590	49,445	13,109	102,128

	Computer equipment	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2021	24,984	14,590	49,445	13,109	102,128
Additions - business combination	-	49,208	-	-	49,208
Additions	102,630	72,651	5,216	-	180,498
Disposals	(1,411)	-	(26,055)	-	(27,466)
Depreciation expense	(41,519)	(12,568)	(12,611)	(4,140)	(70,838)
Balance at 30 June 2022	84,684	123,881	15,995	8,969	233,530

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

11 Right of use assets

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Land and buildings - right of use	4,319,612	1,985,701
Less: Accumulated depreciation	(1,206,088)	(532,961)
	3,113,524	1,452,740
Plant and equipment - right of use	188,294	30,917
Less: Accumulated depreciation	(107,698)	(17,059)
	80,596	13,858
	3,194,120	1,466,598

The Group leases buildings for its offices under agreements of 1, 3 and 5 years. The leases have various escalation clauses. If renewed, the terms of the leases are renegotiated. The movement in Land and buildings – right of use during the year includes the recognition of a Right of use asset of \$2,271,209 for the office leases that were acquired as part of the acquisition of onPlatinum.

The Group also leases equipment under agreements of between three to five years.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

12 Intangibles

	Customer contracts ⁽ⁱ⁾	Brand ⁽ⁱ⁾	Goodwill ⁽ⁱ⁾	Software	Internally generated software	Capital work in progress	Other	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance at 30 June 2021	11,252,145	4,321,597	24,446,330	2,989,839	631,446	399,955	13,954	44,055,266
Additions - business combination	14,035,998	2,421,763	5,858,882	82,892	-	-	7,091	22,406,626
Additions - business combination prior year	967,827	243,858	(850,960)	-	-	-	-	360,725
Additions during the period	-	-	-	328,741	-	416,781	-	745,522
Transfers during the period	-	-	-	-	493,613	(493,613)	-	-
Balance at 30 June 2022	26,255,970	6,987,218	29,454,252	3,401,472	1,125,059	323,123	21,045	67,568,139
Accumulated amortisation and Impairment								
Balance at 1 July 2021	(5,666,353)	(2,790,652)	(8,831,444)	(2,966,064)	(91,484)	-	(13,154)	(20,359,151)
Amortisation expense	(1,097,450)	(134,766)	-	(85,900)	(175,289)	-	-	(1,493,405)
Balance at 30 June 2022	19,492,167	4,061,800	20,622,808	349,508	858,286	323,123	7,891	45,715,583

⁽ⁱ⁾ Incorporates provisional accounting for onPlatinum business combinations (refer note 28).

Determination of CGU's

For the purposes of assessing the Group's intangible assets, management has identified three cash-generating units (CGUs) that make up the Group. These have been taken as the three operating divisions that the Group was restructured to and managed under during the year, including Global (International, Wholesale and Enterprise customers), SME (SME customers) and ICT (comprising the businesses of onPlatinum ICT Pty Ltd and Tango Technologies Pty Ltd acquired in February 2022). These three divisions generate cash flows that are largely independent of each other.

This determination differs from that as at 30 June 2021 when the CGUs were determined to be the underlying integrated business (Comms Group as at 31 December 2020) and individual businesses acquired during that year (Next Telecom and Binary Networks).

For 30 June 2022 the underlying business of Comms Group has been attributed in part to Global and SME divisions and the acquired businesses of Next Telecom, Binary Networks and Switched On attributed to the SME division (with all customers of those businesses being categorized as SME). The acquired business of onPlatinum has been attributed to ICT given its principal activities are those of managed IT services that generates cash flows independent of the Global and SME divisions.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

12 Intangibles (continued)

Goodwill is allocated to the following cash generating units:

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Global	4,785,047	4,785,047
SME	11,264,646	10,829,839
ICT	4,573,115	-
	20,622,808	15,614,886

The determination of the three CGU's (Global, SME and ICT) now reflects how the Group manages its individual customers, by grouping them according to how they are categorised as either an SME, Global or ICT customer. Typically the same categorised customer will have similar product and service requirements, generating efficiencies for the Group and better level of service for the customer if delivered and managed within the same division.

The recoverable amounts of the CGU were determined based on a value-in-use calculation, reflecting management forecasts for the first year and longer range projections for years two to five. Cash flows beyond the five-year period are extrapolated using a suitable growth rate determined by management, not exceeding the anticipated long-term average growth rate for the business in which the CGU operates.

The budget and projections used represent management's current projected growth expectations. In determining such assumptions, factors such as competitive dynamics, market opportunities, synergies from acquired businesses (both realised and unrealised) and cost control were all contemplated.

The key assumptions management have used in forecasting cash flow projections over the five-year period are set out below. During the period management have made short term growth projections and assumptions for value in use calculations, that reflect a stabilisation of economic challenges from the COVID-19 pandemic. Under these conditions, the recoverable amounts of the CGUs exceed their carrying amounts and no impairment has been recognised.

Key assumptions used for value-in-use calculations

When testing for impairment, the discounted future cash flows are assessed to determine the value-in-use of the CGU. The recoverable amount under the value-in-use method is then compared to the carrying value of the CGU to evaluate whether there is any impairment.

Management used the following key assumptions in determining the recoverable amounts of its intangible assets:

	Global	SME	ICT
Revenue growth - year 1	15.4%	4.4%	20.2%
Revenue growth - years 2 to 5	8.0%	3.0%	5.0%
Gross Margin	54.6%	41.6%	51.3%
Wage and Operating expenses growth	3.0% to 5.0%	3.0% to 5.0%	3.0% to 5.0%
Weighted average cost of capital (WACC)	12.0%	15.0%	7.1%
Terminal growth rate	3.0%	3.0%	3.0%
Risk factor to free cashflows	20.0%	10.0%	10.0%
Long term annual capital expenditure	\$0.15	\$0.15m	\$0.10m

Sensitivity analysis

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

The key sensitivities are as follows (all other assumptions remaining constant), movements of which may then require an impairment charge in the CGU.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

12 Intangibles (continued)

Cash Generating Unit	Key sensitivity		
	Revenue growth to decrease to below	Discount rate increase to more than	Risk factor on free cashflows to increase to more than
Global	2.3%	21.4%	64.7%
SME	-1.4%	20.5%	37.5%
ICT	-1.0%	14.1%	67.4%

Management believes that other reasonable changes in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

13 Deferred tax assets

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Deferred tax asset comprises temporary differences attributable to:		
Temporary differences	1,147,838	851,474
Carried forward losses	507,313	888,052
Acquisitions during the year	755,250	95,222
Amounts recognised in equity for capital raising	68,054	162,046
Deferred tax asset	2,478,455	1,996,794

Movements in deferred assets:		
Opening balance	1,996,794	1,955,015
Debited/(credited) to:		
- Relating to prior year losses brought on	(380,738)	606,923
- Relating to temporary differences	755,250	(757,839)
- Amounts recognised in equity for capital raising	107,149	97,474
- Acquisitions	-	95,221
Closing balance	2,478,455	1,996,794

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

14 Trade and other payables

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Trade payables	3,089,159	1,969,406
Accrued expenses	1,182,968	1,318,552
Payroll liabilities	623,848	345,326
GST liabilities	232,359	202,993
Other payables	60,931	46,188
	5,189,265	3,882,465

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

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

15 Lease liabilities

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Current	927,886	365,003
Non-current	2,525,064	1,251,936

Refer to note 25 for maturity information on lease liabilities.

16 Other liabilities

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Current		
Deferred consideration	5,362,318	-

Deferred consideration represents further consideration estimated to be payable for Switched On (based on the business' revenue of the first twelve months from completion) and for onPlatinum (Deferred payment to be paid on 1 July 2022 and additional consideration based on the earnings of this business for the December 2022 quarter).

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

17 Deferred revenue

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Deferred revenue	774,719	1,003,348
Reconciliation		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	1,003,348	1,029,735
Payments received in advance	684,430	843,027
Transfer to revenue	(913,059)	(869,414)
Closing balance	774,719	1,003,348

18 Provisions

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Current liabilities		
Annual leave	866,731	462,814
Long service leave	268,307	-
	1,135,038	462,814
Non-current liabilities		
Long service leave	308,445	258,445

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

19 Borrowings

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Current liabilities		
Term loan	750,000	-
Non-current liabilities		
Term loan	7,368,802	-
Financing arrangements		
Unrestricted access was available at the reporting date to the following lines of credit:		
Total facilities		
Bank overdraft	700,000	300,000
Bank term loans	10,000,000	-
	10,700,000	300,000
Used at the reporting date		
Bank overdraft	-	-
Bank term loans	8,118,802	-
	8,118,802	-
Unused at the reporting date		
Bank overdraft	700,000	300,000
Bank loans	1,881,198	-
	2,581,198	300,000

In February 2022 Comms Group Limited established a Term Loan facility of \$10m with its existing bank CBA, along with an increase to existing working capital facilities (\$0.7m overdraft & \$0.3m credit and procurement card facilities). The Term Loan facility has been used to cover the cash consideration components related to the upfront and deferred payments of the onPlatinum acquisition as well as associated transaction costs.

The Term Loan has a term of 3 years and repayments of \$0.125m for the September 2022 and December 2022 quarters and \$0.25m per quarter thereafter.

Security includes fixed and floating charges from Comms Group Limited and all subsidiaries and Guarantees from all Australian registered lending and non-lending Group entities.

Comms Group believe that all other negotiated terms and conditions are favourable and typical for facilities of this nature, including for pricing, covenants and conditions precedent and subsequent.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

20 Deferred tax liability

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Movements in deferred liabilities:		
Opening balance	2,374,673	1,018,263
Debited / (credited) to:		
- profit or loss	(380,533)	(44,663)
- intangible assets acquired on acquisition	5,021,328	1,401,073
	7,015,468	2,374,673

21 Share capital

	Consolidated 30 June 2022	Consolidated 30 June 2021	Consolidated 30 June 2022	Consolidated 30 June 2021
	Shares	Shares	\$	\$
Ordinary Shares - fully paid	361,320,543	340,329,715	47,778,371	45,626,371

Movements in ordinary share capital

	Date	Shares	\$
Opening balance	1 July 2020	191,392,259	32,988,263
Equity raising	22 December 2021	46,678,574	3,709,286
Less: transaction costs arising on share issues	22 December 2021	-	(206,361)
Add: tax effect of transaction costs arising on share issues	22 December 2021	-	53,653
Equity raising	29 January 2021	31,446,426	2,540,717
Less: transaction costs arising on share issues	29 January 2021	-	(173,540)
Acquisition of subsidiary	31 January 2021	70,812,456	6,670,533
Add: tax effect of transaction costs arising on share issues	31 January 2021	-	43,820
Balance 30 June 2021		340,329,715	45,626,371
Opening balance	1 July 2021	340,329,715	45,626,371
Issued to Vendor as deferred consideration	1 April 2022	2,000,000	152,000
Acquisition of subsidiary	10 February 2022	18,990,828 ⁽ⁱ⁾	2,000,000
Balance 30 June 2022		361,320,543	47,778,371

⁽ⁱ⁾ Issue of shares on the acquisition of on Group Holdings Pty Ltd subject to voluntary escrow conditions: 9,495,414 shares escrowed for 12 months commencing from completion of acquisition (9 February 2023) and 9,495,414 shares escrowed for 18 months commencing from completion of acquisition (9 August 2023).

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

21 Share capital (continued)

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital risk management

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The capital risk management policy remains unchanged from the prior year.

22 Share based payments reserve

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Opening balance	409,253	489,453
Share based payment expense	723,835	260,090
Transfer to retained earnings	-	(340,290)
Issue of shares as deferred consideration	(152,000)	-
Share based payments reserve	981,088	409,253

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

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

23 Earning per share

Reconciliation of earnings used in calculating profit per share

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Profit / (Loss) attributable to the ordinary equity holders of the company	(677,380)	568,289
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	348,107,019	257,500,852
Adjustments for calculation of diluted earnings per share:		
Retention shares issued on acquisition of subsidiary	-	997,260
Performance rights on issue	35,430,000	25,500,000
Adjustment for performance rights that are not dilutive	(35,430,000)	(25,500,000)
Options on issue	7,500,000	-
Adjustment for options that are not dilutive	(7,500,000)	-
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	348,107,019	258,498,112
	Cents	Cents
Basic earnings per share	(0.19)	0.22
Diluted earnings per share	(0.19)	0.22

There is no dilution impact arising from outstanding deferred consideration shares, warrants, options and performance related shares.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

24 Share based payments

Long Term Incentive Scheme

During the year a total of 12,680,000 performance rights were issued to Directors and Management under the Performance Rights Plan with 2,750,000 rights cancelled before the end of the year. 50% are subject to vesting at 20 cents per share, earliest of 18 months from grant date and the remainder 50% are subject to vesting at 30 cents per share, earliest 30 months from grant date.

Set out below are summaries of performance rights issued under the scheme:

Grant date	Expiry date	Vesting price: 18mths / 30 months	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
2022							
23/07/2019	22/07/2024	\$0.125 / \$0.20	15,100,000	-	-	(250,000)	14,850,000
28/04/2020	27/04/2025	\$0.125 / \$0.20	2,900,000	-	-	-	2,900,000
16/11/2020	15/11/2025	\$0.15 / \$0.25	1,000,000	-	-	(1,000,000)	-
24/11/2020	23/11/2025	\$0.125 / \$0.20	250,000	-	-	-	250,000
24/11/2020	23/11/2025	\$0.15 / \$0.25	1,250,000	-	-	-	1,250,000
5/02/2021	4/02/2026	\$0.20 / \$0.30	3,000,000	-	-	-	3,000,000
20/04/2021	19/04/2026	\$0.20 / \$0.30	2,000,000	-	-	(700,000)	1,300,000
21/01/2022	20/01/2027	\$0.20 / \$0.30	-	6,780,000	-	(800,000)	5,980,000
24/02/2022	23/02/2027	\$0.20 / \$0.30	-	2,000,000	-	-	2,000,000
18/05/2022	17/05/2027	\$0.20 / \$0.30	-	3,900,000	-	-	3,900,000
			25,500,000	12,680,000	-	(2,750,000)	35,430,000
2021							
23/07/2019	22/07/2024	\$0.125 / \$0.20	16,900,000	-	-	(1,800,000)	15,100,000
28/04/2020	27/04/2025	\$0.125 / \$0.20	2,900,000	-	-	-	2,900,000
16/11/2020	15/11/2025	\$0.15 / \$0.25	-	1,000,000	-	-	1,000,000
24/11/2020	23/11/2025	\$0.125 / \$0.20	-	250,000	-	-	250,000
24/11/2020	23/11/2025	\$0.15 / \$0.25	-	1,250,000	-	-	1,250,000
5/02/2021	4/02/2026	\$0.20 / \$0.30	-	3,000,000	-	-	3,000,000
20/04/2021	19/04/2026	\$0.20 / \$0.30	-	2,000,000	-	-	2,000,000
			19,800,000	7,500,000	-	(1,800,000)	25,500,000

The weighted average share price during the financial year was \$0.085 (2021: \$0.058).

The weighted average remaining contractual life of share performance rights outstanding at the end of the financial year was 3.25 years (2021: 3.60 years).

For share performance rights granted during the current financial year, the valuation input models used to determine the fair value at the grant date are as follows:

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

24 Share based payments (continued)

Grant date	Expiry date	Share price at grant date	Vesting price: 18 mths / 30 mths	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date: 18 mths / 30 mths
2022							
21/01/2022	20/01/2027	\$0.110	\$0.20 / \$0.30	62%	-	0.91%	\$0.089 / \$0.072
24/02/2022	23/02/2027	\$0.100	\$0.20 / \$0.30	62%	-	0.91%	\$0.072 / \$0.057
18/05/2022	17/05/2027	\$0.090	\$0.20 / \$0.30	62%	-	0.91%	\$0.066 / \$0.053

The performance rights will vest provided the following conditions are met:

- The employee is continuously employed or continues to provide services to the Company up to the vesting period;
- The following applies to 50% of the total number of performance rights that may vest (tranche A):
 - Comms Group Share price hurdle of either \$0.125, \$0.15 or \$0.20 (whichever is applicable to the employee) achieved during the term. The share price hurdle must be reached on at least 20 consecutive trading days at any time during the term of the performance rights in order to satisfy this hurdle. The minimum vesting period is 18 months from grant date;
- The following applies to 50% of the total number of performance rights that may vest (tranche B):
 - Comms Group Share price hurdle of either \$0.25, \$0.20 or \$0.30 (whichever is applicable to the employee) achieved during the term. The share price hurdle must be reached on at least 20 consecutive trading days at any time during the term of the performance rights in order to satisfy this hurdle. The minimum vesting period is 30 months from grant date.

The exercise price is \$nil and the expiry date is 5 years after the grant date of the performance rights.

Options Issued

During the year a total of 7,500,000 options were granted to a corporate stockbroker under a Share Option Deed dated 16 September 2021, as part consideration for corporate broking services, to subscribe for fully paid ordinary shares in Comms Group Limited.

Set out below are summaries of the Options issued under the Deed:

Grant date	Expiry date	Exercise price	Vesting conditions	Balance at the start of the year	Granted	Exercised	Balance at the end of the year
2022							
23/09/2021	23/09/2024	\$0.12	Immediately on issue	-	2,500,000	-	2,500,000
23/09/2021	23/09/2024	\$0.15	6 months after issue date	-	2,500,000	-	2,500,000
23/09/2021	23/09/2024	\$0.20	12 months after issue date	-	2,500,000	-	2,500,000
				-	7,500,000	-	7,500,000

For Options granted during the current financial year, the valuation input models used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
2022							
23/09/2021	23/09/2024	\$0.094	\$0.12	62%	-	1.10%	\$0.033
23/09/2021	23/09/2024	\$0.094	\$0.15	62%	-	1.10%	\$0.027
23/09/2021	23/09/2024	\$0.094	\$0.20	62%	-	1.10%	\$0.020

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

25 Financial risk management

The Group's financial instruments consist of cash at bank, trade and other receivables, and trade and other payables and a loan facility.

The main risks arising from the Groups financial instruments are interest rate risk, liquidity risk and credit risk. The Board has delegated the responsibility for assessing and monitoring financial risk to management. Management monitors these risks daily.

(i) Interest rate risk

The Groups interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(ii) Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due. The Group regularly monitors current and expected cash requirements to ensure that it maintains sufficient reserves of cash and adequate funding from banks to meet its liquidity requirements in the short and longer term.

The Directors of the Company regularly review the Group's cash flow projections prepared by management.

	Weighted average interest rate	1 year or less	1-5 years	Over 5 years	Total contractual flows	Carrying amount
	%	\$	\$	\$	\$	\$
Financial assets						
As at 30 June 2021						
Trade and other receivables	-	4,103,837	-	-	-	4,103,837
Cash at bank	-	5,497,266	-	-	-	5,497,266
Total financial assets	-	9,601,103	-	-	-	9,601,103
As at 30 June 2022						
Trade and other receivables	-	4,939,410	-	-	-	4,939,410
Cash at bank	-	2,938,051	-	-	-	2,938,051
Total financial assets	-	7,877,461	-	-	-	7,877,461
Financial liabilities						
As at 30 June 2021						
Trade and other payables	-	3,882,465	-	-	-	3,882,465
Lease liabilities	5.0%	365,003	1,251,936	-	-	1,616,939
Total financial liabilities	-	4,247,468	1,251,936	-	-	5,499,404
As at 30 June 2022						
Trade and other payables	-	5,189,265	-	-	-	5,189,265
Borrowings	5.9%	750,000	7,368,802	-	-	8,118,802
Lease liabilities	5.0%	927,886	2,525,064	-	-	3,452,950
Total financial liabilities	-	6,867,151	9,893,866	-	-	16,761,017

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

25 Financial risk management (continued)

Bank overdraft and leasing facility

The Group has a secured business overdraft facility with the Commonwealth Bank of Australia for up to \$700,000 and approved Term Loan of up to \$10,000,000. As at 30 June 2022 the overdraft was undrawn and the Term Loan was drawn to \$8,118,802.

(iii) Credit risk

The Group has no significant exposure to credit risk. For credit sales the Group only trades with recognised creditworthy third parties. It is the Group's policy that all customers who wish trade on credit terms are subject to credit verification procedures. Ageing analysis and ongoing credit evaluation are performed on the financial condition of the Group's customers and where appropriate, an allowance for expected credit losses is raised. In addition, receivable balances are monitored on an ongoing basis so that the Group's exposure to bad debts is not significant.

Credit terms for most customers are 15 to 30 days from month end. Customers are considered to be in default after 30 days with collection processes then taking place (subject to telecommunication industry regulations).

26 Commitments and contingencies

The Group has no contingent liabilities or capital commitments at 30 June 2022 (30 June 2021: nil).

27 Entities within the consolidated group

The following entities are included within the Consolidated Group:

Entity Name	Country of incorporation	% Consolidated 2022
Comms Group Limited (parent)	Australia	100%
CommsChoice Pty Limited	Australia	100%
Telegate Pty Ltd	Australia	100%
Commschoice Operations Pty Ltd	Australia	100%
Comms Group Services Pty Limited (previously Commschoice Australia Pty Ltd)	Australia	100%
TelAustralia Pty Ltd	Australia	100%
Comms Group Operations Pty Ltd (previously Woffle Pty Ltd)	Australia	100%
Syntel Pty Ltd	Australia	100%
Comms Group (International) Pte Ltd	Singapore	100%
SingVoip Pte Ltd	Singapore	100%
Next Telecom Pty Ltd	Australia	100%
Binary Networks Pty Ltd	Australia	100%
Binary Wholesale Pty Ltd	Australia	100%
on Group Holdings Pty Ltd	Australia	100%
onPlatinum ICT Pty Ltd	Australia	100%
onPlatinum ICT Pty Pte Ltd	Singapore	100%
Tango Technology Pty Ltd	Australia	100%
Comms Group International (UK) Ltd	United Kingdom	100%

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

28 Business combinations

onPlatinum acquisition

On 3 February 2022 Comms Group entered into a binding share purchase agreement to acquire 100% of the shares of onGroup Holdings Pty Ltd ("OnPlatinum"). The acquisition was completed on 11 February 2022 at which time Comms Group took control of the acquired business per the terms of the share purchase agreement.

onPlatinum offers four key product lines. These are Managed IT services, Cloud services, Data services and Voice services.

The total initial consideration of \$12.0m is based upon an EBITDA multiple of 6.0 times maintainable annual earnings of \$2.0m and consists of the following:

- Upfront payment of \$10.0m ("Upfront") comprising:
 1. Cash consideration of \$8.0m; and
 2. \$2.0m in Comms Group ordinary shares issued at 10.5 cents per share, with 100% escrowed for a period of 12 months and 50% escrowed for a period of 18 months from date of completion.
- Deferred payment to be paid on 1 July 2022 ("Deferred") comprising:
 1. A further cash payment of \$1.0m; and
 2. \$1.0m in CCG ordinary shares issued at the lower of the 30-day VWAP or the closing share price at the issue date with a floor price of 5c per share.

An adjustment for working capital and net debt of \$.026m has also been paid and an additional \$0.23m is payable for excluded (overdue) debtors once the excluded debt is paid by the customer.

In the event onPlatinum's equivalent annual earnings as measured by the audited EBITDA of the December 2022 quarter exceeds the maintainable annual earnings of \$2.0m that the total initial consideration was based upon, the vendors will be entitled to additional consideration as follows:

- Up to a maximum of \$6.0m, equal to 24.0 times the audited EBITDA of the December 2022 quarter less the total initial consideration.
- In the event of the additional consideration being due it will be paid as follows:
 1. 80% in cash; and
 2. \$1.0m in CCG ordinary shares issued at at the lower of the 30-day VWAP or the closing share price at the issue date with a floor price of 5c per share.

The acquisition provides additional product and service offerings for Comms Group's existing customer base, strengthening Comms Groups' position in the mid-market corporate customers in the Queensland and NSW markets. The business has approximately 500 customers with an average revenue per customer of circa \$3,000 per month and generally aims to have customers on longer term contracts of 3 plus years.

A dividend was payable to the vendors of onPlatinum at the date of acquisition that was subsequently paid out following the completion of the acquisition as disclosed in the Statement of Cash Flows.

onPlatinum contributed \$6.65m to Group revenue and \$0.17m to Group net profit before tax from the date of acquisition to 30 June 2022. For the financial year ended 30 June 2022, as a standalone entity revenue was \$16.04m and total profit before tax was \$0.63m.

Comms Group has incurred acquisition related costs of \$0.55m to 30 June 2022.

The purchase price of \$14.26m has been allocated on a provisional basis as set out below, to the assets acquired and liabilities assumed in the business combination.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

28 Business combinations (continued)

	Total \$
Cash and cash equivalents	432,776
Trade receivables	1,498,868
Other assets	285,944
Intangible assets customer contracts and other	10,369,225
Intangible assets brands	2,194,825
Property, plant & equipment	49,670
Right of use asset	2,271,209
Deferred tax assets	753,111
Other long term assets	273,810
Trade and other payables	(1,511,509)
Employee provisions	(707,553)
Lease liabilities	(2,335,889)
Other liabilities	(33,750)
Income tax payable	(169,988)
Deferred tax liability on customer contracts, brands and other	(3,686,319)
Net asset acquired	9,684,430
Goodwill	4,573,114
Acquisition-date fair value of the total consideration	14,257,544
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration	14,257,544
Less: shares issued as consideration	(2,000,000)
Less: deferred consideration	(4,678,393)
Less: cash and cash equivalents	(432,776)
Net cash used	7,146,375

Trade receivables acquired comprise gross contractual amounts due of \$1.49m and Comms Group, based on its best estimate at the acquisition date, expects to collect the entire amount.

The initial accounting for customer contracts, brands and goodwill has been determined provisionally, whilst additional information in relation to the analysis and validation of transitioning customers is obtained, and as such the final purchase price allocation is yet to be determined.

Goodwill of \$4.57m is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

28 Business combinations (continued)

Switched On acquisition

On 31 August 2021 Comms Group acquired the operating assets and liabilities of Switched On – Victoria Pty Ltd (Switched On). Consideration includes a cash payment of upfront \$3.655m and a deferred cash payment of up to \$0.645m dependent upon the business' revenues in the first twelve months from completion. The acquisition includes the employment of the vendor for a minimum period of twelve months.

Switched On is a Melbourne based telecommunication service provider focused on the SME market, with over 900 customers. Its services include voice and data solutions, mobile services, business phone system installation and maintenance and managed IT support services. The acquisition further strengthens Comms group's position in the Melbourne market and bolsters its sales capability in this region. All staff continue as employees of Comms Group including the founder who has entered an employment agreement for one year post completion. The acquisition will provide an increase of cross-selling opportunities for acquired and existing Comms Group customers.

Switched On contributed \$2.13m to Group revenue and \$0.71m to Group profit before tax for the year.

Comms Group has incurred acquisition related costs of \$0.20m to 30 June 2022.

Acquisition accounting for the consideration and the assets and liabilities acquired has been finalised at 30 June 2022. These values are set out below.

	Total \$
Other assets	182,582
Intangible assets customer contracts	3,756,756
Intangible assets brands	226,938
Deferred tax assets	2,139
Employee provisions	(8,557)
Other liabilities	(182,991)
Deferred tax liability on customer contracts and brands	(995,923)
Net asset acquired	2,980,944
Goodwill	1,285,683
Net assets acquired	4,266,627
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration	4,266,627
Less: deferred consideration	(697,520)
Net cash used	3,569,107

Goodwill of \$1.3m is attributable mainly to expected synergies and assembled workforce arising from the acquisition.

Income taxes paid – acquired businesses

During the year the Group paid income taxes owed by acquired businesses for periods prior to acquisition, including \$96,700 for Next Telecom Pty Ltd and \$80,610 for on Group Holdings Pty Ltd. These Liabilities were included when determining consideration paid for these businesses.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

29 Events after reporting date

On 1 July 2022 deferred consideration of \$2.0m was paid to the vendors of onPlatinum including a cash payment of \$1.0m and \$1.0m of CCG ordinary shares at 7.5 cents per share, in accordance with the share purchase agreement. A further cash payment of \$0.26m was also made on the same date, finalising the amount owing for the working capital and net debt acquired.

On 16 August 2022 a Deed of Termination was executed cancelling the 7,500,000 options granted to the corporate stockbroker on 16 September 2021, cancelled at no consideration to either party.

Whilst the impact of the Coronavirus (COVID-19) pandemic is ongoing, the impact on the Group continues to lessen particularly as the Group's customer base and product offering continues to diversify. Should more aggressive strains appear, the impact will be dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

30 Auditor's remuneration

The auditor of Comms Group is BDO Audit Pty Ltd.

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Remuneration of auditor BDO and related entities		
Audit and review of financial statements	171,378	112,433
Non-audit fees: Taxation services	18,000	20,547
Non-audit fees: Financial due diligence	152,000	67,000
	341,378	199,980

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

31 Related party transactions

Parent entity

Comms Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel

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

Compensation

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

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Short-term employee benefits	809,832	737,360
Post-employment benefits	62,630	53,798
Share-based payments	177,169	143,078
Total key management personnel remuneration	1,049,631	934,236

Transactions with related parties

Benjamin Jennings is a director of Outforce Pty Ltd, which provide business process outsourcing services. Total amounts paid by the Group for the year ended 30 June 2022 were \$456,060 (2021: \$449,435).

Ryan O'Hare is a Director of Next Green Group Pty Ltd that owns Next Business Energy Pty Ltd who provides electricity to Next Telecom. Total amounts paid by the Group for the year ended 30 June 2022 were \$5,177 (2021: \$10,167).

For the period to 30 June 2022 Next Green Group Pty Ltd paid rent to the Group of \$62,000 and acquired telecommunication services from the Group of \$47,437.

Receivable from and payable to related parties

As at 30 June 2022 Jennings Partners Chartered Accountants owes \$1,536 for communication services provided to that date.

As at 30 June 2022 Outforce Pty Ltd, which provide business process outsourcing services, was owed \$3,695.

As at 30 June 2022 Next Business Energy Pty Ltd owes \$3,917 for telecommunication services provided to that date.

Loans to/from related parties

None.

Deferred consideration available with related parties

None.

Comms Group Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

32 Parent entity information

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

	Consolidated 30 June 2022	Consolidated 30 June 2021
	\$	\$
Statement of profit or loss and other comprehensive income		
Total comprehensive loss for the year	(3,040,983)	(1,392,483)
Statement of financial position		
Current assets	5,285,155	4,714,760
Total assets	38,547,018	23,620,830
Current liabilities	7,276,722	97,246
Total liabilities	5,314,821	516,763
Net assets	23,165,386	23,104,067
Equity		
Issued capital	47,656,411	45,504,411
Share based payment reserve	981,088	409,252
Retained earnings	(25,472,113)	(22,809,596)
Total equity	23,165,386	23,104,067

Guarantees entered into by the parent entity

An interlocking guarantee has been provided by the parent for the subsidiaries, as part of the security provided to the CBA for the Term Loan and other facilities it has provided the Group.

Contingent liabilities entered into by the parent entity

The parent entity had no contingent liabilities as at 30 June 2022.

Capital commitments – property plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2022.

Directors' Declaration

In the Directors' opinion:

1. the financial statements and notes, as set out on pages 21 to 59, are in accordance with the Corporations Act 2001 and:
 - (a) comply with the Australian Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements;
 - (b) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements: and
 - (c) give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board



John Mackay
Director

Sydney
24 August 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Comms Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Comms Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other 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 report, including a summary of significant accounting policies 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 2022 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p>Accounting for business combinations</p> <p>As disclosed in Note 28 of the financial report, the Group completed the acquisitions of Switched On, and on Group Holdings Pty Ltd during the financial year.</p> <p>The audit of the accounting treatment for these transactions is considered a key audit matter, given the acquisitions were material to the Group and involved elements of significant complexity and judgement, including;</p> <ul style="list-style-type: none"> • Determination of the fair value of the consideration transferred, including elements of contingent consideration relating to an earn-out mechanism; and • Determination of the fair value of the assets and liabilities acquired, including identifiable intangible assets and goodwill. 	<p>Our audit procedures to address this key audit matter included, but were not limited to;</p> <ul style="list-style-type: none"> • Obtaining and reviewing the executed Share Purchase Agreements and other key documents, to understand the key terms and conditions of the transactions; • Performing an assessment of the fair value of the consideration transferred, agreeing to relevant supporting information and challenging key assumptions applied in determining the fair value of the consideration transferred; • Evaluating the fair value of the identifiable assets and liabilities acquired, agreeing balances recognised at acquisition date to supporting documentation; • Assessing management’s estimation of the fair value of the identifiable intangible assets acquired, including; <ul style="list-style-type: none"> • Evaluating the methodology applied by management in determining the fair value of the assets; • Reviewing and challenging the key assumptions applied in deriving the fair value of the assets and liabilities; • Reviewing the allocation of the purchase price across the identifiable assets and liabilities of the businesses, ensuring any excess consideration is recognised as goodwill on acquisition, noting the accounting for the on Group Holdings transaction was provisional at 30 June 2022. • Ensuring the disclosures within the financial report are adequate in accordance with the requirements within AASB 3 <i>Business Combinations</i>.

Key audit matter	How the matter was addressed in our audit
<p>Impairment of Intangible Assets</p> <p>The Group recognises a material balance of goodwill and other intangible assets as a result of historical business combinations, as detailed in Note 12 to the financial statements.</p> <p>This matter is considered significant to our audit given the material nature of these intangible assets to the Group, and the addition of further material balances as a result of business combinations completed during the financial year.</p> <p>The assessment of impairment for intangible assets within each identified CGU involves critical accounting estimates and judgements, specifically in relation to forecast revenue and cash flows, which is affected by future market and economic conditions.</p> <p>As a result of their impairment testing, management concluded that no impairment charge was required of the goodwill and other intangible assets as at 30 June 2022.</p> <p>As a focus of our audit work, we assessed the value-in-use calculations prepared by management, ensuring that the carrying value of these assets at 30 June 2022 was not in excess of its recoverable amount.</p>	<p>Our audit procedures address this key audit matter included, but were not limited to;</p> <ul style="list-style-type: none"> • Evaluating management’s assessment of the cash-generating units (‘CGUs’), ensuring this is consistent with our understanding of the Group and internal reporting; • Evaluating the discounted cash flow (‘DCF’) model prepared by management to determine the value-in-use of the CGUs. This included challenging and substantiating the key assumptions made by management, such as forecast revenue growth, operating costs and discount rates; • Consulting with BDO valuation experts in order to assess the reasonableness of the methodology applied throughout the model and the discount rates management has applied; • Performing sensitivity analysis on the DCF model in order to assess the impact of changes to the key assumptions in the model on the value in use of the CGUs; and • Ensuring disclosure in the financial statements is adequate and meets the requirements of Australian Accounting Standards.

Key audit matter	How the matter was addressed in our audit
<p>Revenue recognition</p> <p>Revenue recognition has been a key focus of our audit, due primarily to the material nature of the balance as disclosed at Note 4 to the financial statements and the importance of the revenue balance to the users of the financial statements.</p> <p>Further, the complexity of the Group’s billing systems and the presence of manual journal entries to recognise amounts from these billing systems in the financial statements has resulted in an increased amount of auditor focus in gaining assurance on revenue recognition for the year-ended 30 June 2022.</p>	<p>Our audit procedures to address this key audit matter included, but were not limited to;</p> <ul style="list-style-type: none"> • Performing a reconciliation of the billing system to the general ledger, investigating significant reconciling items or manual adjustments; • Substantively testing a sample of individual revenue items recognised during the period to supporting documentation, including evidence of service delivery and payment; • Performing substantive analytical procedures in relation to the Group’s key sources of revenue, assessing revenue and gross margins against our expectations; and • Ensuring revenue recognition policies are adequate and meet the requirements of AASB 15 <i>Revenue from Contracts with Customers</i>.

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 2022, 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.

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 the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Comms Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd



Grant Saxon
Director

Sydney, 24 August 2022

Comms Group Limited

ASX Additional Information

30 June 2022

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is listed below.

The information is current as at 10 August 2022.

Distribution of shareholders

Securities

Fully paid ordinary shares

Fully Paid Ordinary Shares Escrowed 12 Months to 10 Feb 2023

Fully Paid Ordinary Shares Escrowed 18 Months to 10 Aug 2023

Analysis of numbers of equity holders by size holding:

	Total holders	Number of shares	Percentage
1 to 1,000	19	2,813	0.000
1,001 to 5,000	33	131,596	0.040
5,001 to 10,000	75	573,000	0.150
10,001 to 100,000	281	11,956,032	3.190
100,001 and over	240	361,990,436	96.620
	648	374,653,877	100.000

Comms Group Limited

ASX Additional Information

30 June 2022

Equity Security Holders

Twenty largest quoted equity security holders

	Number held	Percentage of total shares issued
NASHAR PTY LIMITED (Ryan O'Hare)	41,459,300	11.066%
ROBBIE BENNETTS ENTERPRISES PTY LTD	21,805,257	5.820%
GJFE INVESTMENTS PTY LTD	17,657,693	4.713%
BELL POTTER NOMINEES LTD	16,207,545	4.326%
AKAT INVESTMENTS PTY LIMITED	15,757,858	4.206%
MR MARK LAWRENCE MANION	15,668,161	4.182%
FORUM INVESTMENTS PTY LIMITED	15,610,000	4.167%
MR PETER MCGRATH & MRS JANICE MCGRATH	13,408,867	3.579%
JENNINGS GROUP INVESTMENTS PTY LTD	10,062,289	2.686%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,534,762	2.545%
GMNM CONSULTING PTY LTD	9,377,864	2.503%
OVERSCO PTY LTD	8,085,370	2.158%
BOVIDAE CAPITAL PTY LTD	6,832,264	1.824%
BASEJUMP PTY LTD	6,810,573	1.818%
MR MATTHEW WILLIAM BURGE	6,714,068	1.792%
VIE DE L'EAU PTY LTD	5,610,138	1.497%
BOVIDAE SF PTY LTD	5,363,066	1.431%
JAPEM PTY LTD	5,047,200	1.347%
TTOR PTY LTD	4,665,974	1.245%
TRAFALGAR CUSTODIANS PTY LTD	3,983,398	1.063%
Total securities of top 20 holdings	239,661,647	63.969%

Substantial shareholders

	Number held	Percentage of total shares issued
NASHAR PTY LTD (Ryan O'Hare)	46,138,573	12.31%
ROBBIE BENNETTS ENTERPRISES PTY LTD	22,098,993	5.90%
MR GRANT ELLISON	20,679,419	5.52%

Marketable parcel of ordinary shares

There were 66 shareholders holding less than a marketable parcel of 345,695 ordinary shares.

Comms Group Limited

ASX Additional Information

30 June 2022

Unquoted equity securities

	Number on issue	Number of holders
Performance rights	41,430,000	26

Voting rights

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

Ordinary shares

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

Performance rights

No voting rights.

Corporate Directory

Directors

John Mackay – Independent Non-Executive Chair
Peter McGrath – Executive Director and Chief Executive Officer
Benjamin Jennings – Non-Executive Director
Claire Bibby – Non-Executive Director
Ryan O'Hare – Non-executive Director

Secretary

Andrew Metcalfe

Notice of Annual General Meeting

The Annual General Meeting of Comms Group Limited
will be held at BDO Meeting Room, 1 Margaret Street Sydney NSW 2000
time 11.00 am
date 22 November 2022

Registered Office

Level 6, 56 Clarence Street
Sydney NSW 2000

Principal place of business

Level 6, 56 Clarence Street
Sydney NSW 2000

Share register

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Auditor

BDO Audit Pty Ltd
Level 11, 1 Margret Street
Sydney NSW 2000

Solicitors

Thompson Geer
Level 23, Rialto South Tower, 525 Collins Street
Melbourne VIC 3000

Bankers

Commonwealth Bank of Australia

Stock exchange listing

Comms Group Limited shares are listed on the Australian Securities Exchange (ASX code: CCG)

Website

www.commsgroup.limited/

investors@commsgroup.limited
www.commsgroup.limited

commsgroup
Global Cloud Communications