CommsChoice Group Limited
Interim Financial Report
For the half year ended 31 December 2017
ACN 619 196 539

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Interim financial report – for the half year ended 31 December 2017

Contents

The Directors are pleased to present their report on the consolidated entity "Commschoice Group" or the "Group" consisting of Commschoice Group Limited (the "Company") and entities it controlled at the end of, or during, the financial half year end 31 December 2017.

Directors

The following persons were directors of the Company during the period or since the end of the half year up to the date of this report:

J A Mackay (appointed 11 October 2017) Independent Non Executive Chair

P J McGrath (appointed 11 October 2017) Independent Non Executive Director

C G Petricevic (appointed 18 May 2017) Non Executive Director

B J Jennings (appointed 11 October 2017) Non Executive Director

G J F Ellison (appointed 11 October 2017) Executive Director

S M Bell (appointed 11 October 2017) Non Executive Director

S A O'Brien (appointed 18 May 2017, resigned 25 October 2017)

Principal activities

CommsChoice Group is an information and communication technology (ICT) business, providing a comprehensive vendor agnostic ICT managed service. Commschoice Group services clients in Australia and internationally including New Zealand and Singapore.

The principal continuing activities of the CommsChoice Group are providing hosted voice, data, enterprise networks and cloud-based communication and communication enablement services to business customers in Australia and internationally.

In the half-year ended 2017, CommsChoice Group derived revenue from the sale of the above-mentioned communications services. These fees 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 was no significant change in the nature of the activity of the CommsChoice Group during the reporting period.

Dividends

The Directors have resolved not to pay an interim dividend for the period ending 31 December 2017.

Review of operations

The Commschoice Group was formed on 15 December 2017 with the acquisition of five information, communication and technology companies by Commschoice Group Limited. On 21 December 2017 the combined group was listed on the Australian Securities Exchange. The Group raised $7.5 million at 25 cents per share. Together with the equity held by the vendors, directors and senior management the total number of shares issued at listing was 102.89 million.

The result for the period to 31 December 2017 is comprised as follows:

Company	Activity	Date acquired	Results included to 31 December 2017
Commschoice Group Limited	Parent company	18 May 2017(incorporated)	6 months to 31 December 2017
Commschoice Pty Ltd	Operating subsidiary	15 December 2017	16 days to 31 December 2017
Telegate Pty Ltd (including Syntel Pty Ltd, Telegate Singapore Pte Ltd & SingVoip Pte Ltd	Operating subsidiary	15 December 2017	16 days to 31 December 2017
Oratel Pty Ltd	Operating subsidiary	15 December 2017	16 days to 31 December 2017
TelAustralia Pty Ltd	Operating subsidiary	15 December 2017	16 days to 31 December 2017
Woffle Pty Ltd	Operating subsidiary	15 December 2017	16 days to 31 December 2017

The consolidated half-year ended 31 December 2017 loss from ordinary activities after income tax amounted to $3.33 million, excluding IPO and transaction related costs the underlying result for the period was a loss after tax of $0.2 million. As the Company and the Group did not exist as at the same period in the prior year there are no comparative results.

Segment information has not been included for the sixteen days from acquisition to the 31 December 2017.

Significant changes in the state of affairs

On 15 December 2017, Commschoice Group Limited acquired five complementary ICT businesses for a total consideration of $25.2 million. Of the total consideration $18.0 million was paid / issued on acquisition. The balance will be available to be paid to the vendors on finalisation of the completion accounts and at the expiration of the claims retention period in February 2019.

Event since the end of the period

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected the CommsChoice Group's operations, results or state of affairs, or may do so in future years.

Insurance of officers and indemnities

During the period, CommsChoice Group Ltd paid a premium of $40,500 to insure the directors and secretaries 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 CommsChoice Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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 3.

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

Peter McGrath
Director

Melbourne
22 February 2018

pwc

Auditor's Independence Declaration

As lead auditor for the review of CommsChoice Group Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Paul Lewis
Partner
PricewaterhouseCoopers

Melbourne
22 February 2018

CommsChoice Group Limited
ACN 619 196 539
Consolidated financial report – for the half year ended 31 December 2017

Contents

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with any public announcements made by CommsChoice Group Limited during the half-year reporting period.

The financial statements cover CommsChoice Group Limited as a consolidated entity consisting of CommsChoice Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is CommsChoice Group Limited's functional and presentation currency.

CommsChoice Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

50 New Street
Ringwood VIC 3134
Australia

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

These condensed interim financial statements were approved for issue on 22 February 2018.

The directors have the power to amend and reissue the financial statements.

CommsChoice Group Limited
Consolidated statement of comprehensive income
For the half year ended 31 December 2017

	Notes	31 December 2017 $
Revenue	3	944,497
Other Income		6,210
		950,707
Cost of sales		(665,484)
Employee benefits expense		(241,875)
Share based payments to management and directors	4	(2,200,000)
Discount on note conversion	4	(250,000)
Administration expenses	4	(218,837)
Sales & marketing expenses		(49,094)
Professional fees	4	(965,124)
Rent expenses		(11,919)
Depreciation & amortisation		(38,086)
Finance expenses		(6,310)
Other expenses		(38,902)
Profit/(Loss) before income tax		**(3,734,924)**
Income tax (expense)/benefit	5	408,786
Profit/(Loss) for the period		**(3,326,138)**
Other comprehensive income		
Other		-
Total comprehensive profit or loss attributable to shareholders		**(3,326,138)**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:

	Cents
Basic earnings per share	(59.2)
Diluted earnings per share	(59.2)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CommsChoice Group Limited
Consolidated statement of financial position
As at 31 December 2017

	Notes	Half-year Consolidated 2017
Current assets		**$**
Cash and cash equivalents	6	3,750,992
Trade and other receivables	7	2,103,058
Inventory		25,086
Total current assets		5,879,136
Non-current Assets		
Investments	8	2,001
Property, Plant & Equipment		165,211
Goodwill	13	19,251,443
Intangible Assets	13	10,398,145
Income tax payable		3,163
Deferred tax assets		789,753
Total non-current assets		30,609,716
Total assets		36,488,852
Current liabilities		
Trade and other payables	9	3,550,250
Deferred revenue	10	334,759
Other provisions	12	308,023
Borrowings	11	123,198
Total current liabilities		4,316,230
Non-current liabilities		
Provisions	12	80,566
Deferred tax liability		2,374,264
Borrowings	11	28,806
Total non-current liabilities		2,483,636
Total liabilities		6,799,866
Net assets		29,688,986
Equity		
Issued capital	14	24,750,114
Other reserves	14	8,456,983
Retained Earnings	14	(3,518,111)
Total Equity		29,688,986

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

	Note	Contributed equity	Other reserves	Retained Earnings	Total
Balance at 1 July 2017	14	-	-	(191,973)	(191,973)
		-	-	-	-
Profit/(loss) for the period		-	-	(3,326,138)	(3,326,138)
Other comprehensive income		-		-	-
Total comprehensive income/(loss) for the year		**-**	**-**	**(3,518,111)**	**(3,518,111)**
Contributions of equity net of transaction costs	14	24,750,114	-	-	24,750,114
Warrants issued	17	-	340,291	-	340,291
Deferred consideration	19	-	6,866,692	-	6,866,692
Director bonus	17	-	1,250,000	-	1,250,000
Balance at 31 December 2017	**14**	**24,750,114**	**8,456,983**	**(3,518,111)**	**29,688,986**

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

	Notes	31 December 2017 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)		267,802
Payments to suppliers and employees (inclusive of goods and services tax)		(643,019)
		(375,217)
Income tax refund		28,370
Net cash inflow (outflow) from operating activities	**15**	**(346,847)**
Cash flows from investing activities		
Payment for acquisition of subsidiaries, net of cash acquired		(1,978,957)
Transaction costs relating to IPO and acquisition of subsidiaries		(973,663)
Net cash (outflow) from investing activities		**(2,952,620)**
Cash flows from financing activities		
Proceeds from issue of convertible notes net of fees		957,000
Transaction costs relating to issue of share capital		(1,246,707)
Proceeds from issue of ordinary shares		7,500,000
Repayment of borrowings		(298,069)
Net cash inflow from financing activities		**6,912,224**
Net increase (decrease) in cash and cash equivalents		**3,612,757**
Cash and cash equivalents at the beginning of the period		138,235
Cash and cash equivalents at end of period	**6**	**3,750,992**

1 Summary of significant accounting policies (continued)

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied throughout the period, unless otherwise stated.

(a) Basis of preparation

This condensed consolidated interim financial report for the half-year ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Commschoice Group is a for-profit entity for the purpose of preparing interim financial statements.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Commschoice Group prospectus and any public announcements made by Commschoice Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(i) Principles of consolidation

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

The acquisition method of accounting is used to account for business combinations by the group.

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

These consolidated financial statements represent the activities, assets and liabilities of the following entities:

- CommsChoice Group Ltd
- CommsChoice Pty Ltd
- Telegate Pty Ltd
- Oratel Pty Ltd
- TelAustralia Pty Ltd
- Woffle Pty Ltd
- Syntel Pty Ltd
- SingVoip Pte Ltd
- Telegate Singapore Pte Ltd

The consolidated financial statements present the assets, liabilities, revenues, expenses and cash flows attributable to CommsChoice Group Ltd for the period ended 31 December 2017. The balances and effects of the transactions between entities included in the Aggregated Group's financial statements have been eliminated.

(ii) Historical cost convention

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

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of services

Revenue from telecommunication services is recognised when the services are provided to the customer. Revenue is recognised net of customer discounts and allowances. Deferred revenue represents the unused proportion of cash received in advance for call credits determined on a specific account basis at balance date.

1 Summary of significant accounting policies (continued)

(ii) Sale of goods

Revenue from sale of goods is recognised at the point of sale. All revenue is stated net of the amount of goods and services tax (GST) and returns.

(iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Income tax

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 and associates 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 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.

(d) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(e) 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.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(g) Accrued income

Accrued income represents the estimated amounts of unbilled services provided to all customers as at the balance date after taking into account all discounts as applicable.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Investments

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. At initial recognition, the group measures a financial asset at its fair value.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

(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.

1 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.

(k) Property, plant and equipment (continued)

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 as follows:

	Method	Rate
• Plant and equipment	Straight line	15 - 30%
• Leased motor vehicles	Diminishing value	18.5%
• Computer equipment	Diminishing value	30 - 50%
• Fixture and fittings	Straight line	5 - 13%

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

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 1(m)).

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

(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 that are expected to benefit from the business combination in which the goodwill arose.

(ii) Trademarks and licences

Trademarks and licences have a finite useful life and are 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.

(iv) Amortisation

Amortisation is calculated on a straight-line basis on all intangibles commencing from the time the asset is ready for use. Amortisation periods are:

Trademarks and licences	10 years
Internally generated software	3-7 years

1 Summary of significant accounting policies (continued)

(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. 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

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year 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 profit or loss 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.

Borrowings are removed from the 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 profit or loss 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 year.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) 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.

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.

1 Summary of significant accounting policies (continued)

(r) Employee benefits

The liability for employees' benefits to wages, salaries, bonuses and annual leave is accrued at balance date based on the consolidated entity's present obligation to pay resulting from employees' services provided. The liability for other long-term employees' obligations is recognised in the provision for employee benefits and measured as the present value of expected future cash flows to be paid by the consolidated entity resulting from the employees' services provided.

(s) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 16).

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.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(u) 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.

(v) 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. 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.

2 Critical accounting estimates and judgements

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.

Critical accounting estimates and assumptions
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) Recognition of deferred tax assets

The group is expected to join as members of a tax consolidated group under Australian taxation law subsequent to the publication of the financial statements. At this time, historical losses accumulated by the operating subsidiaries in the group prior to acquisition by the Company have not been recognised as a deferred tax asset.

(ii) Recoverable amount of internally generated intangible assets

The major sources of estimation uncertainty in assessing the recoverable amount of internally generated intangible assets are judgements relating to future sales order growth and pricing and the customer utilisation, the group's ability to manage operating and capital expenditure and the cost of capital. Should the future performance of the group differ from these estimations the assessment of the recoverable amount of internally generated intangible assets would be different and may impact the impairment testing result.

3 Revenue

	31 December 2017
	$
Sale of good and services	944,497

4 Individually significant profit or loss items

	31 December 2017
	$
Share based payments on Initial Public Offering (Note 17)	2,200,000
Discount on note conversion	250,000
Professional fees and administration costs relating to IPO and acquisition of subsidiaries	973,663
	3,423,663

Individually significant items relate to costs incurred as part of the acquisition transactions and initial public offering.

5 Income tax expense

	31 December 2017 $
Total current tax expense	-
Deferred income tax	
Unused tax benefits from the current period loss	408,786
Total income tax benefit	**408,786**

6 Cash and cash equivalents

(a) Cash and cash equivalents

Current assets	**31 December 2017**
	$
Cash at bank and in hand	3,750,992
	3,750,992

The above figure is shown in the statement of cash flows at the end of the half year.

7 Trade & other receivables

	31 December 2017
Current assets	**$**
Trade receivables	1,732,143
Provision for doubtful debts	(437,547)
	1,294,596
Accrued revenue	423,980
Prepayments	217,678
Other receivables	166,804
	2,103,058

8 Investments

Financial assets at fair value through profit or loss are all held for trading and include the following:

Current assets	**31 December 2017**
	$
Australian listed equity securities	2,001
	2,001

9 Trade & other payables

Current liabilities

	31 December 2017
	$
Trade payables	2,155,530
Accrued expenses	645,456
Other payables	749,264
	3,550,250

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

10 Deferred revenue

	31 December 2017
	$
Deferred revenue	334,759
	334,759

11 Borrowings

Current liabilities	31 December 2017
	$
Secured	
Bank overdrafts	123,198
Total current borrowings	**123,198**

Non-Current Borrowings

	31 December 2017
Secured	$
Lease liabilities	28,806
Total secured borrowings	**28,806**
Total borrowings	**152,004**

12 Provisions

			31 December 2017
	Current	Non-Current	Total
	$	$	$
Doubtful Debts Provisions	437,547	-	**437,547**
Provisions			
Long Service Leave	-	80,566	**80,566**
Annual Leave	267,788	-	**267,788**
Provision for Bartercard	30,735	-	**30,735**
Provision for former employee receivable (advance)	9,500	-	**9,500**
	308,023	**80,566**	**388,589**

13 Intangible Assets

Cost	Client register	Brand	Goodwill	Software	Other	Total
	$	$	$	$	$	$
Balance at 1 July 2017	-	-	-	-	-	-
Acquired with subsidiary	-	-	54,545	1,720,567	43,849	1,818,961
Fair value adjustment	-	-	(54,545)	-	-	(54,545)
Recognised on acquisition	1,776,100	6,895,600	19,251,443	-	-	27,923,143
Addition during the period	-	-	-	-	41	41
Balance at 31 December 2017	1,776,100	6,895,600	19,251,443	1,720,567	43,890	29,687,600

Accumulated amortisation	Client register	Brand	Goodwill	Software	Other	Total
	$	$	$	$	$	$
Balance at 1 July 2017	-	-	-	-	-	-
Amortisation expense	7,786	30,226	-	-	-	38,012
Balance at 31 December 2017	7,786	30,226	-	-	-	38,012

14 Equity

(a) Share Capital

	31 December 2017	31 December 2017
	Shares	$
Ordinary Shares	102,889,129	24,750,114
Fully paid	**102,889,129**	**24,750,114**

(i) Movements in ordinary shares

	Shares	$
Opening balance 1 July 2017	2	-
Acquisition of subsidiaries	64,089,127	16,022,282
Issue of share capital as part of the Offer	30,000,000	7,500,000
Shares issued on completion of the Offer	8,800,000	2,200,000
Fully paid	102,889,129	25,722,282
Less: Transaction costs arising on share issues	-	(1,246,707)
Deferred tax credit recognised directly in equity	-	274,539
Balance 31 December 2017	102,889,129	24,750,114

Issue costs of $1,246,707 which were directly attributable to the issue of the shares have been netted against the deemed proceeds in equity.

15 Cash Flow information

Reconciliation of Operating Cash Flow:

	1 Jul to 31 Dec 2017
	$
(Loss)/Profit from ordinary activities	(3,326,138)
Adjustments for:	
Transaction costs relating to IPO and acquisition of subsidiaries	973,663
Share based payments	2,200,000
Discount on convertible note issue	250,000
Depreciation and amortisation	38,086
	135,611
Changes in assets / liabilities:	
- Increase / (decrease) in net working capital	(482,458)
Operating cash flows for the period	**(346,847)**

16 Earnings Per Share

Reconciliation of earnings used in calculating earnings per share:

	Basic earnings per share	Diluted earnings per share
Loss attributable to the ordinary equity holders of the company	**$(3,326,138)**	**$(3,326,138)**
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	5,622,357	5,622,357
Adjustments for calculation of diluted earnings per share:		
Deferred shares	-	-
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**5,622,357**	**5,622,357**

As the Group incurred a loss for the period there is no dilution impact arising from outstanding deferred consideration shares (27,446,770) warrants (3,508,156), options (960,000) and performance related shares (5,000,000).

17 Share Based Payments

a) Share-based payments on IPO of $2.2 million

A one-off director bonus, associated with the completion of the offer and in the case of one director, the achievement of the CY18 forecast NPATA has been accounted for. Of the one-off director bonus of $1,800,000 of new shares, $550,000 were issued on completion of the offer and the remaining $1,250,000 of new shares will be issued upon the Company exceeding the CY18 forecast NPATA. If the NPATA for the Company for CY18 is below $3,380,000, the Director's right to be issued any of those shares will automatically lapse.

Senior management received a bonus on completion of the offer of $400,000 of new shares, totalling 1,600,000 shares at the IPO issue price of $0.25 per share.

b) Warrants issued

On 15 December 2017 and following the completion of the acquisition of Commschoice Pty Limited, Grant Ellison was issued with 3,508,156 warrants each having an exercise price of $0.3125 and an expiry date of 3 years after the listing date of 21 December 2017. The fair value of the total warrants issued were $340,291.

c) Options granted to management

The Chief Executive Officer and Chief Financial Officer were granted 720,000 and 240,000 options on 21 December 2017. These options will vest in three equal tranches each year following the Company releasing its accounts if the Company has both positive price performance for the period since the Listing Date and the Company's total shareholder return ranks its it in or above the 75th percentile in comparison to a comparator group. The options have a strike price of 125% of the $0.25 initial public offer price and cannot be exercised until after three years have elapsed since the 21 December 2017 listing date.

18 Entities within the consolidated group

The following entities are included within the Consolidated Group:

Entity Name	Country of incorporation	% Consolidated 2017
CommsChoice Group Limited	Australia	100%
CommsChoice Pty Limited	Australia	100%
Telegate Pty Limited	Australia	100%
Oratel Pty Limited	Australia	100%
TelAustralia Pty Limited	Australia	100%
Woffle Pty Limited	Australia	100%
Syntel Pty Limited	Australia	100%
Telegate Singapore Pte Ltd	Singapore	100%
SingVoip Pte Ltd	Singapore	100%

19 Business combinations

(a) Summary of acquisition

On 15 December 2017 the Company acquired 100% of the issued share capital of the companies set out above.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	Cash paid	Ordinary shares issued	Warrants	Deferred consideration	Total purchase consideration
	$	$	$	$	$
Commschoice Pty Limited	1,201,931	6,442,328	340,291	2,760,998	10,745,548
Telegate Pty Ltd[1]	137,026	5,939,596	-	2,545,541	8,622,163
Oracle Pty Ltd	500,000	1,834,773	-	786,331	3,121,104
TelAustralia Pty Ltd	100,000	1,171,875	-	502,232	1,774,107
Woffle Pty Ltd	40,000	633,710	-	271,590	945,300
	1,978,957	16,022,282	340,291	6,866,692	25,208,222

[1]The consideration paid for Telegate Pty Limited also includes the acquisition of Telegate Singapore Pte Ltd, Syntel Pte Ltd and SingVoip Pte Ltd.

The assets and liabilities provisionally recognised as a result of the acquisition are as follows:

	Commschoice Pty Ltd	Telegate Pty Ltd [1]	Oratel Pty Ltd	TelAustralia Pty Ltd	Woffle Pty Ltd	Total
	$	$	$	$	$	$
Cash	911	64,459	1	12	25,565	90,948
Trade receivables	855,285	388,983	243,880	211,618	30,188	1,729,954
Prepayments	201,370	28,849	19,583	-	13,025	262,827
Inventories	-	-	25,086	-	-	25,086
PP&E	105,978	83,619	46,220	1,355	-	237,172
Intangible assets	1,733,722	30,694	-	-	54,545	1,818,961
Trade payables	(728,428)	(702,153)	(185,900)	(82,800)	(23,115)	(1,722,396)
Bank overdraft	(89,043)	-	-	-	-	(89,043)
Other	(1,331,042)	(472,693)	(6,718)	(86,003)	(35,604)	(1,932,060)
Employee provisions	(158,586)	(108,935)	(40,450)	(11,856)	(23,336)	(343,163)
Acquired net assets	590,167	(687,177)	101,702	32,326	41,268	78,286
Fair value adjustments						(418,942)
Fair value of net identifiable assets acquired						(340,656)
Add: intangible assets and goodwill						27,923,143
Less: Deferred tax liability on identifiable intangible assets						(2,374,264)
Net assets acquired						25,208,223

[1] including Syntel Pty Ltd, Telegate Singapore Pte Ltd & SingVoip Pte Ltd

Commschoice Group has made preliminary fair value adjustments to the assets and liabilities acquired. In accordance with Australian Accounting Standards (AASB3 Business Combinations) the Commschoice Group has twelve months in which to finalise the fair value assessment of the acquired assets and liabilities.

The intangible assets that will arise from the acquisition of the five businesses will include the customer contracts, branding and trademarks. The resulting goodwill will be attributed to the workforce and the anticipated profitability of the businesses.

The fair value adjustments relate to aged trade receivables which are not expected to be recovered.

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Peter McGrath
Director

Melbourne
22 February 2018

Independent auditor's review report to the members of Commschoice Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Commschoice Group Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Commschoice Group Limited. The consolidated entity comprises the Company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commschoice Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent auditor's review report to the members of Commschoice Group Limited (continued)

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Paul Lewis
Partner

Melbourne
22 February 2018