Results for Announcement to the Market

Key Information	2019 $000	2018 $000	Change $000	% Change
Revenue from ordinary activities	62,396	58,006	4,390	+7.57%
Profit after tax from ordinary activities attributable to owners	20,113	18,171	1,942	+10.69%
Net profit attributable to owners	20,113	18,171	1,942	+10.69%

Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary shares:		
2018 interim – paid 15 June 2018	$0.75	$0.32
2018 final – paid 20 December 2018	$1.85	$0.79
2019 interim – paid 30 April 2019	$1.85	$0.79

Consistent with the disclosure in the Company's IPO prospectus, the Board's intention is to pay dividends on a semi-annual basis, with a first dividend post listing, expected to be paid in October 2019. At the current time, the board has not yet declared a final dividend for FY2019 and will update the market when this changes.

Explanation of Key Information and Dividends

Refer to the accompanying directors' report.

Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to page 23 of the 30 June 2019 financial report and accompanying notes for OptiComm Limited.

Statement of Financial Position with Notes to the Statement

Refer to page 24 of the 30 June 2019 financial report and accompanying notes for OptiComm Limited.

Statement of Cash Flows with Notes to the Statement

Refer to page 26 of the 30 June 2019 financial report and accompanying notes for OptiComm Limited.

Dividend Details

	2019 $000	2018 $000
Ordinary share capital:		
Interim dividend paid	5,998	2,431
Final dividend paid	-	5,998

Dividend Reinvestment Plan

There was no dividend reinvestment plan in operation during the financial year.

Statement of Retained Earnings Showing Movements

	2019 $000	2018 $000
Balance at the beginning of the year	53,588	37,848
Cumulative adjustment upon change in accounting policy (AASB 15)	(10,745)	-
Net profit attributable to members of the parent entity	20,113	18,171
Dividends	(11,996)	(2,431)
Balance at the end of the year	50,960	53,588

Net Tangible Assets per Share

	2019 $/share	2018 $/share
Net tangible assets per share	18.37	19.03

Control Gained or Lost over Entities in the Year

The Group had no additions or disposals of entities in the financial year ending 30 June 2019.

Commentary on the Results for the Period

Refer to the commentary on the results for the period contained in the “Review of Operations” included within the operating and financial review section of the directors’ report.

Status of Audit

The 30 June 2019 financial statements and accompanying notes for OptiComm Limited have been audited and are not subject to any disputes or qualifications. Refer to page 58 of the 30 June 2019 financial report for a copy of the auditor’s report.

OptiComm Ltd (formerly Opticomm Co Pty Ltd) and Controlled Entity

ABN 50 117 414 776

Annual report for the financial year ended 30 June 2019

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Contents to Full year Annual Report

Your directors present their report on the consolidated entity (referred to herein as the Group or consolidated group) consisting of OptiComm Limited and its controlled entity for the financial year ended 30 June 2019.

General Information
Directors
The following persons were directors of OptiComm Limited during or since the end of the financial year and up to the date of this report:

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

Particulars of each director's experience and qualifications are set out later in this report.

Principal Activities

The principal activities of the consolidated group during the financial year were:

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

All operations are conducted in Australia.

Significant Changes in State of Affairs

On 18 January 2019, the company was converted from a private company to an unlisted public company and changed its name from OptiComm Co to OptiComm.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Dividends

Dividends paid or declared for payment during the financial year are as follows:

- FY2018 Final ordinary dividend of $1.85 per share paid on 20 December 2018 - $5,998,000;
- FY2019 Interim ordinary dividend of $1.85 per share paid on 30 April 2019 - $5,998,000.

Operating Results

The consolidated profit of the consolidated group amounted to $20,311,000 after providing for income tax. This represented a 11% increase on the results reported for the year ended 30 June 2018. The improvement was largely from increased construction of fibre networks, an increase in wholesale access revenue offset by a reduction in net profit after tax of $2,176,000 from the impact of a change in accounting standards. In FY2019, we have reached a milestone with recurring revenue from our fibre network infrastructure exceeding revenue from our network construction activities and becoming our single largest revenue stream. Importantly, recurring revenue is growing year on year as we add more active premises to the network.

The Group utilises certain measures for assessing the financial performance and position of the business, which are not utilised under Australian Accounting Standards. Such measures are referred to as 'non-IFRS financial measures'.

Non-IFRS financial measures are not a substitute for measures calculated in accordance with Australian Accounting Standards, but rather are intended to provide further information for recipients.

As the non-IFRS measures have no defined meaning under accounting standards, the way in which they have been calculated in this report has been detailed below. As there is no utilisation measure of non-IFRS information, recipients should take care in comparing non-IFRS information between companies as the method of calculation may not be the same.

The non-IFRS measures included in this report are:

- **EBIT**: Earnings before interest and tax;
- **EBITDA**: Earnings before interest, tax, depreciation and amortisation.

Non-IFRS earnings measures may provide useful information for investors as they exclude items related to:

- Interest and taxation (in the case of EBIT and EBITDA); and
- Depreciation and amortisation (in the case of EBITDA).

EBIT and EBITDA measures may be relevant for market participants and analysts for a range of reasons. However, they are not cash flow measures (operating or otherwise) and should not be considered in isolation.

EBIT and EBITDA do not consider capital expenditure (which is significant in the case of the Group), fair value changes, timing differences between receipt of revenues and their recognition in the statement of profit or loss or working capital changes.

Review of Operations

As at 30 June 2019, the Group had installed fibre network infrastructure to over 106,000 lots in 245 estates and buildings across Australia. Over 76,000 dwellings built on these lots are connected to the Group's networks, with over 60,000 of these dwellings receiving active internet, telephone and other telecommunications services provided by Retail Service Providers (RSPs) from whom the Group receives a monthly recurring wholesale access charge for use of its fibre network infrastructure.

Construction

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

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

Segment revenue was $29,197,000 for the year ended 30 June 2019 (2018: $34,019,000) after adjusting for the impact of AASB 15 which reduced FY2019 segment revenue by $2.7m.

Network operations

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

Active users reached over 60,000 at 30 June 2019 which is an increase of over 12,000 in the financial year. This is consistent with historical conversion rates of connected lots to active users.

Segmental revenue was $33,062,000 for the year ended 30 June 2019 (2018: $23,877,000).

Table 1: Statutory results actual compared to prior financial year

	FY2019 Statutory Actual $'000	FY2018 Statutory Actual $'000
Revenue	62,259	57,896
Cost of sales	(11,488)	(14,822)
Employee expenses	(12,765)	(9,927)
Operating expenses	(4,185)	(3,039)
EBITDA	**33,821**	**30,108**
Depreciation and amortisation	(4,878)	(4,206)
EBIT	**28,943**	**25,902**
Net finance costs	(216)	108
Net profit before tax	**28,727**	**26,010**
Income tax expense	(8,614)	(7,839)
NPAT	**20,113**	**18,171**

Financial Position

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

- Net Profit for the year of $20,113,000;
- Offset by a one-off recognition of a customer refund liability of $10,745 ,000;
- Dividend payments of $11,996,000 made in the financial year.

Table 2: Financial position

	Consolidated Group		
	30 June 2019 $'000	30 June 2018 $'000	Change $'000
Current assets	21,597	20,825	722
Non-current assets	80,564	62,019	18,595
Total assets	102,161	82,844	19,317
Current liabilities	20,898	15,337	5,511
Non-current liabilities	21,697	5,789	15,958
Total liabilities	42,595	21,126	21,469
Net assets/(liabilities)	**59,566**	**61,718**	**(2,152)**

Future Developments, Prospects and Business Strategies

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

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

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

Indemnifying Officers or Auditor

The Group has entered into deeds of access, insurance and indemnity with each Director which confirms each Director's right of access to certain books and records of the Group for a period of seven years after the Director ceases to hold office. Under these deeds, the Group has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company and subsidiary entity. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. A similar deed of access, insurance and indemnity has been entered into with the Company Secretary.

The Group has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the company, other than conduct involving a wilful breach of duty in relation to the Group. The premiums for all directors amounted to $11,697 (ex GST) in FY2019.

Proceedings on Behalf of the Company and subsidiary

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the audit and risk committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to BDO for non-audit services provided during the year ended 30 June 2019:

	$
Due diligence investigations in relation to the initial public offering	174,163
Other services	5,000
	179,163

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 22 of the annual report.

Information Relating to Directors and Company Secretary

Allan Brackin

Chairman and Independent Non-Executive Director appointed 13 May 2014

Qualifications

Mr Brackin has a Bachelor of Applied Science from Queensland University of Technology and has attended the Owner/President Management Program at Harvard University.

Experience

Mr Allan Brackin was the Group Chief Executive Officer of ASX listed information technology services company, Volante Limited (ASX: VGL) from 2000 to 2004 following its merger with AAG Technology Services, where Mr Brackin was the Chief Executive Officer (between 1986-2000).

Mr Brackin has co-founded a number of information technology companies which operated inside the AAG Technology organisation (including Applied Micro Systems, Netbridge Systems Integration, Prion Technology Distribution, Affinity IT Recruitment and Quadriga Consulting Group), and is also active in mentoring many business entrepreneurs and executives.

Interest in shares and options

69,232 ordinary shares in OptiComm Limited as at 30 June 2019.

Directorships held in other listed entities during the three years prior to the current year

GBST Limited (ASX: GBT) – Chairman
RPM Global Limited (ASX: RUL) – Chairman
Sensera Limited (ASX: SE1) – Chairman

Special responsibilities

Member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Paul Cross

Chief Executive Officer and Managing Director appointed 26 March 2007

Experience

Mr Paul Cross is a co-founder of The Group and has more than 20 years' experience within the fibre optic and telecommunication market. Mr Paul Cross was a co-founder and major shareholder of Optimal Cable Services Pty Ltd, an Australian manufacturer of fibre optic cables for the Telecommunication and Commercial markets within Oceania prior to its sale to AFL Communications (a USA-based fibre optic cable, connectivity and components manufacturer, a subsidiary of Fujikura Ltd of Japan).

Mr Cross was the Managing Director of the Australian office of Belden Cables (a major US-based manufacturer of specialised wire and cable products), the fibre operation of which was subsequently acquired by Optimal Cable Services. Mr Cross has also held General Manager Positions at Schneider Electric, Square D and State Manager positions at MSS Security and Email Westinghouse.

Interest in shares and options

521,546 ordinary shares in OptiComm Limited as at 30 June 2019.

Directorships held in other listed entities during the three years prior to the current year

Nil

David Redfern

Non-Executive Director appointed 5 May 2014

Experience

Mr David Redfern is a co-founder of The Group and has over 40 years’ experience within the telecommunications industry in Australia, primarily as a manufacturer and vendor of communications infrastructure products and systems.

Prior to The Group, Mr Redfern was a co-founder and major shareholder of Optimal Cables Services Pty Ltd, an Australian based manufacturer of optical fibre cables, which was created after the acquisition of the USA based Belden Cables factory assets in Australia. Mr Redfern currently operates a number of other communications technology-based manufacturing and product-based businesses in Australia and New Zealand.

Interest in shares and options

1,006,165 ordinary shares in OptiComm Limited as at 30 June 2019.

Directorships held in other listed entities during the three years prior to the current year

Nil

Special responsibilities

Member of the Audit and Risk Committee.

Kenneth Ogden

Independent Non-Executive Director appointed 13 May 2014.

Qualifications

Mr Kenneth Ogden has a Bachelor of Business from Queensland University of Technology. He is also a Fellow of the Institute of Chartered Accountants, a Chartered Tax Advisor of the Taxation Institute of Australia, a registered tax agent, and a representative of an Australian Financial Services Licence.

Experience

Mr Ogden has over 30 years’ experience as a tax and advisory practitioner. Mr Ogden is a Partner at Pitcher Partners in the Private Business and Family Advisory division and has a breadth of taxation and commercial expertise, including in the areas of corporate acquisitions and restructures and in strategic business advice and planning.

Interest in shares and options

138,465 ordinary shares in OptiComm Limited as at 30 June 2019.

Directorships held in other listed entities during the three years prior to the current year

Nil

Special responsibilities

Chair of the Audit and Risk Committee.

Greg Adcock

Independent Non-Executive Director appointed 1 July 2017

Qualifications

Mr Adcock is a Member of the Australian Institute of Company Directors and a Member of the Australian Institute of Project Management.

Experience

Mr Greg Adcock brings commercial and operational expertise developed from his senior executive roles at Telstra Corporation Ltd (ASX: TLS) where his career spanned more than 20 years, and subsequently at NBN Co where as Chief Operating Officer he was responsible for the key operational and commercial elements of one of Australia's largest infrastructure project.

His roles at Telstra included overseeing business and capital planning, contract establishment, operational process optimisation, regulatory compliance, strategic projects and Telstra's productivity initiative program.

Directorships held in other listed entities during the three years prior to the current year

Service Stream Limited (ASX: SSM)– Non-Executive Director

Special responsibilities

Member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Jennifer Douglas

Independent Non-Executive Director appointed 21 August 2017

Qualifications

Ms Jennifer Douglas holds degrees in Law (with Honours) and Science from Monash University and a Masters of Law and Masters of Business Administration from Melbourne University. She is also a Graduate of the Australian Institute of Company Directors.

Experience

Ms Douglas is an experienced non-executive director with over 25 years of experience in the technology and media industries. After starting her career as a lawyer, Ms Douglas went on to hold senior executive roles at Sensis and Telstra. Her roles at Telstra included responsibility for its $3 billion fixed voice business, establishing its technology support business Platinum, responsibility for its internal consulting and change team and Telstra's Executive Director of Customer Experience.

Ms Douglas was also General Counsel and Head of Regulatory at Sensis

Directorships held in other listed entities during the three years prior to the current year

Hansen Technologies Limited (ASX: HSN) – Non-Executive Director

Special responsibilities

Chair of the Remuneration and Nomination Committee.

John Phillips

Company Secretary

Qualifications

Mr John Phillips, a Chartered Accountant, holds a Bachelor of Accounting from the University of Canberra. He is also a Member of the Institute of Chartered Accountants in Australia.

Experience

Mr Phillips is the Chief Financial Officer and Company Secretary. He has extensive experience in managing large professional services and technology focused organisations, having previously held several executive management positions at Oakton Ltd (ASX: OKN) including as Group Chief Financial Officer, National Consulting Director, and Audit Partner. Mr Phillips has strong leadership skills, combined with strong financial management and business development skills.

Meetings of Directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Allan Brackin	12	12	3	3	4	4
Paul Cross	12	12	-	-	-	-
David Redfern	12	11	3	3	-	-
Kenneth Ogden	12	11	3	3	-	
Greg Adcock	12	12	3	2	4	4
Jennifer Douglas	12	12	-	-	4	4

Basis of measurement

The Financial Information has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The Financial Information is presented in Australian dollars, rounded to the nearest thousand dollars.

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

Significant events after the reporting date

Since the end of the financial year, on 15 July 2019, the parent entity released a prospectus for an Initial Public Offer (IPO) of approximately $21.18m shares (by way of new equity issue and existing shareholder sell down) at an offer price of $2 per share. Following completion of this offer the parent entity intends to list on the Australian Securities Exchange on or around 22 August 2019. As part of the IPO, the company undertook a share subdivision on 14 July 2019 whereby the total issued shares of OptiComm Ltd was increased from 3,242,354 to 97,000,986.

In connection with the IPO, the Company has established an employee share plan and an option to receive a gift of $1,000 shares under this plan has been offered to eligible employees in the company in the IPO prospectus in connection with the announcement of an intention to list on the Australian Securities Exchange

Environmental Regulation and Performance

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

OptiComm Limited's and controlled entity Corporate Governance Arrangements

The Board of OptiComm Limited is responsible for the overall governance of the Group and the controlled entity (the Group). The Group is committed to achieving and maintaining best practice corporate governance and compliance arrangements for the Group to the extent appropriate given the Group's size and circumstances.

The Board Charter formalises the functions and responsibilities of the Board (including the process for evaluating the performance of the Board and its committees). The Board is responsible for the financial and operating policies of the Group and has authority over the day to day management of the Group including various responsibilities which have been set out in the board charter. The Group considers that a Director is an independent director where that Director is free from any interest, position or relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. The Group has also assessed the independence of its Directors having regard to the requirements for independence which are set out in the ASX Corporate Governance Principles. To fulfil their duties and responsibilities as Directors, each Director (with the prior approval of the chairman) may seek independent legal or other professional advice about any aspect of the Group's operations. The chairman's approval may not be unreasonably withheld or delayed. The cost of the advice is borne by the Group.

OptiComm Limited and its subsidiary operate as a single economic entity and as such, the Board's corporate governance arrangements apply to all entities within the economic group.

Board Composition

The Board comprises 6 directors, 4 of whom (including the Chair) are non-executive and meet the Board's criteria to be considered independent. The names of the non-executive/independent directors are:

Allan Brackin
Kenneth Ogden
Greg Adcock
Jennifer Douglas

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. For a director to be considered independent, they must meet all of the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the Group's outstanding shares
- not benefit, either directly or indirectly through a related person or entity, from any sales to or purchases from the Group or any of its related entities; and
- derive no income, either directly or indirectly through a related person or entity, from a contract with the Group or any of its related entities.

A complete listing of the Board's directors for the year ended 30 June 2019, along with their skills, qualifications, and experience is provided in the directors' report.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the Group is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise. As telecommunications and related infrastructure constitute a significant part of the Group's overall operations, directors are required to have a sound knowledge and understanding of these industries. Nevertheless, directors need to have a strong understanding of a range of other areas, including finance, contract law and occupational health and safety requirements.

Board Roles and Responsibilities

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the Group's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the Group's performance.
As part of its corporate governance arrangements, the Board has established a strategy for engaging and communicating with shareholders that includes:

- Communicating and meeting with shareholders;
- ensuring its website contains all relevant announcements; and
- actively encouraging shareholders to attend and participate in the Group's annual general meeting (AGM).

A detailed description of the Board's communication policy is provided in its "Board Charter", a copy of which is available from the Group's website (www.OptiComm.net.au).

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board sought external guidance to assist the drafting of its Board Charter, which has been made publicly available on the Group's website. This document details a range of board-related processes, including the practices and processes in relation to matters reserved for the Board's consideration and decision-making, and specifies the level of authorisation provided to other KMP. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

The Board has delegated to the Chief Executive Officer (CEO), Paul Cross, all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value. A complete description of the functions reserved to the Board and those it has delegated to the CEO is available from the Board Charter. The document also provides guidance on the relationship between the Board and the CEO.

Notwithstanding these delegations of authority by the Board, the CEO remains accountable to the Board for the authority delegated to him and for the performance of the Group's business activities at all times. Before approving the Group's financial statements for a financial period, the Board receives from the CEO a declaration that, in his opinion, the financial records of the Group have been properly maintained, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

As noted above, the Board regularly monitors the decisions and actions of the CEO as well as the performance of the Group's business activities.

A key plank of the Board Charter is the requirement for all directors to demonstrate honesty, integrity and preparedness to critically evaluate all aspects of the Group's operations. Inherent in all of this is the expectation that directors:

- commit the necessary time and energy to fulfil their responsibilities as directors; and
- place the interests of the Group before their personal interests.

The Chair is responsible for ensuring individual directors, the Board as a whole and KMP comply with both the letter and spirit of the Board's governance arrangements. The Chair discharges their responsibilities in a number of ways, primarily through:

- setting agendas in collaboration with other directors and KMP;
- encouraging critical evaluation and debate among directors;
- managing board meetings to ensure that all critical matters are given sufficient attention; and
- communicating with stakeholders as and when required.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as directors at the Group's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the Group.

Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers. These values are enshrined in the Board's Code of Conduct policy, which is available at www.OptiComm.net.au.
The Code of Conduct policy requires all directors, management and employees to at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;

- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgement and take all reasonable steps to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

Diversity Policy

The Group has adopted a diversity policy which supports and facilitates the Group's diversity commitment. The Board is accountable for ensuring the Group's compliance with its diversity commitments including by:

- overseeing the diversity and inclusion policy, including reviewing its appropriateness and effectiveness from time to time;
- encouraging and promoting other initiatives, policies and processes considered appropriate from time to time to encourage and promote diversity; and
- to the extent considered appropriate for the Group having regard to its circumstances at the relevant time, ensuring compliance with the ASX Governance Principles in respect of diversity.

The Board will also work with the Remuneration and Nomination Committee to ensure that recruitment and selection processes at all levels are appropriately structured so that a diverse range of candidates are considered and the Group's diversity profile is taken into account in the selection and appointment of qualified employees, senior management and Board candidates. The Board may from time to time delegate responsibilities to the Remuneration and Nomination Committee to ensure that the Group's diversity commitments are implemented appropriately in relation to directors, executives and certain staff at other levels of the organisation.

OptiComm's diversity policy also provides a process for the Board to decide measurable objectives and procedures which the Group will implement and report against to achieve its diversity goals as appropriate for its operations.

The Board has not currently set measurable objectives for achieving diversity and the Board has made this election having regard to the size of the Group and the industry in which it operates.

Notwithstanding the absence of set measurable diversity objectives, the Group is, and will continue to be, cognisant of promoting an inclusive and diverse workforce and notes that the Remuneration and Nomination Committee Charter allows committee members to take into account diversity factors and any relevant diversity policy when making recommendations regarding nomination matters. Following its Listing on the ASX, the Board intends to review its diversity policies at least annually.

Securities Trading Policy

The securities trading policy sets out the Group's policy with regard to trading in the Group's securities. This policy applies to all employees and contractors of the Group and their associates and any other persons who the Board may nominate. The policy sets out the general prohibition on insider trading, restrictions on trading outside of approved trading windows and the process for seeking written clearance approval for trades outside of the specified trading windows.

Board Committees

To facilitate achieving its objectives, the Board has established two sub-committees comprising board members – the audit and risk committee; the remuneration and nomination committee. Each of these committees has formal terms of reference that outline the committee's roles and responsibilities, and the authorities delegated to it by the Board. Copies of these terms of reference are available from the Group's website (www.OptiComm.net.au).

Audit and Risk Committee

The Board is committed to a transparent system for auditing and reporting the Group's financial performance. The Board has established an Audit and Risk Committee whose principal functions are to:

- assist the Board and ensure that appropriate accounting policies and internal controls are established and followed;
- assist the Board to produce accurate financial statements in compliance with all applicable legal requirements and accounting standards; and
- ensure the efficient and effective management of business risks.

The Audit and Risk Committee charter outlines the composition of the committee, its responsibilities and its meeting requirements.

The Audit and Risk Committee comprises 4 directors (including the Chair of the Board), 3 of whom are non-executive/independent directors. Consistent with ASX's Corporate Governance Principles and Recommendations (3rd edition), the Chair of the Audit and Risk Committee is independent and does not hold the position of Chair of the Board.

The Audit and Risk Committee members and their attendance at meetings of the committee are included in the directors' report.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee's role is to:

- assist the Board and make recommendations to it about the appointment of new directors, executives and certain staff at other levels of the Group; and
- advise on remuneration and issues relevant to remuneration policies and practices, including for directors and senior management.

The Remuneration and Nomination Committee charter outlines the composition of the committee; its responsibilities and its meeting requirements.

The Remuneration and Nomination committee comprises 3 directors (including the Chair), 3 of whom are non-executive/independent directors.

The Remuneration and Nomination committee members and their attendance at meetings of the committee are included in the directors' report.

A copy of the Board's policies and procedures for the selection, nomination and appointment of new directors, and the re-election of incumbent directors, is available from the Group's website (www.OptiComm.net.au).

Performance Evaluation

The Board intends to assess its performance, the performance of individual directors and the performance of its committees annually through an internal peer review process and from time to time through use of an externally facilitated evaluation process. The Board formally reviews its governance arrangements annually on a similar basis.

Shareholder Rights and Investor Relations

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution, and receipt of annual and interim financial statements. The Board actively encourages shareholders to attend and participate in the AGM of OptiComm Limited, to lodge questions to be responded to by the Board and/or the CEO, and to appoint proxies.

The Group ensures that its statutory auditor attends the AGM and is available to answer questions from shareholders that are relevant to the audit.

In any case, the Group maintains a portal within the website (www.OptiComm.net.au) to receive and respond to shareholder queries at any time during business hours.

Risk Management

The Board is entrusted with the identification and management of key risks associated with the business that are vital to creating and delivering long-term shareholder value. The main risks that could negatively impact on the performance of the Group's business activities include:

Competition

The Group operates in a competitive landscape. There are a number of network infrastructure operators deploying a range of fixed line access technologies in Broadacre, lifestyle villages and Multi Dwelling Unit market segments. Increased competition may affect the Group's ability to maintain and grow its market share, as well as impact the growth in the Group's recurring revenue streams from active users connected to Group's network. Group has a number of strategies to mitigate these competitive risks, including the use of Fibre-to-the-Premises technology as the primary technology across the vast majority of its networks, combined with its reputation for quality offerings. The implementation of the growth strategies identified in Section 3.7 are also expected to assist in maintaining and growing market share.

Alternative technologies

There are current alternative technologies to fixed-line fibre networks which include fixed wireless and satellite services and mobile wireless solutions, such as 4G and 5G networks. These and other emerging alternative technologies may pose a threat to fixed-line fibre networks, including those in the Group's primary Greenfield Broadacre and Multi Dwelling Units markets. However, as noted above, the Group considers the threat from fixed wireless and satellite technologies to be lower due to these most commonly being deployed in regional and rural Australia compared to the Group's focus on the outer fringes of metropolitan areas or, in regard to fixed wireless, in Brownfield high density Multi Dwelling Units in central business districts which are not a significant part of the Group's current business.

NBN Co and any potential changes to pricing

The regulatory framework governing the rollout of the Australian National Broadband Network supports non-government enterprise organisations such as the Group delivering fibre-based network infrastructure to Australian residential and business premises. The Group offers developers an alternative solution to NBN Co in the residential Broadacre industry and Multi Dwelling Unit sector. Some of the Group's revenue, earnings and market share may be eroded to the extent regulatory frameworks currently imposed on NBN Co are amended. This may result in changes to the amounts and manner in which NBN Co charges developers for network deployment and/or changes to the one-off connection and recurring wholesale access fees currently charged by NBN Co to Retail Service Providers accessing its networks. Some of these changes may have a corresponding impact on the prices the Group charges its developers for network deployment and/or one-off connection and recurring wholesale access fees charged by the Group to Retail Service Providers accessing its networks. The extent to which any changes may be implemented, the timing during which such changes may take effect, and the potential impact to the Group, is presently unknown and will be subject to a number of variables, commercial factors and policy drivers.

Downturn in housing market

The growth and performance of the Group will be influenced by the overall housing market and general economic conditions in Australia which are, by their nature, cyclical and subject to change. This includes underlying housing shortage/demand, immigration numbers, access to finance, interest rates, house affordability, first home buyer incentives, land availability and government policy. A downturn in the Australian housing market may result in cancellation or deferral of housing projects which may adversely impact the Group's financial performance as it would reduce construction revenue.

Regulatory/policy risk

There are a number of industry risk factors that may affect the future operation and performance of the Group that are outside its control, including regulation of the telecommunications industry. Regulatory change may directly and indirectly affect the competitive landscape of the telecommunications infrastructure market and may adversely impact the financial performance of the Group where, for example, it leads to increased compliance costs or decreased demand for fibre optic telecommunications infrastructure. Prior to the recent Federal Government election in May 2019, a package of proposed legislative reforms had been proposed by the Federal Government which had the potential to affect all superfast fixed-line providers. Included within this package of legislation, was the Regional Broadband Scheme (also referred to as the 'Bush Tax'). In the form put before the Federal Senate under the previous government, the Regional Broadband Scheme proposed to establish an ongoing funding arrangement for fixed wireless and satellite infrastructure deployed to regional Australia by imposing a monthly levy on carriers, including NBN Co and all other non-NBN Co operators, based on the number of premises connected to the carrier's network with active fixed-line superfast broadband services. The levy under the previous legislation was proposed to be $7.10 per month for every premise (over a pre-determined threshold) connected to the carrier's network with active fixed-line superfast broadband. If the levy was imposed, OptiComm would seek to pass some of this onto Retail Service Providers. Whilst this draft legislation lapsed with the dissolution of the previous Parliament prior to the Federal election, it is likely the legislation will be re-introduced in 2019 in the same or varied form by the new Federal Government and is currently anticipated to be effective from 1 July 2020.

An assessment of the business's risk management framework is undertaken and reviewed by the Board at least annually covering all aspects of the business from the operational level through to strategic level risks. Such a review has been conducted in the current reporting period. The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The uncertain economic environment has emphasised the importance of managing and reassessing key business risks.

The Board is not aware of any material exposure to economic, environmental or social sustainability risks to which the Group may be subject.

Remuneration Policy

The remuneration policy, which sets the terms and conditions for executive and non-executive directors, and KMP, was developed by the Remuneration and Nominations Committee after seeking professional input from independent remuneration consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits and performance incentives. The Remuneration and Nominations Committee reviews executive packages annually by reference to Group performance, executive performance, comparable information from industry sectors and other listed companies, and where appropriate, independent advice.

The performance of executives is measured against criteria agreed at the commencement of the financial year. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives will be entitled to participate in the employee share and performance rights plan once this is finalised.

The amount of remuneration for all KMP for the Group, including all monetary and non-monetary components, is detailed in the remuneration report under the heading "Table of Benefits and Payments". All remuneration paid to executives is valued at the cost to the Group and expensed. The cost of any shares given to executives is measured as the difference between the market price of those shares and the amount paid by the executive. The Board expects that the remuneration structure implemented will result in the Group being able to attract and retain high-calibre executives to manage the Group and its business activities. It will also provide executives with the necessary incentives to work to achieve long-term shareholder value.

The payment of bonuses, rights and other incentive payments is reviewed annually by the Remuneration and Nominations Committee as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, rights and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options based on all relevant factors.

Other Information

Further information relating to the Group's corporate governance practices and policies has been made publicly available on the Group's website at www.OptiComm.net.au

The Directors of OptiComm Limited (the Company) are pleased to present the Remuneration Report (the Report) for the Company and its subsidiary (together the "Group") for the financial year ended 30 June 2019.

The information provided in the Report has been prepared and audited as required by section 308(3C) of the *Corporations Act 2001*.

The report consists of the following sections:

- Report overview - Employment Details of Members of Key Management Personnel
- Executive Remuneration Policy and Governance
- Relationship between Remuneration Policy and Company Performance
- Engagement of Remuneration Consultants
- Performance based Remuneration – Short term incentive plan
- Performance based Remuneration – Long term incentive plan
- Non-Executive Director remuneration
- Details of Remuneration for the year ended 30 June 2019
- KMP Shareholdings
- Other transactions with KMP and their related parties

Report Overview - Employment Details of Members of Key Management Personnel ("KMP")

The following table provides employment details of persons who were, during the financial year, KMP of the Group. KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Group. The table also illustrates the proportion of remuneration that is performance and non-performance based for FY2019.

Group KMP	**Position Held as at 30 June 2019 and any Change during the Year**	**Non-salary Cash-based Incentives[1] %**	**Fixed Salary/Fees[2] %**	**Time as a KMP**
Allan Brackin	Chairman	0%	100%	13 May 2014
Paul Cross	Chief Executive officer and Managing Director	20%	80%	26 March 2007
Dave Redfern	Non- Executive Director	0%	100%	5 May 2014
Ken Ogden	Independent Non-Executive Director	0%	100%	13 May 2014
Greg Adcock	Independent Non-Executive Director	0%	100%	1 July 2017
Jennifer Douglas	Independent Non-Executive Director	0%	100%	21 August 2017
John Phillips[3]	Chief Financial Officer and Company Secretary	15%	85%	29 August 2017
Martin Stockley	Chief Construction Officer	9%	91%	26 May 2014
Geoff Aldridge	Chief Customer Officer	20%	80%	15 January 2007
Stephen Davies	Chief Technology Officer	9%	91%	10 November 2008

1 Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)

2 Proportions of Elements of Remuneration Not Related to Performance

3 John Phillips was awarded a one off discretionary cash bonus in FY2019 for completion of the IPO

The employment terms and conditions of all KMP are formalised in contracts of employment.

Terms of employment require that the Group provide an executive contracted person with a minimum of 3 months' notice prior to termination of contract, with the exception of the Managing Director who has a 6 month notice period. An executive contracted person deemed employed on a permanent basis may terminate their employment by providing at least 3 months' notice, with the exception of the Managing Director who has a 6-month notice period. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance. On termination with cause no STI is payable. On termination without cause (including by way of resignation or dismissal), the Board retains discretion as to whether and to what extent any STI is payable.

Executive Remuneration Policy and Governance

The remuneration policy of the Group has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short and long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board has delegated to the Remuneration and Nomination Committee the responsibility for reviewing and making recommendations to the Board regarding compensation arrangements for the Directors, executive KMP and the balance of the CEO's direct reports. As at 30 June 2019 the Remuneration and Nomination Committee was made up of three Non-Executive Directors: Jennifer Douglas (Chair of the Remuneration Committee), Greg Adcock and Allan Brackin, whom are all independent.
The CEO and other Directors attend meetings as required at the invitation of the Committee Chair.

The Board's process for determining the nature and amount of remuneration for KMP of the consolidated Group and its overarching policy is as follows:

- The remuneration policy is to be developed by the Remuneration and Nominations Committee and approved by the Board. Professional advice may be sought from independent external consultants, where appropriate
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and performance incentives. Note in FY2019 performance incentives were only short term in nature with long term rights yet to be granted
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.

The Remuneration and Nominations committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the Group's financial results, the forecast growth of the consolidated Group's profits, shareholders' value and a range of individual measures relevant to the Executive's direct accountabilities. All bonuses and incentives are linked to predetermined performance criteria. The Board considers all recommendations of the Committee and is responsible for final approval of all remuneration details and payments. The Board retains overarching discretion in relation to approving incentives, bonuses and options, having regard to overall performance and other relevant matters. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE). Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. Any right not exercised before or on the date of termination will lapse.

All remuneration paid to KMP is valued at the cost to the company and expensed.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Company shares as collateral in any financial transaction, including margin loan arrangements.

Relationship between Remuneration Policy and Company performance

The remuneration policy of the Group outlined above has been designed to increase goal congruence between shareholders, directors and executives and ensure remuneration is linked to company performance In FY2019, this linkage between remuneration and performance was primarily achieved by the performance based short term incentive bonus scheme which requires achievement of specific threshold financial targets before payment of any incentive and achievement of individual objectives important for successful performance of the business. Further details regarding the short term incentive plan are below.

Engagement of Remuneration Consultants

During the financial year, Ernst & Young was engaged by the Remuneration and Nominations Committee to provide independent information and observations in relation to the KMP remuneration levels and structure.

In order to ensure that Ernst & Young's work was free from undue influence by KMP, the terms of the engagement, among other matters, required Ernst & Young to report directly to the Chair of the Remuneration and Nominations Committee, and not to any other members of KMP. The Board is satisfied that the observations provided were free from undue influence by members of KMP. No remuneration recommendations, as defined by the Corporations Act 2001 (Cth), were provided.

Performance-based Remuneration – Short term incentive plan

The Group has adopted a short term incentive (STI) plan for key employees that is designed to motivate and align employees to the Group's strategic and tactical objectives. Non executive Directors do not participate in the STI plan.

KMP's identified by the Board are entitled to participate in the STI plan, with the STI award opportunity calculated as a percentage of the base salary, inclusive of statutory superannuation contributions. In FY2019, the STI award comprised both a Group target (being achievement of Group Budgeted EBITDA) and a series of individual targets for each KMP. The STI award components were weighted 60% Group and 40% individual. Achievement of the Group financial target to an agreed level was a pre-requisite for payment of any STI opportunity for individual or Group targets. This is set out in the table below which details the STI opportunity payable based on Group results and achievement of individual targets.

% Achieved of Group EBITDA	Group (60% of total)	Individual (40% of total)
< 90%	0%	0%
90% - < 95%	0%	100%
95% - < 100%	50%	100%
100% - < 105%	100%	100%
105% - < 110%	110%	110%
>110%	120%	120%

KPIs are set annually by the Board, based on the recommendation of the CEO, and in the case of the CEO, of the Remuneration and Nomination Committee. The individual measures for each KMP are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with cash bonuses being awarded depending on the number of KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration and Nomination Committee in light of the desired and actual outcomes, before recommending payments for approval by the Board.
In determining whether or not a KPI has been achieved, the Group bases the assessment on audited figures.

In FY2019 the Group achieved its STI performance measure (being budgeted EBITDA). Additionally, all participants in the STI plan were assessed as having achieved some or all of their individual performance measures. Their appropriate STI award for FY2019 will be payable in one instalment post release of the FY2019 statutory financial statements.

For the executive KMP members, the total remuneration details and applicable STI award payable for FY2019 is as follows:

Executive KMP	Maximum 'at-risk'	% of maximum STI awarded/payable	% of STI forfeited	Cash bonus FY2019
	%	%	%	$
Paul Cross	25%	100%	0%	106,250
John Phillips	25%[1]	100%	0%	239,250[1]
Martin Stockley	10%	87%	13%	23,783
Geoff Aldridge	25%	100%	0%	78,762
Stephen Davies	10%	87%	13%	20,779

1 John Phillips was awarded a one off discretionary cash bonus in FY2019 for completion of the IPO.

Performance-based Remuneration – Long term incentive Plan

The Group is planning to adopt a long-term share incentive plan on the completion of the listing on the ASX. Key employees identified by the Board will be offered participation in the form of performance rights. The vesting of the rights will be subject to the satisfaction of service-based conditions and performance hurdles which, when satisfied, will allow participating employees to receive rights which are exercisable over Shares. The Remuneration and Nomination Committee intends to recommend to the Board that the Group implement the long-term share incentive plan during the 2020 financial year.

Non-Executive Director remuneration

Under the Constitution, the Board may decide the total amount paid to each Non-Executive Director as remuneration for their services as a Non-Executive Director of the Company. However, under the Constitution and the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company's general meeting.

An amount of $600,000 per annum, excluding out of pocket expenses, was fixed by the Company's shareholders at its annual general meeting held in November 2018.

The Board may in its discretion approve that Directors receive Shares as part of their remuneration, subject at all times to applicable law and the ASX Listing Rules.

At the date of this report and effective from 1 May 2019, each Non-Executive Director receives annual remuneration of $80,000 (inclusive of goods and services tax (GST) and superannuation), with the Chair receiving an additional $20,000. In addition, each Director receives additional fees for any Board sub-committee to which they are appointed, being $10,000 per annum for a chair appointment and $5,000 per annum for a member appointment, including superannuation contributions and other taxes (if applicable). Prior to 1 May 2019 Board sub-committee fees were not paid. In relation to David Redfern, for service prior to 1 July 2019, he was paid an annual remuneration of $30,000.

Details of Remuneration for the Year Ended 30 June 2019

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June 2019

			Short-term benefits			Post-employment	Long-term benefits		
			Salary, Fees and Leave	IPO Bonus[2]	STI Awarded	Superannuation	Long service leave	Total remuneration	Performance related
Group KMP	**Position**	**FY**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors									
Allan Brackin	Chairman	2019	101,662	-	-	-	-	101,662	
		2018	86,660	-	-	-	-	86,660	
Dave Redfern	Director	2019	27,434	-	-	2,566	-	30,000	
		2018	27,394	-	-	2,602	-	29,996	
Ken Ogden	Director	2019	80,000	-	-	-	-	80,000	
		2018	80,000	-	-	-	-	80,000	
Greg Adcock	Director	2019	77,686	-	-	2,314	-	80,000	
		2018	73,058	-	-	6,942	-	80,000	
Jennifer Douglas	Director	2019	73,565	-	-	6,435	-	80,000	
		2018	66,981	-	-	6,363	-	73,344	
Executive KMPs									
Paul Cross	CEO	2019	404,469	-	106,250	20,531	8,169	539,419	20%
		2018	380,000	-	100,000	20,049	8,805	508,854	20%
John Phillips	CFO	2019	336,469	150,000	89,250	20,531	5,688	601,938	40%
		2018	244,502	-	55,356	16,707	4,075	320,640	17%
Martin Stockley	CCO	2019	253,894	-	23,783	20,531	4,569	302,777	8%
		2018	248,016	-	25,000	20,049	5,419	298,484	8%
Geoff Aldridge	COO	2019	294,518	-	78,762	20,531	7,672	401,483	20%
		2018	280,000	-	50,000	20,049	8,071	358,120	14%
Stephen Davies	CTO	2019	219,227	-	20,779	20,531	4,332	264,869	8%
		2018	215,004	-	-	20,013	4,449	239,466	0%
Total KMP		**2019**	**1,868,921**	**150,000**	**318,824**	**113,973**	**30,430**	**2,482,148**	
		2018	**1,701,615**	**-**	**230,356**	**112,774**	**30,819**	**2,075,564**	

1 There were no Non-cash benefits issued in FY 2019
2 One off bonus granted at Board discretion in connection with OptiComm IPO

KMP Shareholdings

The number of ordinary shares in the Company each KMP of the Group held directly or via associated entities during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Other Changes during the Year[1]	Balance at End of Year[2]
Allan Brackin	69,232	-	-	69,232
Paul Cross	521,546	-	-	521,546
Dave Redfern	1,006,165	-	-	1,006,165
Ken Ogden	138,465	-	-	138,465
Martin Stockley	77,946	-	25,902	103,848

	Balance at Beginning of Year	Granted as Remuneration during the Year	Other Changes during the Year[1]	Balance at End of Year[2]
Geoff Aldridge	25,315	-	32,377	57,692
Stephen Davies	10,126	-	12,951	23,077
	1,848,795	-	71,230	1,920,025

1 This represents partially paid shares now fully paid during the financial year.
2 Subsequent to 30 June as part of the IPO, there was a share subdivision.

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to shareholdings.

Loans to KMP and their related parties

There are no loans to KMP and their related parties at the financial year ending 30 June 2019.

Other Transactions with KMP and/or their Related Parties

Policy for approval of related party transactions

The Company's Board is responsible for reviewing and recommending for approval all transactions in which the Company is a participant and in which any related parties of the Company, has or will have a direct or indirect material interest.

The Board or its Chairperson, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit and Risk Committee or the Chairperson determines in good faith to be necessary. Transactions with related parties will also be subject to Shareholder approval to the extent required by the ASX Listing Rules or the Corporations Act.

Related Party Transactions

The Group has arrangements with entities associated with certain of its directors as follows:

Paul Cross

The Group has in the past purchased and continues to purchase, certain materials and services associated with the pit and pipe stage (installation, repair and change) from Pon Project Services Pty Ltd. Paul Cross, a Director and CEO of OptiComm, is a 9% shareholder in Pon Project Services Pty Ltd. OptiComm paid Pon Project Services Pty Ltd $4,117,029 in FY2019 (FY2018: $4,002,394) pursuant to these arrangements.

David Redfern

The Group purchases certain inventory and stock items from Madison Technologies Pty Ltd. David Redfern, a Director of OptiComm, is the sole shareholder and director of Madison Technologies Pty Ltd.

The Group paid Madison Technologies Pty Ltd $2,850 in FY2019 (FY2018: $12,144) pursuant to these arrangements.

Ken Ogden

The Group engages Pitcher Partners to provide certain professional services to OptiComm including:

- ongoing 'business as usual' corporate accounting and tax support services including accounting software and corporate accounting administration, company secretarial and tax advisory services; and
- discrete engagements including acquisition tax and financial due diligence services and pre-IPO accounting, corporate advisory and tax preparation support services. Pitcher Partners has acted as Australian tax adviser to OptiComm in connection with the IPO and has performed work in relation to due diligence enquiries on Australian taxation matters.

Ken Ogden is a partner of Pitcher Partners Brisbane, a national association of independent Australian accounting firms.

The Group paid Pitcher Partners $199,549 in FY2019 (FY2018: approximately $262,610) pursuant to these arrangements. The Board (with Mr Ogden abstaining) has determined that Mr Ogden is an independent director, notwithstanding the Pitcher Partners arrangements.

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

End of the remuneration report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:

Mr Allan Brackin
Chairman
Dated at 20 August 2019

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

As lead auditor of OptiComm Limited and Controlled Entity for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

C K Henry
Director
BDO Audit Pty Ltd

Brisbane, 20 August 2019

	Note	Consolidated Group	
		2019 $000	**2018 $000**
Revenue	3	62,259	57,896
Other income	3	137	110
Changes in inventories	4	76	(1)
Raw materials and consumables used	4	(11,564)	(14,820)
Employee expense		(12,765)	(9,927)
Depreciation and amortisation expense	4	(4,878)	(4,207)
Finance costs	4	(353)	(2)
Other expenses	4	(4,185)	(3,039)
Profit before income tax		28,727	26,010
Tax expense	5	(8,614)	(7,839)
Net profit for the year		20,113	18,171
Earnings per share			
Basic earnings per share ($)	9	6.20	5.80
Diluted earnings per share ($)	9	6.38	5.85

	2019 $000	2018 $000
Net profit for the year	20,113	18,171
Other comprehensive income	-	-
Total comprehensive income for the year	20,113	18,171
Total comprehensive income attributable to:		
Members of the parent entity	20,113	18,171
	20,113	18,171

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	9,655	11,708
Trade and other receivables	11	9,892	7,848
Inventories	12	1,462	877
Other assets	15	538	392
TOTAL CURRENT ASSETS		21,547	20,825
NON-CURRENT ASSETS			
Property, plant and equipment	13	73,734	60,634
Deferred tax assets	19	6,460	1,120
Intangible assets	14	358	142
Other non-current assets	15	62	123
TOTAL NON-CURRENT ASSETS		80,614	62,019
TOTAL ASSETS		102,161	82,844
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	8,276	7,428
Contract liabilities	17	7,766	6,402
Borrowings	18	6	12
Current tax liabilities		3,193	949
Provisions	20	1,657	546
TOTAL CURRENT LIABILITIES		20,898	15,337
NON-CURRENT LIABILITIES			
Borrowings	18	-	7
Deferred tax liabilities	19	5,129	5,515
Provisions	20	16,568	267
TOTAL NON-CURRENT LIABILITIES		21,697	5,789
TOTAL LIABILITIES		42,595	21,126
NET ASSETS		59,566	61,718
EQUITY			
Issued capital	21	8,606	8,049
Reserves	28	-	81
Retained earnings		50,960	53,588
TOTAL EQUITY		59,566	61,718

The accompanying notes form part of these financial statements.

Consolidated Group

	Note	Issued Capital	Retained Earnings	Reserves	Total Equity
		$000	$000	$000	$000
Balance at 1 July 2017		7,939	37,848	81	45,868
Comprehensive income					
Profit for the year			18,171		18,171
Total comprehensive income for the year		-	18,171	-	18,171
Transactions with owners, in their capacity as owners, and other transfers					
Call for partially paid shares		110			110
Dividends recognised for the year	8		(2,431)		(2,431)
Total transactions with owners and other transfers		110	(2,431)		(2,321)
Balance at 30 June 2018		8,049	53,588	81	61,718
Balance at 1 July 2018		8,049	53,588	81	61,718
Cumulative adjustment upon change in accounting policy (AASB 15)	1A(iii)(b)		(10,745)		(10,745)
Balance at 1 July 2018 (Restated)		8,049	42,843	81	50,973
Comprehensive income					
Profit for the year			20,113		20,113
Total comprehensive income for the year		-	20,113	-	20,113
Transactions with owners, in their capacity as owners, and other transfers					
Call for partially paid shares		476			476
Release of share payment reserve		81		(81)	-
Dividends recognised for the year	8		(11,996)		(11,996)
Total transactions with owners and other transfers		557	(11,996)	(81)	(11,520)
Balance at 30 June 2019		8,606	50,960	-	59,566

The accompanying notes form part of these financial statements.

	Note	Consolidated Group	
		2019 **$000**	**2018** **$000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		67,806	64,269
Payments to suppliers and employees		(32,574)	(34,013)
Interest received		137	110
Finance costs		(1)	(2)
Income tax paid		(7,518)	(9,020)
Net cash provided by operating activities	25	27,850	21,344
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	2
Payments for intangibles (software)		(472)	(40)
Purchase of property, plant and equipment		(17,898)	(15,387)
Payments for non-current cash deposits		-	(41)
Receipts for non-current cash deposits		-	1,000
Net cash used in investing activities		(18,370)	(14,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from calls on partly paid shares		476	110
Repayment of borrowings		(13)	(12)
Dividends paid by parent entity		(11,996)	(2,432)
Net cash provided by/(used in) financing activities		(11,533)	(2,334)
Net increase in cash and cash equivalents		(2,053)	4,545
Cash and cash equivalents at beginning of financial year		11,708	7,163
Cash and cash equivalents at end of financial year	11	9,655	11,708

The accompanying notes form part of these financial statements.

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

The separate financial statements of the parent entity, OptiComm Limited, have been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 19 August 2019 by the directors of the Group.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies which have been adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

A. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001, including interpretations issued by the Australian Accounting Standards Board (AASB). The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

(i) Basis of Measurement

The financial statements have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Australian dollars, rounded to the nearest thousand dollars.

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

(ii) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

Management evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods.

Key estimates

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset or Cash Generating Unit (CGU) that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset or CGU is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Key judgements

Provision for impairment of trade receivables

Recoverability of trade receivables is reviewed on an ongoing basis. Debts that are known to be unrecoverable are written off directly against the carrying value of the debt. Impairment is based on an ‘expected credit loss’ assessment. Refer to succeeding notes for impairment in accordance with AASB9.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Treatment of non-refundable developer contributions

The Group recognises as construction revenue, non-refundable cash contributions from developers for installation of networks in their Broadacre estates and Multi Dwelling Unit developments. Construction revenue is recognised when the network in a 'stage' (or section of the development) is practically complete (a "connection service"). In most instances, the connection service is the primary contractual obligation the Group has to the developer. Practical completion means the network is functional and ready for use, can be connected to a dwelling (once that dwelling is built and occupied) and allows the developer to sell the lot as it is now 'fibre ready' ('fibre ready' is a legislated mandatory requirement for a developer to sell a lot). In accordance with the guidelines outlined in AASB 108, the Group has determined that the current recognition policy is in accordance with AASB 15.

This revenue recognition policy is a key judgement as there is an alternative revenue recognition approach, recognising that obligations may extend beyond practical completion and encompass activities such as maintenance and on-going operation over the life of the infrastructure asset. Under the alternative approach, companies defer contributions on a straight-line basis over the useful life of the asset to which the contribution relates. The Directors consider that, in the case of the Group, obligations of this nature are addressed in separate arrangements with Retail Service Providers (RSPs) and in legislation outside the contracts with developers, and have no bearing on the assessment of developer contract performance obligations or contract terms and do not impact the timing of construction revenue recognition.

In applying judgement to determining the revenue recognition policy, the Directors have considered a range of matters, including:

- the commercial form and substance of the arrangements between the Group and the developers and these arrangements have been consistent for a number of years – that is the Group's primary obligation to the developer is to provide a connection service and this concludes when the fibre infrastructure, with connectivity, is installed into an estate (or a stage of an estate);
- the cash flow arrangements between the Group and the developer in that the developer makes a non-refundable cash contribution to the Group as the network infrastructure is constructed, with a final payment at practical completion;
- developers obtain significant value from the connection service that the Group provides in that the value of the properties it will on-sell is higher due to them being connected to the telecommunications network. Future property owners will have ready access to broadband services and will not be required to pay for this separately. As a result, developers have ability to obtain substantially all of the remaining benefits from the connection;
- the future property owners are not parties to the developer contract and are unknown at the time this contract is signed. Contracts with potential future customers are not relevant to analysing the contract between the Group and developers; and
- the Group's obligations post fibre infrastructure installation are with firstly a resident (to connect a dwelling) and then with RSPs who pay a wholesale access charge for transmission across the network. the Group derives separate revenue streams from these obligations.

(iii) Changes in Accounting Standards

The Group notes that the following new accounting standards are applicable during the FY2019 reporting period:

- AASB 9 Financial instruments (**AASB 9**) – applicable from annual reporting periods commencing 1 July 2018; and
- AASB 15 Revenue from contracts with customers (**AASB 15**) – applicable from annual reporting periods commencing 1 July 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has applied these standards for FY2019. The impact of these standards is detailed below.

a. AASB 9 *Financial Instruments*

AASB 9 sets out the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments and impairment of financial assets. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

a.1.1 Impact of adoption of AASB 9

Financial assets

(i) Classification and measurements

The new classification of financial assets under AASB 9 has not had a material impact on the Group's financial statements.

The Group's trade and other receivables are held to collect contractual cash flows and the cash flows solely represent payments of principal and interest. These continue to be measured at amortised cost using the effective interest rate method.

Financial assets	**Original classification under AASB 139**	**New classification under AASB 9**
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost

(ii) Impairment of financial assets

Under AASB 9, impairment of Trade and other receivables is based on an 'expected credit loss' assessment. Previously, impairment was only recorded when issues regarding the potential collectability of a receivable had been identified (incurred loss model). Under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. Trade receivables are assessed under the simplified approach permitted by AASB 9 and related expected lifetime losses are recognised immediately in the profit or loss.

The change in methodology did not have a material impact on the Group's financial statements.

Financial liabilities

The adoption of AASB 9 has had no material impact on the classification and measurement of the Group's financial liabilities, or the Group's accounting policies relating to financial liabilities. The Group's financial liabilities (Trade and other payables and borrowings) remain to be measured at amortised cost using the effective interest rate method.

a.1.2 Accounting policies under AASB 9

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial instruments mainly relate to cash and cash equivalents; Trade and other receivables; Trade and other payables; and Borrowings. These financial instruments are initially measured at fair value. On initial recognition, these financial instruments are recognised net of transaction costs directly attributable to the acquisition of these financial instruments.

Financial assets

Classification and subsequent measurement

Subsequent to initial recognition, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through profit or loss); and
- those to be measured at amortised cost.

The classification depends upon whether the objective of the Group's relevant business model is to hold financial assets in order to collect contractual cash flows (business model test) and whether the contractual terms of the cash flows give rise on specified dates to cash flows that are solely payments of principal and interest (cash flow test).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group does not have financial assets that are classified as 'fair value through other comprehensive income' and 'fair value through profit or loss'.

Financial assets carried at amortised cost
Trade and other receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost using the effective interest rate method.

On de-recognition of financial assets carried at amortised cost, the difference between the financial asset's carrying amount and the sum of the consideration received is recognised in the profit or loss.

Impairment
For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime credit losses to be recognised from initial recognition of the trade receivables. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.
The Group writes-off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Financial liabilities
Trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest rate method.
Financial liabilities are de-recognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid is recognised in the profit or loss.

b. AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 introduces a 5-step approach to revenue recognition and the principle that revenue is recognised when (or as) a performance obligation is satisfied, i.e. when control of a good or service underlying the particular performance obligation is transferred to a customer- the concept of transfer of control of a good or service replaces the concept of transfer of risks and rewards.

The summary of the changes applied in the statement of changes in equity from AASB 15 is as follows:

	$000
Developer contribution from preferred developer relationship	
- Recognition of customer refund liability	15,263
- Less deferred tax asset on recognition of customer refund liability	(4,579)
Net amount adjusted to retained earnings	10,684
Backhaul recognition	
- Adjustment to retained earnings for change in revenue recognition policy	61
Total adjustment to retained earnings	10,745

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b.1.1 Impact of adoption of AASB 15 - Developer's contributions revenue (preferred developer relationships)

The adoption of AASB 15 had a material impact on the developer's contributions revenue (Preferred developer relationships).

The Group has entered into long term agreements with a limited number of developers which provides for the Group to install network infrastructure in the majority of the developers future estates. These agreements provide, in exchange for new customers, the payment of a product fee to the developer based on the number of active users in the developer's estates.

As at 1 July 2018, in accordance with AASB15, these arrangements have resulted in the recognition of a 'Customer refund liability' reflecting the present value of the product fee for the remainder of the contractual period, with the equivalent amount being treated as a refund of the contributions received to date from the developer for the construction of network infrastructure.

The Customer refund liability is reassessed at the end of each accounting period to reflect the change in active connections in that period and the resulting re-assessment of the future product fee payable. This is recognised as an adjustment to construction revenue.

The product fee paid to the developer is offset against the Customer refund liability.
The summary of changes applied in the FY2019 consolidated statements of profit and loss and statement of consolidated financial position is as follows:

	$000
Reduction in developer contributions	(2,747)
Reduction of cost of sales	1,136
Increase in finance costs	(352)
Total adjustment to profit and loss before tax	(1,963)
Increase in customer refund liability	1,963
Total adjustment to financial position before tax	1,963

b.1.2 Impact of adoption of AASB 15 - Developer's contributions (construction of backhaul and headend for an estate)

In accordance with AASB15, developer's contributions received in relation to the performance obligation for the construction of backhaul and headend for an estate are recognised when the fibre installation in the estate to which the headend and backhaul are connected is practically complete. Previously, the developer's contributions for headend and backhaul was recognised when the contributions were invoiced.

The change in the timing of revenue recognised was reviewed for all construction of backhaul and headend which commenced prior to the application date of the changes for AASB 15.

We have adopted this change in accounting policy from 1 July 2018 and this has been applied to relevant contracts entered into from this time.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of changes applied in the FY2019 consolidated statements of profit and loss and statement of consolidated financial position is as follows:

	$000
Reduction in construction revenue	(213)
Total adjustment to profit and loss before tax	(213)
Increase in contract liabilities	213
Total adjustment to financial position before tax	213

b.1.3 Accounting policies under AASB 15

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised so as to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.
Revenue from these sales is recognised based on the price specified in the contract.
No element of financing is deemed present as the sales are made with a credit term between 30-90 days, which is consistent with market practice.

Revenue is recognised in accordance with the following five-step process:

1. Identifying the contract with the customer.
2. Identifying the performance obligations in the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations in the contract.
5. Recognising revenue as and when the performance obligations are satisfied.

Developer contributions/construction revenue
The Group recognises as construction revenue, non-refundable cash contributions from developers for installation of networks in their Broadacre estates and Multi Dwelling Unit developments. Construction revenue is recognised when the network in a 'stage' is practically complete (a "connection service"). In most instances, the connection service is the primary performance obligation the Group has to the developer. Practical completion means the network is functional and ready for use, can be connected to a dwelling (once that dwelling is built and occupied) and allows the developer to sell the lot as it is now 'fibre ready' ('fibre ready' is a legislated mandatory requirement for a developer to sell a lot).

Within developer contributions there are two main revenue types:

- External Infrastructure (Head-End & Backhaul) contributions – these are typically a lump sum dollar amount
- The Per Lot fee (Fibre distribution and Pit & Pipe) – these are typically paid upon installation in-line with project progression (being design, pit and pipe, fibre install and completion).

The Group's customer is the developer. The service is to provide a "connection service" to connect the developer's property to the network infrastructure. Developer contributions attributable to the connection service are recognised as construction revenue when the connection service is satisfied according to AASB 15 paragraph 38 (performance obligations satisfied at a point in time), which is on completion of the connection. The Group has entered into long term agreements with a limited number of developers which provides for the Group to install network infrastructure in the majority of the developers future estates. These agreements provide, in exchange for new customers, the payment of a product fee to the developer based on the number of active users in the developer's estates. This results in the recognition of a customer refund liability reflecting the net present value of the product fee.

The customer refund liability is reassessed at the end of each accounting period to reflect the change in active connections in that period and the resulting re-assessment of the future product fee payable. This is recognised as an adjustment to construction revenue with the tax effect amount reflected as a deferred tax asset.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Network operations revenue
Revenue from the provision of network operations services includes recurring network operations revenue received from RSPs for network access in the form of a monthly wholesale charge. Network operations revenue is recognised at a point at which the services are rendered.

Connections revenue
Connections revenue represents one-off connection fees as dwellings are connected to the Group's network. Connections revenue is recognised in the accounting period in which the connection is completed.

Interest revenue
This revenue is recognised using the effective interest method. It includes amortisation of any discount or premium.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established. Grants and subsidies are recognised as income over the period to which they relate.

c. Accounting policy not adopted in the reporting period

AASB 16 Leases
AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

Impact of adoption AASB 16

The Group has completed its analysis of the impacts on transition to AASB 16.
The Group expects to adopt this standard from 1 July 2019 and the impact of its adoption will be that operating leases will be brought onto the statement of financial position with a corresponding liability. The actual amount will depend on the operating leases held on the date of adoption and any transitional elections made.

B. Principles of Consolidation

The financial statements incorporates all of the assets, liabilities and results of the parent OptiComm Ltd and its wholly owned subsidiary OptiComm Integration Pty Ltd. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity.
The assets, liabilities and results of all Subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of Subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

C. Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.
Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.
Deferred tax assets and liabilities can be offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.
An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.
Deferred tax assets and liabilities are always classified as non-current.

E. Cash and cash equivalents

Cash and cash equivalents include 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.

F. Inventories

Inventories consist of consumable type items which are consumed in connection costs or Network Infrastructure assets in property, plant and equipment. Consumables are stated at the lower of cost and recoverable amount on a 'weighted average cost' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

G. Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Assets are recognised, regardless of when title passes or if title passes, when the Group gains control of the assets or has substantially all the risks and rewards of ownership.
Assets acquired are brought to account at fair value.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Network Infrastructure	4-40 years
Leasehold Improvements	5 years
Plant and Equipment	10 years
Computers	5 years
Motor Vehicles	10 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

H. Intangible assets

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.
Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

J. Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

K. Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.
The Group has entered into long term agreements with a number of developers which provides for the Group to install network infrastructure in the majority of the Developers future estates. These agreements provide, in exchange for new customers, the payment of a product fee to the Developer based on the number of active users in the developer's estates.

In accordance with AASB 15, these arrangements have resulted in the recognition of a provision reflecting the net present value of the product fee for the remainder of the contractual period, with the equivalent amount reducing construction contributions from the relevant developer.

The provision is reassessed at the end of each accounting period to reflect the change in active connections in that period and the re-assessment of the future product fees payable. Any changes are reflected in the provision balance and offset against developer construction revenue in that period.
The product fee paid to the developer is charged to the provision.

L. Finance costs

Finance costs are expensed in the period in which they are incurred.

M. Employee benefits

<u>Short-term employee benefits</u>
Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.
The Group's obligations for short-term employee benefits such as wages, salaries are recognised as a part of current trade and other payables in the statement of financial position.

<u>Other long-term employee benefits</u>
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.
Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.
For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

O. Issued capital

Ordinary shares are classified as equity.
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.

P. Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Group.

Q. 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 tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.
Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

R. Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Plan, employee share scheme and proposed performance rights plan.
The fair value of options granted under the various plans are recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions, but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Prior year accounting policies

Provision for impairment of receivables

Recoverability of trade receivables was reviewed on an ongoing basis. Debts that were known to be unrecoverable were written off directly against the carrying value of the debt. An allowance for impairment was used when there was some doubt as to the full recoverability of the debt. The allowance for impairment was the difference between the carrying amount of the debt and the amount that was expected to be recovered. The additional allowance for doubtful debts was recognised in the profit and loss statement.

Revenue Recognition

Revenue from network usage was recognised when it was probable that the economic benefit would flow to the entity and the revenue could be reliably measured. Revenue was measured at the fair value of the consideration received or receivable.

The Group recognised revenue from rendering of integration construction contract services in proportion to the stage of completion of the transaction at reporting date. Completion was measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result could be reliably estimated, contract revenue and expenses were recognised in the profit or loss as incurred. Where the project result cannot be reliably estimated, profits were deferred and the difference between revenue and expenses was carried forward as either a contract receivable or payable. Once the contract result could be reliably estimated, the profit earned to that point was recognised immediately.

Revenue from sale of goods was recognised when significant risks and rewards of ownership had been transferred to the customer, recovery of consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2019	**2018**
	$000	**$000**
Statement of Financial Position		
ASSETS		
Current assets	20,289	19,592
Non-current assets	80,581	60,899
TOTAL ASSETS	100,870	80,491
LIABILITIES		
Current liabilities	22,244	16,812
Non-current liabilities	21,678	4,866
TOTAL LIABILITIES	43,922	21,678
EQUITY		
Issued capital	8,606	8,049
Retained earnings	48,342	50,683
General reserve	-	81
TOTAL EQUITY	59,948	58,813
Statement of Profit or Loss		
Net profit after tax	20,400	16,798
Total comprehensive income	20,400	16,798

NOTE 2: PARENT INFORMATION

	2019 $000	2018 $000
Finance Lease Commitments		
Motor vehicle leases	6	19
Operating Lease Commitments		
Office leases	1,746	341
Contingent Liabilities		
Bank Performance Guarantee Liability	1,032	123

NOTE 3: REVENUE AND OTHER INCOME

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

	Note	2019 $000	2018 $000
Revenue from contracts with customers	3a		
- Construction revenue		24,656	29,940
- Connections revenue		4,541	4,079
- Network operations revenue		33,062	23,877
		62,259	57,896
Other sources of revenue	3b	137	110
		62,396	58,006

a. Disaggregated revenue

The Group has disaggregated revenue into various categories in the following table. The revenue is disaggregated by geographical market, products/service lines and timing of revenue recognition.

	Year to 30 June 2019					
	Construction and Connections contracts		Network operations contracts		Total	
	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Geographical markets						
Australia	29,197	34,019	33,062	23,877	62,259	57,896
	29,197	**34,019**	**33,062**	**23,877**	**62,259**	**57,896**
Timing of revenue recognition						
At a point in time	4,541	4,079	33,062	23,877	37,603	27,956
At practical completion	24,656	29,940	-	-	24,656	29,940
	29,197	**34,019**	**33,062**	**23,877**	**62,259**	**57,896**

NOTE 3: REVENUE AND OTHER INCOME

	2019 $000	2018 $000
b. Other sources of revenue		
Interest received		
– unrelated parties	137	110
Total other sources of revenues	137	110

NOTE 4: PROFIT FOR THE YEAR

	Consolidated Group	
	2019 $000	2018 $000
Profit before income tax from continuing operations includes the following specific expenses:		
– Raw materials and consumables used	11,564	14,820
– Changes in inventories	(76)	1
Interest expense on financial liabilities not classified as at fair value through profit or loss:		
– Customer refund liability interest	352	-
– Other finance costs	1	2
Total finance costs	353	2
Depreciation and amortisation		
– Depreciation	4,798	4,141
– Amortisation	80	66
Total Depreciation and amortisation	4,878	4,207
Other expenses include the following:		
Loss allowance on financial assets and other items		
– loss allowance on trade receivables	74	182
Rental expense on leases:		
– Operating leases	239	231
– Finance leases	12	12
Total lease costs	251	243
Listing costs:		
– The Group has incurred to balance date one off costs to list on the Australian Securities Exchange. These costs include professional fees and prospectus preparation.	800	-

NOTE 5: TAX EXPENSE

		Note	Consolidated Group	
			2019 $000	**2018 $000**
a.	The components of tax (expense) income comprise:			
	Current tax		9,762	7,442
	Deferred tax	19(b)	(1,148)	397
			8,614	7,839
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)		8,618	7,803
	Add:			
	Tax effect of:			
	– non-allowable items		23	14
			23	14
	Less:			
	Tax effect of:			
	– Under/ (Over) provision in respect of prior years		(27)	22
	Income tax attributable to entity		8,614	7,839
	The weighted average effective tax rates are as follows:		**29.98%**	**30.14%**

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2019.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2019 $	**2018 $**
Short-term employee benefits	2,337,745	1,931,971
Post-employment benefits	113,973	112,774
Other long-term benefits	30,430	30,819
Total KMP compensation	2,482,148	2,075,564

The Chief Regulatory Officer retired on the 30th May 2019. He had previously been a member of the key management personnel until he announced his retirement in FY2018. The comparative figures in FY2018 have been updated to reflect the current key management personnel structure.

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Post-employment benefits

These amounts are the current-year's costs of providing for the Group's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year and deferred bonus payments.

NOTE 7: AUDITOR'S REMUNERATION

		Consolidated Group	
		2019 **$**	**2018** **$**
Remuneration of the auditor for:			
–	Auditing or reviewing the financial statements	188,769	52,000
–	Due diligence services	174,163	-
–	Other services	5,000	5,000
		367,932	57,000

NOTE 8: DIVIDENDS

	Consolidated Group	
	2019 **$000**	**2018** **$000**
2019 Interim dividend of $1.85 per share (2018: Interim dividend of $0.75 per share), both fully franked at the tax rate of 30%	5,998	2,431
2018 Final dividend of $1.85 per share, fully franked at the tax rate of 30%	5,998	-
	11,996	2,431

The Board's intention is to pay dividends on a semi-annual basis, with a first dividend post listing, expected to be paid in October 2019. At the current time, the board has not yet declared a final dividend for FY2019 and will update the market when this changes.

NOTE 9: EARNINGS PER SHARE

		Consolidated Group	
		2019 **$000**	**2018** **$000**
a.	Reconciliation of earnings to profit or loss:		
	Earnings used to calculate basic and dilutive EPS	20,113	18,171
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	3,242	3,132
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	3,154	3,108

NOTE 10: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2019	**2018**
	$000	**$000**
Cash at bank and on hand	5,455	7,208
Short-term bank deposits	4,200	4,500
	9,655	11,708

The effective interest rate on short-term bank deposits was 1.40% (2018: 2.45%); the deposits have an average maturity of 90 days.

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019	**2018**
	$000	**$000**
CURRENT		
Trade receivables	9,867	7,821
Contract assets	99	209
Provision for impairment	(74)	(182)
Total current trade and other receivables	9,892	7,848

The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9: *Financial Instruments*.

Trade receivables have increased due an increase in overall business activity.

Lifetime Expected Credit Loss: Credit Impaired

	Consolidated Group		
	Opening balance under AASB 139	**Net measure-ment of loss allowance under AASB 139**	**Closing balance**
	1 July 2017		**30 June 2018**
	$000	**$000**	**$000**
Current trade receivables	279	(97)	182
	279	(97)	182

Lifetime Expected Credit Loss: Credit Impaired

	Consolidated Group		
	Opening balance	**Net measure-ment of loss allowance under AASB 9**	**Closing balance**
	1 July 2018		**30 June 2019**
	$000	**$000**	**$000**
Current trade receivables	182	(108)	74
	182	(108)	74

NOTE 11: TRADE AND OTHER 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 adjusted for forward looking information. The loss allowance provision as at 30 June 2019 has been determined on this basis.

There was no material adjustment on expected credit losses as at 1 July 2018 as a result of adopting AASB9.

	Current	>30 days past due	>60 days past due	>90 days past due	Total
	$000	$000	$000	$000	$000
2019					
Gross carrying amount	6,762	2,679	252	175	9,868
2018					
Gross carrying amount	7,146	271	128	276	7,821

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia given the substantial operations in those regions. The Group’s exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group	
	2019 $000	2018 $000
Australia	74	182
	74	182

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

NOTE 12: INVENTORIES

	Note	Consolidated Group 2019 $000	Consolidated Group 2018 $000
CURRENT			
At cost:			
Raw materials and stores		1,480	895
Provision for obsolete stock		(18)	(18)
		1,462	877

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group 2019 $000	Consolidated Group 2018 $000
Network Infrastructure under construction		
At cost	9,418	7,173
Network Infrastructure		
At cost	83,858	70,065
Accumulated depreciation	(21,931)	(17,371)
Total Network Infrastructure	61,927	52,694
Plant and Equipment		
At cost	3,216	1,342
Accumulated depreciation	(1,032)	(827)
Total Plant and Equipment	2,184	514
Motor vehicles		
At cost	161	158
Accumulated depreciation	(43)	(27)
Total Motor vehicles	118	131
Leased Motor vehicles		
At cost	63	63
Accumulated depreciation	(28)	(22)
Total Leased Motor vehicles	35	41

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

Office Fixture and Fittings		
At cost	90	107
Accumulated depreciation	(38)	(26)
Total Fixture and Fittings	52	81
Total property, plant and equipment	73,734	60,634

a. **Movements in Carrying Amounts**

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

	Network Infrastructure under construction	**Network Infrastructure completed**	**Plant and equipment**	**Motor vehicles**	**Leased Motor vehicles**	**Office Fixture and Fittings**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Consolidated Group:							
Balance at 1 July 2017	5,224	43,408	515	116	47	80	49,390
Additions	15,214	-	134	28	-	11	15,386
Disposals	-	-	(2)	-	-	-	(2)
Transfer on completion	(13,265)	13,265	-	-	-	-	-
Depreciation expense	-	(3,979)	(133)	(13)	(6)	(10)	(4,141)
Balance at 30 June 2018	7,173	52,694	514	131	41	81	60,634
Additions	16,037		1,909	3		11	17,960
Disposals			(35)			(28)	(63)
Transfer on completion	(13,792)	13,792					-
Depreciation expense		(4,559)	(204)	(16)	(6)	(12)	(4,798)
Balance at 30 June 2019	9,418	61,927	2,184	118	35	52	73,734

NOTE 14: INTANGIBLE ASSETS

	Consolidated Group	
	2019 $000	2018 $000
Computer software:		
Cost	754	458
Accumulated amortisation and impairment losses	(396)	(316)
Net carrying amount	358	142
Total intangible assets	358	142

	Computer software $000
Consolidated Group:	
Year ended 30 June 2018	
Balance at the beginning of the year	168
Additions	40
Disposals	-
Amortisation charge	(66)
	142
Year ended 30 June 2019	
Balance at the beginning of the year	142
Additions	296
Amortisation charge	(80)
Closing value at 30 June 2019	358

NOTE 15: OTHER ASSETS

	Consolidated Group	
	2019 $000	2018 $000
CURRENT		
Prepayments	538	392
NON-CURRENT		
Cash Deposits held for Lease Guarantees	-	106
Security Deposits held	62	17
	62	123

Cash deposits held are restricted by indemnity guarantees provided by the bank.

NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2019	**2018**
	$000	**$000**
CURRENT		
Unsecured liabilities:		
Trade payables	6,430	5,896
Sundry payables and accrued expenses	1,846	1,532
	8,276	7,428

NOTE 17: CONTRACT LIABILITIES

	Consolidated Group	
	2019	**2018**
	$000	**$000**
Amounts related to construction contracts	7,766	6,402
Total contract liabilities	7,766	6,402

Movement of contract liabilities:	**2019**	**2018**
	$000	**$000**
Opening contract liabilities	6,402	5,332
AASB 15 adjustment for backhaul revenue (Note 1A(iii)(b))	61	-
Contract liability additions	24,456	23,689
Completed contracts recognised in profit and loss	(23,153)	(22,619)
Closing contract liabilities	7,766	6,402

These amounts represent developer contributions made towards the cost of developing Network Infrastructure assets that have not yet reached practical completion. These contributions are recognised as revenue when the relevant asset to which the contribution relates reaches practical completion and is ready for use.

NOTE 18: BORROWINGS

	Consolidated Group	
	2019	**2018**
	$000	**$000**
CURRENT		
Lease liability	6	12
Total current borrowings	6	12
NON-CURRENT		
Lease liability	-	7
Total non-current borrowings	-	7
Total borrowings	6	19

NOTE 19: DEFFERED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net assets/liabilities**	
$000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Property plant and equipment	-	-	(5,129)	(5,515)	(5,129)	(5,515)
Provisions and accrual	1,016	715	-	-	1,016	715
Customer refund liability	5,168	-	-	-	5,168	-
Contract liability	276	405	-	-	276	405
Deferred tax assets/(liabilities)	**6,460**	**1,120**	**(5,129)**	**(5,515)**	**1,331**	**(4,395)**

(b) Movement in temporary difference during the year

The movement in deferred tax balances for the Group are shown in the tables below:

Year ended 30 June 2019

$000	Opening balance	Charged to profit and loss	Charged to Equity	Closing balance
Property plant and equipment	(5,515)	386	-	(5,129)
Provisions and accrual	715	301	-	1,016
Customer refund liability	-	589	4,579	5,168
Contract liability	405	(128)	-	276
Net Deferred tax assets	(4,395)	1,148	4,578	1,331

Year ended 30 June 2018

$000	Opening balance	Charged to profit and loss	Charged to Equity	Closing balance
Property plant and equipment	(4,958)	(557)	-	(5,515)
Provisions and accrual	424	291	-	715
Customer refund liability	-	-	-	-
Contract liability	536	(131)	-	405
Net Deferred tax assets	(3,998)	(397)	-	(4,395)

NOTE 20: PROVISIONS

	Employee benefits	Customer Refund Liability	Make good	Other provisions	Total
	$000	**$000**	**$000**	**$000**	**$000**
Consolidated Group					
Opening balance at 30 June 2018	783	-	30	-	813
Recognition of customer refund liability (Note 1A(iii)(b))	-	15,263	-	-	15,263
Additional provisions	685	3,099	28	12	3,824
Amounts used	(539)	(1,136)	-	-	(1,675)
Balance at 30 June 2019	929	17,226	58	12	18,225

	Consolidated Group	
	2019	**2018**
	$000	**$000**
Analysis of total provisions		
Current	1,657	546
Non-current	16,568	267
	18,225	813

a. Customer refund liability

Customer refund liability represents the net present value of the product fee payable for the remainder of the contractual period, with the equivalent amount reducing construction contributions from the relevant developer.

The provision is reassessed at the end of each accounting period to reflect the change in active connections in that period and the re-assessment of the future product fees payable. Any changes are reflected in the provision balance and offset against developer construction revenue in that period.

b. Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(g).

NOTE 21: ISSUED CAPITAL

	Consolidated Group	
	2019 $000	2018 $000
3,242,354 fully paid ordinary shares of which 196,154 previously partially paid shares were fully paid as at balance date (2018: 3,242,354 of which 196,154 were partially paid)	8,606	8,049
	8,606	8,049

The Group has authorised share capital amounting to 3,242,354 ordinary shares.

		Consolidated Group	
		2019 No.	2018 No.
a.	**Ordinary Shares**		
	At the beginning of the reporting period	3,242	3,242
	At the end of the reporting period	3,242	3,242

b. **Capital risk management**

The Board's policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings of the Group. The Board of Directors monitors the return on capital as well as considers the potential of future dividends to ordinary shareholders.

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

			Note	Consolidated Group	
				2019 $000	2018 $000
a.	**Finance Lease Commitments**				
	Payable – minimum lease payments:				
	–	not later than 12 months		6	12
	–	between 12 months and 5 years		-	7
				6	19

NOTE 22: CAPITAL AND LEASING COMMITMENTS

b. **Operating Lease Commitments**

Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	431	239
– between 12 months and 5 years	1,315	102
	1,746	341

The increase in lease commitments relates to leases entered into for new offices in Sydney and Melbourne.

NOTE 23: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	Consolidated Group	
	2019 **$000**	**2018** **$000**
Contingent Liabilities		
Estimates of the potential financial effect of contingent liabilities that may become payable:		
Bank Performance Guarantee Liability	1,032	123

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

There are no other significant contingent liabilities or contingent assets.

NOTE 24: OPERATING SEGMENTS

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of products and services by segment

(i) *Construction*

This segment involves designing and building fibre to the premise telecommunications networks in residential apartment buildings, broadacre estates and commercial premises, including connection of dwellings to the network.

(ii) *Networks*

The networks segment covers maintenance and operation of fibre to the premises telecommunications networks, providing services to retail services providers, developers and other customers.

NOTE 24: OPERATING SEGMENTS

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

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

b. **Adjustments**

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

– impairment of assets and other non-recurring items of revenue or expense;

– income tax expense;

– deferred tax assets and liabilities;

– current tax liabilities;

– other financial liabilities;

– intangible assets;

– some corporate costs.

c. **Segment information**

Segment performance

	2019	2018
	$000	**$000**
Revenue		
Network Operations	33,062	23,877
Construction	29,197	34,019
Total Revenue	62,259	57,896
EBITDA		
Network operations	19,891	13,278
Construction	782	3,861
Segment EBITDA	20,673	17,139
Reconciliation to Group EBITDA		
Costs of construction capitalised	13,792	13,322
Corporate and other	(644)	(352)
Total reconciling items	13,148	12,970
Total EBITDA	33,821	30,109
Reconciliation to Group NPBT		
Depreciation and amortisation	(4,878)	(4,207)
Other income	137	110
Finance costs	(353)	(2)
Total Net profit before tax	28,727	26,010

NOTE 24: OPERATING SEGMENTS

Revenue by geographical region

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

	2019	2018
	$000	**$000**
Australia	62,259	57,896
Total revenue	62,259	57,896

NOTE 25: CASH FLOW INFORMATION

	Consolidated Group	
	2019 $000	**2018 $000**
Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	20,113	18,171
Cash flows excluded from profit attributable to operating activities:		
Non-cash flows in profit:		
– amortisation	80	66
– depreciation	4,798	4,141
– write-off of fixed assets	60	-
– provisions	925	298
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (Increase)/decrease in trade and other receivables	(2,043)	(486)
– (Increase)/decrease in inventories	(585)	235
– (Increase)/decrease in prepayments	(146)	(127)
– Increase/(decrease) in trade and other payables	848	(675)
– Increase/(decrease) in current tax liability	2,244	(1,577)
– Increase/(decrease) in deferred tax liability	(386)	397
– Increase/(decrease) in contract liability	1,364	1,070
– Increase/(decrease) in provisions	578	(169)
Cash flows from operating activities	27,850	21,344

NOTE 26: EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year, on 15 July 2019, the parent entity released a prospectus for an Initial Public Offer (IPO) of approximately $21.18m shares (by way of new equity issue and existing shareholder sell down) at an offer price of $2 per share. Following completion of this offer the parent entity intends to list on the Australian Securities Exchange on or around 22 August 2019. As part of the IPO, the company undertook a share subdivision on 14 July 2019 whereby the total issued shares of OptiComm Ltd was increased from 3,242,354 to 97,000,986.

In connection with the IPO, the Company has established an employee share plan and an option to receive a gift of $1,000 shares under this plan has been offered to eligible employees in the company in the IPO prospectus in connection with the announcement of an intention to list on the Australian Securities Exchange.

NOTE 27: RELATED PARTY TRANSACTIONS

a. **Related Parties**

The Group's main related parties are as follows:

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

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

(ii) *Key management personnel:*

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

For details of disclosures relating to key management personnel, refer to Note 7.

b. **Transactions with Related Parties**

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

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

		Consolidated Group	
		2019	**2018**
		$	**$**
(i)	*Other related parties:*		
	Madison Technologies	2,850	12,144
	Pitcher Partners	199,549	262,610
	Pon Project Services Pty Ltd	4,117,029	4,002,394
		4,319,428	4,277,148

NOTE 28: RESERVES

Share-Based Payment Reserve

The Group issued 196,154 partly paid shares to 5 members of the Senior Management Team (SMT) in FY2015. The shares were valued at market at the time of issue and were partly paid to 10%. The Group issued a fully franked dividend of $1.25 per share on 15th June 2017. For the SMT shareholders, part of the dividend was withheld and used to pay a further instalment on the shares previously issued (the remainder of the dividend balance was paid in cash). Following the payment of this dividend, the Group agreed to enter into a limited recourse loan agreement with the 5 SMT members in order to fully pay the remainder of these shares. Under the terms of the loan agreement, 75% of future dividend payments would be applied to repay the loan.

The accounting treatment of these transactions has been accounted for in accordance with "AASB 2 Share-Based Payments" as the transactions effectively represent an option plan. In accordance with AASB 2, the value of the embedded option in the partly paid shares has been expensed and a Share Based Payment reserve created at the time the shares were issued.

The remaining balance of the partially paid shares has been paid from the FY2019 Dividend payments and the related Share-based Payment reserve of $81,208 has been transferred to issued capital.

NOTE 29: INTERESTS IN SUBSIDIARIES

The subsidiary listed below have share capital consisting solely of ordinary shares or which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group.

Name of subsidiary	Principal place of business	Ownership interest held by the group		Proportion of non-controlling interests	
		2019	2018	2019	2018
		%	%	%	%
OptiComm Integration Pty Ltd	Level 1, 22 Salmon Street, Port Melbourne, VIC, 3207	100	100	-	-

NOTE 30: FINANCIAL RISK MANAGEMENT

	Note	Consolidated Group	
		2019	2018
		$'000	$'000
Financial assets			
Financial assets at amortised cost			
– cash and cash equivalents	10	9,655	11,708
– trade and other receivables	11	9,892	7,848
Total financial assets		19,547	19,556
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	16	8,276	7,428
– borrowings	18	6	19
Total financial liabilities		8,282	7,447

It is the responsibility of the Board of Directors for, among others, to monitor and manage financial risk exposures of the Group.

There have been no substantial changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

Market Risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, and cash and cash equivalents.

NOTE 31: FAIR VALUE MEASUREMENTS

The Group measures and recognises the customer refund liability at fair value on a recurring basis after initial recognition. The Group has no assets valued at fair value.

Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

Level 2 has been applied to the customer refund liability.

The valuation technique

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

- Market approach uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach reflects the current replacement cost of an asset at its current service capacity.

The income approach has been used to value the customer refund liability.

The carrying values of assets and liabilities approximate their fair values.

NOTE 32: COMPANY DETAILS

The registered office of the Group is:

OptiComm Limited

Level 1, 22 Salmon street,
Port Melbourne, VIC, 3207

The principal places of business are:

OptiComm Limited

Level 1, 22 Salmon street,
Port Melbourne, VIC, 3207

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

1. the financial statements and notes, as set out on pages *23* to *56*, are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

    b. give a true and fair view of the financial position as at 30 June 2019, and of the performance for the year ended on that date 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; and

3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

Director

Allan Brackin

Dated this 20 day of August 2019

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of OptiComm Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of OptiComm Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of

our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition on first time application of AASB 15 Revenue from Contracts with Customers

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The Group has numerous contracts with developers (customers) from which the group receives developer contributions for construction of optic fibre networks to premises. Refer Note 1a – Key judgements on Treatment of non-refundable developer contributions. The Group adopted for the first time from 1 July 2018 AASB 15 Revenue from Contracts with Customers. The adoption of the new standard and the terms of the various agreements with developers had a high degree of complexity and required significant judgment due to the impact on the financial statements as to:

1. whether revenue should be recognised at a point in time or overtime. Whether the Group continued to recognise developer contributions at a point in time or change to overtime recognition was a matter of judgement based on the interpretation of the Group's specific performance obligations under its enforceable agreements with its developers (customers); and

2. whether payments to developers in exchange for new customers should be accounted for differently under AASB15 to reflect a future obligation that should be recognised as a liability (refer Note 1 a) iii) with a corresponding reduction to past and future revenue. The Adoption of AASB 15 had a material impact on the result of the Group. The Group adopted the cumulative effect method to recognise the effect of the adoption of the new standard which resulted in an adjustment to retained earnings as at 1 July 2018 of $10.745m.
</td><td>
1. We reviewed the Group's position paper on their assessment of the impact of AASB 15 on the results of the Group. We requested that the Group provide further analysis of their assessment by engaging technical experts on the subject matter.

We challenged the Group expert's view. A sample of developer contracts were reviewed in detail by the Group's experts and by us and our own experts. As part of that review, we assessed:

a. The performance obligations in the contracts
b. The practical completion of work under those contracts and management's assessment as to the satisfaction of the performance obligations
c. Legislation impacting on those contracts and the business; and
d. Local and international industry practices

2. We reviewed the Group's calculation of the customer refund liability in line with their contracts with customers and assessed the appropriateness of the key assumptions used, which included:

a. The remaining period of the liability for current lots signed under their agreement with developer (active connections);
b. The indexation of the base rates of service fee payable per connection for the remaining period;
c. The estimate of number of new lots per estate; and
d. The interest rate and discount rates applied
</td></tr>
</table>

Useful lives of Network Infrastructure assets

Key audit matter	*How the matter was addressed in our audit*
There are a number of areas where judgment impacts the carrying value of Network Infrastructure assets included in property, plant and equipment and their respective depreciation and amortisation profiles, as disclosed in Note 13. These areas of judgement include: • The decision to capitalise or expense costs; • The determination of the Network Instructure's useful lives Changes in these judgement have a significant impact on the results of the Group. Accordingly, this was considered a key audit matter.	Our audit procedures included the following: • Evaluated the appropriateness of capitalisation policies; • Selected a sample of costs capitalised during the year to determine whether capitalisation was appropriate; • Assessed internal and external factors of impairment; • Compared the stream of network revenue for a sample of larger completed states to the book value of Network Infrastructure asset; and • A detailed review of management's assessment of useful lives of assets

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 22 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of OptiComm Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

Cameron Henry
Director

Brisbane, 20 August 2019