Cirrus Communications Pty Ltd

ACN 109 931 731

Consolidated Financial Statements

For the Year Ended 30 June 2020

Cirrus Communications Pty Ltd

ACN 109 931 731

Contents

For the Year Ended 30 June 2020

Directors' Report
30 June 2020

The directors present their report, together with the consolidated financial statements of the Group, being the Group and its controlled entities, for the financial year ended 30 June 2020.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Eric Heyde	Chief Technical Officer
Experience	Eric is a technologist and businessman. He has a PhD in electrical engineering, gained from working on the interface between microwave communications and optical fibres. He has worked as an investment banker and in the commercialisation of technology. He was the General Manager of Australian Photonics Pty Ltd and a founder and Chief Operating Officer of Redfern Photonics. He was a founder of Cirrus Communications Pty Ltd (later Swoop) and acted as its Chief Executive Officer for over 15 years.
James Spenceley	Executive Chairman - (Appointed 08 October 2019)
Experience	James is the Chairman of Cirrus and joined Cirrus in mid-2019. Prior to joining Cirrus, James was the founder and former CEO of Vocus Communications (now Vocus Group ASX:VOC), one of Australia's largest telecommunications companies. James founded Vocus in 2007 and when he left the business in 2016 it was a multi-billion dollar business and had become an ASX 100 Company. James has significant ASX experience and has completed or been part of 15 merger-and-acquisition deals worth $2.3 billion, including the listed, contested acquisition of Amcom Telecommunications Ltd. He has directly raised more than $750 million in equity across multiple businesses as either CEO, Chairman or investor. A former Ernest & Young Australian Entrepreneur of the year winner, he is also the Chairman of online job marketplace Airtasker, a Non-Executive Director of ASX listed Think Childcare (ASX:TNK) and is a Non-Executive Director of the children's charity, the Humpty Dumpty Foundation.
Matthew Hollis	Head of Sales & Marketing - (Appointed 08 October 2019)
Experience	Matt Hollis joined Cirrus in mid-2019 and has been managing successful high growth Sales, Marketing and Product teams in the IT&T space since 2005. Matt's journey as a sales leader started at PIPE Networks as their ninth employee. At PIPE Matt was able to learn from Bevan Slattery and Steve Baxter before PIPE Networks was acquired by TPG. Matt then moved to ASX-listed Vocus Group Limited where he worked for 7 years and helped to grow the sales team from 3 to 110 sales people, 10+ acquisitions and a market cap at peak of $5 billion. Matt most recently served as an Executive Director at ASX-listed Superloop, where he gained an in-depth insight into the telco landscape in Singapore and Hong Kong and worked alongside Jason Ashton, Michael Malone and Bevan Slattery.

1. General information (cont'd)

Information on directors (cont'd)

Christopher Howells	(Resigned 08 October 2019)
Experience	One of the co-founder's of Cirrus, he has been involved in multiple successful high growth technology startups since 1982 and co-founded NetComm (1981 – ASX listed 1992), Redfern Photonics and its six subsidiaries (1998 – private equity raising of $235M), and Cirrus (2004). Chris has a B.Comm (Econ) from UNSW and specialised in Computer and Communications, Sales and Marketing, starting in 1969. Chris has also advised and mentored multiple high-tech businesses. For nine years was on the Board of Sunnyfield, a leading disability charity.
James Douglas Reid	(Resigned 08 October 2019)
Experience	An experienced strategic business manager and sales and marketing executive. Doug has worked at IBM as Marketing Director, at Accenture as Director Sales and Operations at Drake International and as Director of Professional Services at Telstra. Doug has been an Executive Director of Cirrus since 2005, and was responsible for the Cirrus Channel program.
William Paul Reid	Chief Operating Officer
Experience	Paul is a hands-on ‘shareholder operator’ in Swoop and works full time in the overall management of the business. He has spearheaded the strategic direction model over the past 5 years. Prior to joining Cirrus in 2008, Paul was a Management Consultant with over 15 years of experience, holding roles as Principal at A.T Kearney, and Senior Management Consultant at Anderson Consulting. Paul has managed network deployment for Swoop across Australia along with the development of the Business Grade product and Wholesale Partner Channel. He has a Masters of Science (IT) from the University of Stirling and a Bachelor of Arts (Hons) from Kingston University.
Anthony Grist	Non-Executive Director - (Appointed 08 October 2019)
Experience	Mr Grist has extensive experience in the capital markets. He has been involved in the management of publicly listed companies across a range of industries both in Australia and overseas. Mr Grist is a former Head of Corporate Finance at an Australian stockbroking company. In 1990 he founded what became Albion Capital Partners. Mr Grist was co-founder and Chairman of ASX listed Amcom Telecommunications Ltd. He led the merger with Vocus Communications Limited helping create a major Trans-Tasman fibre optic carrier business and served as Deputy Chairman of the merged business. Until the in-specie distribution of its iiNet shareholding to Amcom shareholders, and ultimate takeover of iiNet by TPG, Amcom was the largest shareholder of iiNet Ltd, Australia’s 2nd largest DSL internet service provider. Mr Grist is a director of the PLC Foundation and a director of The Minderoo Foundation. Mr Grist has been Chair of Judging for the western region of Ernest & Young’s Entrepreneur of the Year program, as well as serving the national judging panel.

1. General information (cont'd)

Information on directors (cont'd)

Thomas Berryman	Chief Information Officer - (Appointed 30 April 2020)
Experience	Tom Berryman joined Swoop in early 2020, as part of the acquisition of his 2 companies, Anycast Holdings and Bosley Holdings. Having co-founded Anycast Networks in 2007, Tom oversaw the deployment of core network infrastructure into over 10 major overseas network markets, and developed Anycast as Australia's most connected IP network. In 2016 Tom acquired the DCSI business and transformed it from a "pre NBN" provider, to the disruptive, Fixed Wireless First broadband provider it is today. From 2014 to 2017 Tom served as a Director and Chair of The Internet Association of Australia (IAA), formerly the Western Australian Internet Association (IX Australia). Tasked with expanding the regional non-profit into a sustainable national peering partner of choice, under Tom's tenure IAA became the largest IP Peering network provider in Australia, and New Zealand. During his time with the association, Tom recruited and worked with senior staff from some of the world's largest internet companies, such as Twitter, Cloudflare, and Google. In 2018 Tom Joined the Victorian Chamber of Commerce & Industry advisory board to provide guidance and direction on policy and governance in business.
Robert Michael Reid	(Resigned 08 October 2019)
Experience	Founder of Frog Capital, a UK-based venture capital firm. Prior to Frog Capital, Mike spent 12 years as Director at 3i investing in a range of technology businesses. He was actively involved on the board of high-growth companies across the UK, US & Nordic regions. Mike started his career at Centrica. He is a member of the BVCA GP Committee and holds a BSc (hons) in Business Administration from the University of Bath, UK. As managing partner at Frog, he represents the firm on the board of Rated People, and Dynamic Action. Mike was the lead partner of Frog's successful investment in GB Group, Order Dynamics and Dealflo, and was closely involved with Frog's successful investments into Journey Group and SiC Processing.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group during the financial year was providing internet and telecommunications services.

No significant change in the nature of these activities occurred during the year.

2. Operating results and review of operations for the year

Operating results

The consolidated profit/(loss) of the Group amounted to $ 14,421,752 (2019: $ (2,875,560)).

2. Operating results and review of operations for the year (cont'd)

Review of operations

The 2020 Financial Year was a year of transformation for the Cirrus Business. The capital raise that was in planning from June 2019 was completed in a first tranche in October 2019, raising $5.5M and resulting in a major change of Board structure. Three of the existing Board members resigned from their positions to be replaced by three external members, comprising both executive and non-executives, with significant telco industry experience between them to provide guidance and direction for the Group. Further to this, a new Chief Executive Officer with over 20 years of telecommunications experience was appointed in February of 2020 with the previous CEO stepping down to fill a much-needed CTO role within the Group.

It was also in this year that the Group negotiated the acquisition of its two newest members, Anycast Holdings and Bosley Holdings, with completion finalising at the close of April 2020. These additions significantly increased group Revenues and EBITDA across the consolidated group and added both diversified customer segments (residential) and products (wholesale ISP/network services) to the organisation. These additional products and markets have enabled the group to continue to grow during the challenging times of the COVID-19 Pandemic and despite all company offices being forced to close temporarily and staff being re-deployed as a remote work force throughout March 2020 to date.

The operating result of the Company has generated a Net Profit of $14,421,752 (2019: Net Loss of $2,875,560); which is a significant change due to a number of factors. Whilst there was some benefiting from the additional revenues of the combined Anycast and Bosley operations, the main impact was from the accounting treatment of historical interest expense provisions from private loans in the head company that were forgiven during the capital raise process in October 2019. In addition, the acquisition of Anycast and Bosley led to an increased write-off in group depreciating assets that were effectively made obsolete from the merging of physical infrastructures from the three entities. This also has the effect of finishing with a very clean Group balance sheet leading into the new financial year.

3. Other items

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:
On 30 April 2020 the Group acquired 100% of the issued capital of Anycast Holdings Pty Ltd and Bosley Holdings Pty Ltd, for a purchase consideration of $7,025,000.

The acquisition is part of the Group’s overall strategy to list on the stock exchange and is expected to increase the current market share in the wholesale and residential internet provision sector and reduce overall costs thanks to economies of scale.

Events after the reporting date

Whilst the group continues to grow on a consolidated basis, one entity has suffered slightly during COVID from increased service cancellation requests as end customers experienced the operational impact of the global pandemic. However, this enabled the head company to meet the eligibility requirements of the Government JobKeeper assistance and receive the support throughout the September 2020 quarter; the company has subsequently managed to slow the customer churn and at this point in time does not expect to be claiming for the remainder of the assistance programme post September 2020.

In addition, there were share issues to executive staff as part of their agreed ESOP employment terms that were issued subsequent to FY2020 year end. These share issues were made to Alexander West and Matthew Hollis, who each received 7,897,520 shares for a loan consideration of $0.07 per share.

With the addition of the Anycast and Bosley businesses, the Group has met the criteria to exercise the further share options arranged from the original equity raising in October 2019 resulting in an additional $5.5M of capital being raised and received in September and October 2020.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which

3. Other items (cont'd)

Events after the reporting date (cont'd)

significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group .

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Cirrus Communications Pty Ltd.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 6 of the consolidated financial report.

Signed in accordance with a resolution of the Board of Directors:

W P Reid
W P Reid (Oct 30, 2020 16:27 GMT+11)
Director: ....
William Paul Reid

Dated 30 October 2020

Cirrus Communications Pty Ltd
ACN 109 931 731

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Cirrus Communications Pty Ltd and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

P. Pearman.

PAUL PEARMAN
PARTNER

DATE 30TH OCTOBER 2020

SYDNEY, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

Cirrus Communications Pty Ltd

ACN 109 931 731

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
Revenue	5	**9,224,313**	6,795,385
Other income	5	**17,098,326**	7,870
Cost of sales		**(3,117,176)**	(2,095,728)
Employee benefits expense		**(2,841,224)**	(1,613,143)
Depreciation and amortisation expense		**(3,721,241)**	(2,113,102)
Administrative expenses		**(836,106)**	(351,927)
Inpairment of plant and equipment		**(287,801)**	-
Other operating expenses		**(1,253,497)**	(850,797)
Finance costs		**(304,379)**	(2,654,118)
Profit/(loss) before income tax		**13,961,215**	(2,875,560)
Income tax benefit		**460,537**	-
Profit/(loss) for the year		**14,421,752**	(2,875,560)
Other comprehensive income			
Other comprehensive income for the year		**-**	-
Total comprehensive income/(loss) for the year		**14,421,752**	(2,875,560)

The accompanying notes form part of these financial statements.

Cirrus Communications Pty Ltd

ACN 109 931 731

Consolidated Statement of Financial Position

As At 30 June 2020

	Note	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**2,626,799**	144,021
Trade and other receivables	8	**1,410,997**	664,005
Inventories	9	**151,450**	-
TOTAL CURRENT ASSETS		**4,189,246**	808,026
NON-CURRENT ASSETS			
Property, plant and equipment	10	**7,685,470**	5,949,216
Deferred tax assets	22	**590,503**	-
Intangible assets	11	**6,202,707**	-
Right-of-use assets	14	**5,485,903**	-
Employee share loans	27	**4,984,427**	-
TOTAL NON-CURRENT ASSETS		**24,949,010**	5,949,216
TOTAL ASSETS		**29,138,256**	6,757,242
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**2,241,967**	1,659,093
Finance lease liabilities	20	**173,749**	-
Lease liabilities	14	**1,283,259**	-
Short-term provisions	15	**317,788**	-
Employee benefits	18	**576,751**	227,366
Other liabilities	17	**188,569**	-
TOTAL CURRENT LIABILITIES		**4,782,083**	1,886,459
NON-CURRENT LIABILITIES			
Finance lease liabilities	20	**174,285**	-
Deferred tax liabilities	22	**287,578**	-
Lease liabilities	14	**4,309,954**	-
Other financial liabilities	16	**-**	23,530,640
Employee benefits	18	**97,688**	39,145
TOTAL NON-CURRENT LIABILITIES		**4,869,505**	23,569,785
TOTAL LIABILITIES		**9,651,588**	25,456,244
NET ASSETS		**19,486,668**	(18,699,002)
EQUITY			
Issued capital	19	**29,563,457**	5,799,539
Retained earnings		**(10,076,789)**	(24,498,541)
TOTAL EQUITY		**19,486,668**	(18,699,002)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2020

2020

	Note	Ordinary Shares $	Redeemable Preference Shares $	Retained Earnings $	Total $
Balance at 1 July 2019		**5,799,539**	**-**	**(24,498,541)**	**(18,699,002)**
Profit attributable to members of the parent entity		**-**	**-**	**14,421,752**	**14,421,752**
Shares issued during the year	19	**16,613,918**	**7,150,000**	**-**	**23,763,918**
Balance at 30 June 2020		**22,413,457**	**7,150,000**	**(10,076,789)**	**19,486,668**

2019

	Note	Ordinary Shares $	Redeemable Preference Shares $	Retained Earnings $	Total $
Balance at 1 July 2018		5,799,539	-	(21,622,981)	(15,823,442)
Loss attributable to members of the parent entity		-	-	(2,875,560)	(2,875,560)
Balance at 30 June 2019		5,799,539	-	(24,498,541)	(18,699,002)

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**10,569,034**	7,484,069
Payments to suppliers and employees		**(8,977,713)**	(5,189,466)
Interest received		**208**	-
Finance costs		**(304,379)**	(27,587)
Income taxes paid		**(356,414)**	-
Net cash provided by/(used in) operating activities	28	**930,736**	2,267,016
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash paid on acquisition of subsidiary		**(919,809)**	-
Purchase of property, plant and equipment		**(3,624,571)**	(2,632,663)
Proceeds from sale of property, plant and equipment		**14,784**	-
Purchase of intangible assets		**(43,071)**	-
Net cash provided by/(used in) investing activities		**(4,572,667)**	(2,632,663)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received for issued preference share capital		**7,150,000**	-
Repayment of lease liabilities		**(811,459)**	-
Proceeds from/(repayment of) borrowings		**(213,832)**	190,000
Net cash provided by/(used in) financing activities		**6,124,709**	190,000
Net increase/(decrease) in cash and cash equivalents held		**2,482,778**	(175,647)
Cash and cash equivalents at beginning of year		**144,021**	319,668
Cash and cash equivalents at end of financial year	7	**2,626,799**	144,021

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

The consolidated financial report covers Cirrus Communications Pty Ltd and its controlled entities ('the Group'). Cirrus Communications Pty Ltd is a for-profit proprietary Group, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 30 October 2020.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001.*

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Change in Accounting Policy

Leases - Adoption of AASB 16

The Group has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

The impact of adopting AASB 16 is described below:

The Group as a lessee

Under AASB 117, the Group assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Group or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the consolidated statement of financial position (except for short-term leases and leases of low value assets).

The Group has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the consolidated statement of profit or loss on a straight line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition, the Group has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Group's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;

2 Change in Accounting Policy (cont'd)

Leases - Adoption of AASB 16 (cont'd)

- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2020 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the consolidated statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;

Financial statement impact of adoption of AASB 16

The Group has recognised right-of-use assets of $3,913,945 and lease liabilities of $3,913,945 at 1 July 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 7.00%.

	$
Operating lease commitments at 30 June 2019 financial statements	4,072,834
Discounted using the incremental borrowing rate at 1 July 2019	3,878,510
Lease liabilities recognised at 1 July 2019	3,878,510

3 Summary of Significant Accounting Policies

(a) Going concern

Notwithstanding the Group's deficiency in net working capital, the consolidated financial report has been prepared on the going concern basis. This basis has been adopted as the Group has received a guarantee of continuing financial support from the directors to allow the Group to meet its liabilities and it is the belief of the direcotrs that such financial support will continue to be made available.

(b) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity’s financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 25 to the financial statements.

3 Summary of Significant Accounting Policies (cont'd)

(c) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

Revenue from internet services is generally recognised once the service has been delivered.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

Presented within other income is a debt forgiveness agreement from all relevant parties confirming an irrevocable and unconditional waiver to the group, which comprises of unpaid consulting fees and the accrued interest on shareholder loans in accordance with conditions noted in the deed of waiver. Refer to note 5.

3 Summary of Significant Accounting Policies (cont'd)

(d) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- Taxable temporary differences arising on the initial recognition of goodwill.

- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

3 Summary of Significant Accounting Policies (cont'd)

(f) Goods and services tax (GST) (cont'd)

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Land and buildings

Land and buildings are measured using the cost model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and Equipment	33%
Motor Vehicles	25%
Office Equipment	20%-33%
Leasehold improvements	20%-25%
Networks	8%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(i) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

3 Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument’s category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income.

3 Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Financial liabilities

The Group’s financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group

3 Summary of Significant Accounting Policies (cont'd)

(i) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

to actions such as realising security (if any is held); or

- the financial assets is more than 90 days past due. Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

(j) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

3 Summary of Significant Accounting Policies (cont'd)

(k) Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i) the consideration transferred;

ii) any non-controlling interest; and

iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 10 years.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of two years.

Customer contracts

Customer contracts acquired at acquisition have a finite life and is carried at cost less any accumulated amortisation and impairment losses. The estimated useful life has been determined to be three years

License agreements

APNIC licenses acquired at acquisition have a finite life and are carried at cost less any accumulated amortisation and impairment losses. The estimated useful life has been determined to be five years.

3 Summary of Significant Accounting Policies (cont'd)

(k) Intangibles (cont'd)

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(l) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(m) Leases

For comparative year

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

For current year

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

3 Summary of Significant Accounting Policies (cont'd)

(m) Leases (cont'd)

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(o) Adoption of new and revised accounting standards

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for year ended 30 June 2020. Management are currently reviewing the impact of these new standards or amendments to the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the Group from 1 July 2020.

4 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

4 Critical Accounting Estimates and Judgments (cont'd)

Key estimates - business combinations (cont'd)

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

Key estimates - leases

The group has made certain estimates and assumptions concerning the inputs applied in its adoption of AASB 16 – Leases. The lease period terms of certain leases that are occupied, but with agreements that had expired or rolled over, were estimated by management based on their best estimate at reporting date on the likelihood of lease duration taking into consideration their assessment of the useful life of the assets held at the location. Management has deemed the assumption is appropriate based on substance that they expect to occupy the various locations into the foreseeable future as the locations are essential in providing services and deriving revenue for the Group.

Key estimates - intangibles

Customer contracts, relationships and license agreements were acquired as part of a business combination (see note 7 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on management's estimates over the timing of projected cash flows of the intangible assets over their estimated useful lives. Management's assessment of the fair value and estimated useful life is deemed appropriate based on independent valuations obtained at acquisition date.

Key estimates - property, plant and equipment

Capitalised labour costs incurred has been recognised as an asset when it is deemed probable that future economic benefit associated with the item will flow to the entity and the cost can be measured reliably. Management have made estimates when applying percentages of certain employee costs that are attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Management have deemed the allocated percentage of certain staff costs applied is appropriate based on their assessment of staff roles, responsibilities and divisions.

Notes to the Financial Statements

For the Year Ended 30 June 2020

5 Revenue and Other Income

Revenue from continuing operations

	2020	2019
	$	$
Revenue		
- Sale of services	**9,224,313**	6,795,385
	9,224,313	6,795,385
Other income		
- Interest income	**208**	620
- Other income	**24,002**	7,250
- Loan interest forgiven	**17,074,116**	-
	17,098,326	7,870
Total Revenue	**26,322,639**	6,803,255

6 Business Combinations

On 30 April 2020, the parent Group acquired 100% interest of Anycast Holdings Pty Ltd and Bosley Holdings Pty Ltd and resulted in Cirrus Communications Pty Ltd obtaining control of Anycast Holdings Pty Ltd and Bosley Holdings Pty Ltd. This acquisition is expected to increase the Group's share of this market and reduce costs through economies of scale.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value
	$
Purchase consideration:	
- Cash	1,600,000
- Equity instruments	5,425,000
Total purchase consideration	7,025,000
Assets or liabilities acquired:	
Cash	681,800
Trade and other receivables	913,100
Inventories	106,400
Plant and equipment	989,700
Loans receivable	203,300
Intangible asset - customer contract	2,268,797
Intangible asset - software	839,812
Intangible asset - licence agreements	536,095
Investments	9,000
Formation expenses	1,600
Trade payables	(889,300)
Borrowings	(724,300)
Provisions	(637,900)
Tax liabilities	(65,500)
Total net identifiable assets	4,232,604

6 Business Combinations (cont'd)

	Fair value $
Identifiable assets acquired and liabilities assumed	4,232,604
Consideration paid	7,025,000
Less: Identifiable assets acquired	4,232,604
Goodwill	2,792,396

Revenue of Anycast Holdings Pty Ltd and Bosley Holdings Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 30 April 2020 amounted to $ 2,638,516 with a profit after tax of $ 163,279.

The goodwill is attributable to synergies expected to be achieved from integrating the Group into the Group's existing businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

7 Cash and Cash Equivalents

	2020 $	2019 $
Cash at bank	**2,626,799**	144,021

8 Trade and Other Receivables

		2020 $	2019 $
CURRENT			
Trade receivables		**1,180,895**	657,675
Provision for impairment	(a)	**(46,546)**	(6,935)
Net trade receivables		**1,134,349**	650,740
Prepayments		**254,933**	-
Other receivables		**21,715**	13,265
Total current trade and other receivables		**1,410,997**	664,005

(a) Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined as follows, the expected credit losses incorporate forward looking information.

30 June 2020	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Expected loss rate (%)	**1.04**	**2.67**	**16.54**	**35.73**	
Gross carrying amount ($)	**890,118**	**155,892**	**78,687**	**56,198**	**1,180,895**
ECL provision	**9,286**	**4,168**	**13,013**	**20,079**	**46,546**

Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Trade and Other Receivables (cont'd)

(a) Impairment of receivables (cont'd)

30 June 2019	Current	< 30 days overdue	< 90 days overdue	> 90 days overdue	Total
Expected loss rate (%)	0.40	2.02	13.10	17.02	
Gross carrying amount ($)	446,891	204,417	3,001	3,366	657,675
ECL provision	1,839	4,130	393	573	6,935

9 Inventories

	2020 $	2019 $
CURRENT		
At cost:		
Finished goods	**151,450**	-
Total Inventory	**151,450**	-

Write downs of inventories to net realisable value during the year were $ NIL (2019: $ NIL).

10 Property, plant and equipment

	2020 $	2019 $
Plant and equipment		
At cost	**2,709,131**	1,098,215
Accumulated depreciation	**(1,960,686)**	(1,068,316)
Total plant and equipment	**748,445**	29,899
Leasehold improvements		
At cost	**15,363**	15,363
Accumulated depreciation	**(15,363)**	(15,363)
Total leasehold improvements	**-**	-
Motor vehicles		
At cost	**337,513**	141,583
Accumulated depreciation	**(197,736)**	(74,647)
Total motor vehicles	**139,777**	66,936
Office equipment		
At cost	**300,309**	190,740
Accumulated depreciation	**(213,479)**	(152,893)
Total office equipment	**86,830**	37,847

Notes to the Financial Statements

For the Year Ended 30 June 2020

10 Property, plant and equipment (cont'd)

Computer software		
At cost	**1,436,748**	1,180,878
Accumulated depreciated	**(1,143,703)**	(931,898)
Total computer software	**293,045**	248,980
Networks		
At cost	**26,957,315**	23,650,499
Accumulated depreciation	**(20,539,942)**	(18,084,945)
Total Networks	**6,417,373**	5,565,554
Total property, plant and equipment	**7,685,470**	5,949,216

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment	Motor Vehicles	Office Equipment	Computer Software	Leasehold Improvements	Networks	Total
	$	$	$	$	$	$	$
Year ended 30 June 2020							
Balance at the beginning of year	**29,898**	**66,936**	**37,847**	**248,981**	**-**	**5,565,554**	**5,949,216**
Additions	**825,118**	**125,007**	**77,294**	**255,870**	**24,189**	**3,306,815**	**4,614,293**
Disposals	**(14,771)**	**(3,136)**	**(1,273)**	**-**	**(23,915)**	**(245,106)**	**(288,201)**
Depreciation expense	**(91,832)**	**(49,029)**	**(27,006)**	**(211,806)**	**(274)**	**(2,209,891)**	**(2,589,838)**
Balance at the end of the year	**748,413**	**139,778**	**86,862**	**293,045**	**-**	**6,417,372**	**7,685,470**

Notes to the Financial Statements

For the Year Ended 30 June 2020

10 Property, plant and equipment (cont'd)

(a) Movements in carrying amounts of property, plant and equipment (cont'd)

	Plant and Equipment	Motor Vehicles	Office Equipment	Computer Software	Leasehold Improvements	Networks	Total
	$	$	$	$	$	$	$
Year ended 30 June 2019							
Balance at the beginning of year	35,973	83,286	34,060	187,136	-	5,089,200	5,429,655
Additions	-	12,406	24,723	216,742	-	2,378,792	2,632,663
Depreciation expense	(6,075)	(28,756)	(20,936)	(154,897)	-	(1,902,438)	(2,113,102)
Balance at the end of the year	29,898	66,936	37,847	248,981	-	5,565,554	5,949,216

11 Intangible Assets

	2020	2019
	$	$
Goodwill		
At cost	**2,726,617**	-
Patents and trademarks		
At cost	**43,071**	-
Accumulated amortisation and impairment	**(4,307)**	-
Net carrying value	**38,764**	-
Licenses and franchises		
Cost	**536,095**	-
Accumulated amortisation and impairment	**(16,667)**	-
Net carrying value	**519,428**	-
Computer software		
Cost	**839,812**	-
Accumulated amortisation and impairment	**(66,667)**	-
Net carrying value	**773,145**	-

Notes to the Financial Statements

For the Year Ended 30 June 2020

11 Intangible Assets (cont'd)

	2020	2019
	$	$
Customer contracts		
Cost	**2,268,797**	-
Accumulated amortisation and impairment	**(124,044)**	-
Net carrying value	**2,144,753**	-
Total Intangibles	**6,202,707**	-

(a) Movements in carrying amounts of intangible assets

	At cost	Goodwill	Total
	$	$	$
Year ended 30 June 2020			
Additions			
Additions through business combinations	**3,644,704**	**2,726,617**	**6,371,321**
Additions - internally generated	**43,071**	**-**	**43,071**
Amortisation	**(211,685)**	**-**	**(211,685)**
Closing value at 30 June 2020	**3,476,090**	**2,726,617**	**6,202,707**

12 Other non-financial assets

	2020	2019
NON-CURRENT		
Employee share loans	**4,984,427**	-

13 Trade and Other Payables

	2020	2019
CURRENT		
Trade payables	**1,620,719**	1,371,728
GST payable	**487,992**	232,186
Other payables	**133,256**	55,179
	2,241,967	1,659,093

14 Leases

The Group has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

The Group as a lessee

The Group has leases over a range of assets including land and buildings and network assets

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

Land and buildings

The Group leases land and buildings for their corporate offices and other buildings, the leases are generally between 3 - 10 years and some of the leases include a renewal option to allow the Group to renew for up to twice the non-cancellable lease term.

The corporate office lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Network access agreements

The Group leases has in place access agreements for maintenance of network equipment, The leases are can vary in length, with the access agreements usually being rolling 12-month agreements. In these instances The Group has determined the length of the lease to be the identifiable useful life of the equipment placed there on, which has been set at 7 years.

Dark Fibre agreements

The group has agreements to gain exclusive access to underground fibre cabling. The leases usually have an initial term of 36 months, after which they revert to a rolling month-to-month contract. In these instances The Group has determined the length of the lease to be the average length of time that they utilise the dark fibre cabling, which has been set at 7 years.

Right-of-use assets

	Land and Buildings	Network Assets	Total
	$	$	$
Year ended 30 June 2020			
Balance at beginning of year	74,574	3,803,936	3,878,510
Depreciation charge	(72,931)	(845,835)	(918,766)
Additions to right-of-use assets	194,964	2,331,195	2,526,159
Balance at end of year	196,607	5,289,296	5,485,903

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

14 Leases (cont'd)

	Current	Non-current	Lease liabilities included in this Consolidated Statement Of Financial Position
	$	$	$
2020			
Lease liabilities	**1,283,256**	**4,309,954**	**5,593,213**

Extension options

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises and the extension options are at the Group's discretion.

At commencement date and each subsequent reporting date, the Group assesses where it is reasonably certain that the extension options will be exercised.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	2020	2019
	$	$
Interest expense on lease liabilities	**(258,673)**	-
Depreciation of right-of-use assets	**(918,766)**	-
	(1,177,439)	-
Total cash outflow for leases	**(811,459)**	-

15 Provisions

	2020	2019
CURRENT		
Expected site access payments	**317,788**	-

16 Financial Liabilities

	2020	2019
NON-CURRENT		
Borrowings	**-**	23,530,640

Notes to the Financial Statements

For the Year Ended 30 June 2020

17 Other Liabilities

	2020 $	2019 $
CURRENT		
Credit cards payable	**188,569**	-

18 Employee Benefits

	2020 $	2019 $
Current liabilities		
Provision for employee benefits	**576,751**	227,366
Non-current liabilities		
Long service leave	**97,688**	39,145

19 Issued Capital

	2020 $	2019 $
243,239,284 (2019: 5,864,277) Ordinary shares	**22,413,457**	5,799,539
118,571,428 (2019: 0) Preference shares	**7,150,000**	-
Total	**29,563,457**	5,799,539

(a) Ordinary shares

	2020 No.	2019 No.
At the beginning of the reporting period	**5,864,277**	5,864,277
Shares issued during the year	**237,375,007**	-
At the end of the reporting period	**243,239,284**	5,864,277

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Group does not have authorised capital or par value in respect of its shares.

(b) Redeemable preference shares

	2020 No.	2019 No.
Shares issued during the year	**118,571,428**	-

The holders of redeemable preference share are entitled to receive dividends. Redeemable preference shares do not carry the right to vote. All shares rank equally with regard to the Group's residual assets, except that holders of redeemable preference shares participate only to the extent of the fair value of the shares.

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Issued Capital (cont'd)

(c) Capital Management

The key objectives of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Group defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Group manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

20 Leasing Commitments

(a) Finance Leases

	2020	2019
	$	$
Minimum lease payments:		
- not later than one year	**187,447**	-
- between one year and five years	**184,208**	-
Minimum lease payments	**371,655**	-
Less: finance changes	**(23,621)**	-
Present value of minimum lease payments	**348,034**	-

Finance leases are in place for plant and machinery and motor vehicles and normally have a term between 1 and 5 years. The leases have terms of renewal but no purchase option or escalation clauses. Renewals are at the option of the entity holding the lease.

(b) Operating Leases

Minimum lease payments under non-cancellable operating leases:

	2020	2019
- not later than one year	**-**	1,038,990
- between one year and five years	**-**	3,033,844
	-	4,072,834

Refer to note 14 for information on leases held under AASB 16 at 30 June 2020.

21 Financial Risk Management

	2020	2019
	$	$
Financial assets		
Cash and cash equivalents	**2,626,799**	144,021
Trade and other receivables	**1,410,997**	664,005
Other financial assets	**4,734,427**	-
Total financial assets	**8,772,223**	808,026
Financial liabilities		
Financial liabilities	**2,778,570**	1,659,093
Financial liabilities at fair value		
Other financial liabilities at fair value	**-**	23,530,640
Total financial liabilities	**2,778,570**	25,189,733

Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group’s financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The day-to-day risk management is carried out by the Group’s finance function under policies and objectives which have been approved by the Board of Directors. The Chief Executive Officer and his financial controller have been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receive reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Group’s management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group’s policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

21 Financial Risk Management (cont'd)

Liquidity risk (cont'd)

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group review includes external ratings, if they are available, financial statements, credit agency information and industry information. Credit limits are established for each customer and the utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Board receive monthly reports summarising the turnover and trade receivables balance for the Group's customers analysed by industry sector

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. On a geographical basis, the Group has significant credit risk exposures in Australia given the location of its operations in those regions.

Notes to the Financial Statements

For the Year Ended 30 June 2020

21 Financial Risk Management (cont'd)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

22 Tax assets and liabilities

	Charged to Income $	Closing Balance $
Deferred tax assets		
Property, plant and equipment		
- Deprecation & amortisation	**225,875**	**225,875**
Provisions - employee benefits	**334,836**	**334,836**
Accruals	**15,061**	**15,061**
Provision for doubtful debt	**14,731**	**14,731**
Balance at 30 June 2020	**590,503**	**590,503**

	Charged to Income $	Closing Balance $
Deferred tax liabilities		
Prepayments	**12,272**	**12,272**
Intangible assets	**117,694**	**117,694**
Defered tax on acquisition	**157,612**	**157,612**
Balance at 30 June 2020	**287,578**	**287,578**

23 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

	2020 $	2019 $
Short-term employee benefits	**755,157**	301,723
Long-term benefits	**53,760**	39,250
	808,917	340,973

24 Auditors' Remuneration

Remuneration of the auditor for:		
- auditing or reviewing the financial statements	**50,000**	15,000
Total	**50,000**	15,000

Notes to the Financial Statements

For the Year Ended 30 June 2020

25 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2020	Percentage Owned (%)* 2019
Subsidiaries:			
Anycast Holdings Pty Ltd	Australia	**100**	-
Bosley Holdings Pty Ltd	Australia	**100**	-
Cirrus Integrations Pty Ltd	Australia	**100**	100
Anycast Networks (NZ) Ltd	New Zealand	**100**	-

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

26 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2020 (30 June 2019:None).

27 Related Parties

(a) The Group's main related parties are as follows:

Key management personnel - refer to Note 23.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

27 Related Parties (cont'd)

(b) Transactions with related parties (cont'd)

The following transactions occurred with related parties:

	Purchases	Sales	Other	Balance outstanding			
				Owed to the group	Owed by the group	Provision for bad debts	Bad debts expenses
	$	$	$	$	$	$	$
KMP related parties							
Share-based loan agreements	-	-	-	4,734,427	-	-	-
Entities with significant influence							
Purchases	140,722	-	-	-	6,600	-	-

(c) Loans to/from related parties

Unsecured loans were made to the ultimate parent entity, subsidiaries, key management personnel and other related parties on an arm's length basis. Repayment terms are set for each loan, which range from 1 to 3 years. Interest payable at 12.00% (2019: 12.00) and monthly principal and interest repayments are made over the terms of the loans. Loans are secured and repayable based on specific conditions outlined in the loan agreements.

	Opening balance	Closing balance	Loan balance forgiven	Interest paid/payable	Conversion into share capital
	$	$	$	$	$
Loans to KMP					
2020	**-**	**4,734,427**	**-**	**-**	**-**
Loans from related parties					
2020	**23,530,640**	**-**	**(17,946,114)**	**1,026,933**	**(6,611,459)**
2019	21,358,489	23,530,640	-	2,626,531	-

No interest is paid on the KMP loans, the loans are repayable within 6 months of any IPO process taking place. The loans are secured on the share capital.

Notes to the Financial Statements

For the Year Ended 30 June 2020

28 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2020	2019
	$	$
Profit for the year	**14,421,752**	(2,875,559)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**3,721,241**	2,124,892
- impairment of property, plant and equipment	**227,557**	-
- interest forgiven on related party loans	**(17,074,116)**	-
- interest on related party loans	**-**	2,626,531
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(747,224)**	579
- (increase)/decrease in inventories	**(151,450)**	-
- (increase)/decrease in deferred tax asset	**(748,115)**	-
- (increase)/decrease in working capital on acquisition of subsidiaries	**(503,649)**	-
- increase/(decrease) in trade and other payables	**579,356**	336,606
- increase/(decrease) in deferred tax liability	**287,578**	-
- increase/(decrease) in provisions	**725,719**	65,758
- increase/(decrease) in other liabilities	**192,087**	-
Cashflows from operations	**930,736**	2,278,807

29 Events Occurring After the Reporting Date

Whilst the group continues to grow on a consolidated basis, one entity has suffered slightly during COVID from increased service cancellation requests as end customers experienced the operational impact of the global pandemic. However, this enabled the head company to meet the eligibility requirements of the Government JobKeeper assistance and receive the support throughout the September 2020 quarter; the company has subsequently managed to slow the customer churn and at this point in time does not expect to be claiming for the remainder of the assistance programme post September 2020.

In addition, there were share issues to executive staff as part of their agreed ESOP employment terms that were issued subsequent to FY2020 year end. These share issues were made to Alexander West and Matthew Hollis, who each received 7,897,520 shares for a loan consideration of $0.07 per share.

With the addition of the Anycast and Bosley businesses, the Group has met the criteria to exercise the further share options arranged from the original equity raising in October 2019 resulting in an additional $5.5M of capital being raised and received in September and October 2020

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

30 Parent entity

The following information has been extracted from the books and records of the parent, Cirrus Communications Pty Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Cirrus Communications Pty Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the consolidated financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

Cirrus Communications Pty Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the ‘stand-alone taxpayer’ approach to allocation.

Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

Notes to the Financial Statements

For the Year Ended 30 June 2020

30 Parent entity (cont'd)

	2020 $	2019 $
Consolidated Statement of Financial Position		
Assets		
Current assets	**3,552,538**	808,026
Non-current assets	**24,949,010**	5,949,216
Total Assets	**28,501,548**	6,757,242
Liabilities		
Current liabilities	**4,782,083**	1,886,459
Non-current liabilities	**4,869,505**	23,569,785
Total Liabilities	**9,651,588**	25,456,244
Equity		
Issued capital	**29,563,457**	5,799,539
Retained earnings	**(10,076,789)**	(21,622,981)
Total Equity	**19,486,668**	(15,823,442)
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	**14,258,473**	(2,875,506)
Total comprehensive income	**14,258,473**	(2,875,506)

31 Statutory Information

The registered office of the company is:

Cirrus Communications Pty Ltd
Suite 15
809-811 Pacific Highway
Chatswood NSW 2067

The principal place of business is:

Suite 1A Level 2
10 William Street
Gosford
NSW 2250

Cirrus Communications Pty Ltd

ACN 109 931 731

Directors' Declaration

The directors of the Group declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

W P Reid

Director W P Reid (Oct 30, 2020 16:27 GMT+11)..............................

William Paul Reid

Dated 30 October 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CIRRUS COMMUNICATIONS PTY LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cirrus Communications Pty Ltd (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Cirrus Communications Pty Ltd, is in accordance with the Corporations Act 2001, including:

(a) Giving a true and fair view of the Group's financial position as at 30 June 2020, and of its financial performance for the year then ended; and
(b) Complying with the Australian Accounting Standards and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Going Concern

We draw attention to Note 3(a) to the financial report, which describes the Group's going concern position on 30 June 2020. Our opinion is not modified in respect of this matter.

Independence

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

PKF

Other Information (cont'd)

Our opinion on the financial report does not cover the other information and accordingly 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 Group 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 Group's ability 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PKF

PKF

P. Pearman

PAUL PEARMAN
PARTNER

DATE 30TH OCTOBER 2020
SYDNEY, NSW