FIELDsolutions rural regional remote
TELECOMMUNICATIONS + SOFTWARE + CLOUD

Annual Report
2019

Contents


18%
Revenue
increase

CEO Update

Dear Shareholders,

I am pleased to report to you on our FY 18/19 results. It is important to reiterate our goal to become Australia's leading provider for rural, remote and regional telecommunications.

Despite the challenging times the drought has brought, most businesses have taken this as an opportunity to improve productivity and reduce waste, which rural Australians are very good at. The NBN build out completes next year and there are still many communities and agri-businesses which are not serviced by the NBN. Our target market has been the agribusiness and local business and more recently the mining and electricity generators, all of which would benefit from faster and more productive use of the internet and communications in general.

There are still regional business operating on limited 3G / 4G coverage, NBN was focused on residential towns, our focus is on business with a much higher ARPU and higher demands for service. It is these businesses and government services that create the jobs and the wealth for the residents. We have been a strong supporter of those communities and have continued to invest and focus on the areas where we can provide value adding services at an economical rate which provides long term a good return to our shareholders

I would like to thank our directors, for their continued efforts through an extremely busy and challenging 12 months of growth. Our FY 18/19 financials reflect the bedding down of our acquisitions and improved operational systems and processes together with significant growth in both revenue (18%) and EBITDA (71%). We continue to review acquisition opportunities which help to expand our network and reduce our cost per service.

Most pleasing was our return to a significant positive cashflow position of $0.945m. This highlights the strength of our underlying Regional Service Provider businesses (JustISP and ANT Communications) as we continue our financial investment in building our networks. We invested some $2.606m cash and borrowings this year which will continue to bring in incremental high margin revenues on our own network for many years to come.

Our team's commitment to our mission has been at the core of our success this year. Each and every team member shares the vision and passion to deliver solutions to rural, remote and regional Australia. We have ensured the majority of our operational people are located in the areas we serve. Local people, local jobs, building skills to keep communities together has been our message to councils and business communities. We now have operations across central Queensland and Northern and Southern NSW. FY 18/19 also saw us commence operations in Victoria and the Northern Territory.

Our team's commitment to our mission has been at the core of our success this year. Each and every team member shares operational people are located in the areas we serve. We now have operations across central Queensland and Northern and Southern NSW. FY 18/19 also saw us commence operations in Victoria and the Northern Territory.

Operational Overview

There have been several highlights throughout FY18/19, not least of which was the completion of a first-of-a-kind shire-wide network project for the Blackall-Tambo Regional Council. We completed the core backbone infrastructure of five telecommunications towers, enabling symmetric internet delivery between Blackall and Tambo. FY19/20 will see us extend the network and connect business and residents across the shire.

Our Northern NSW network corridor continues to grow, with two large network builds completed during the year. The communities of Weemelah and Mungindi partnering with FSG have benefited from the delivery of our network backbone and local services. This network is providing high speed, symmetric broadband to agribusiness and residents not serviced by NBN's terrestrial products.

In addition, the Shire of Narrabri assisted FSG to deliver network services across their shire. The Narrabri Shire network reaches from the township of Narrabri to the remote communities of Wee Waa and Bellata.

Our QLD field operations team was also busy and completed three large mining networks around Emerald and Rolleston.

CEO Update continued

And FSG won the Northern Territory Government Remote Nurses tender to supply satellite-based services to 300+ remote locations across the Northern Territory.

Outlook

I said it last year, and again this year, FSG would not have chosen the listed path if there was not something special and challenging about our business model. Our focus is on serving rural, remote and regional Australia and we are determined to continue to support these communities in FY 19/20. We are also working hard on a number of NSW and QLD government grants which are due to be released in Q2 FY 19/20.

We are looking forward to building more networks in FY19/20. Our NSW field operations team will be commencing build activities in our NSW central corridor in the Shires of Narromine and Warren. As we write this report we have completed planning and quotation of an additional three networks in Southern QLD.

FY19/20 will see an investment in our National MPLS backbone, together with an expansion of products and services as we build our regional sale teams.

Finally, I would like to thank the previous and current Board, the shareholders of Field Solutions Holdings Limited and the staff of FSG, for without your significant contribution and support we would not be where we are today.

I look forward to sharing an exciting FY19/20 with you all, and delivering true broadband to the business, agribusiness and residents of rural, remote and regional Australia.

Everyone at FSG is very excited about the growth potential and development opportunities ahead for the company, and we hope you will continue to be part of our journey.

Andrew Roberts
Group Managing Director and CEO

Corporate Directory

General information

The financial statements cover Field Solutions Holdings Limited as a Consolidated Group consisting of Field Solutions Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Field Solutions Holdings Limited's functional and presentation currency.

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

Registered office
c/- KPMG
33 George Street
LAUNCESTON
TAS 7250
AUSTRALIA

Principal place of business
Suite 38
23 Narabang Way
BELROSE NSW 2085
AUSTRALIA

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2019. The Directors have the power to amend and reissue the financial statements.

Directors

- Dr Kenneth Carr
- Mr Andrew Roberts
- Mr Mithila Ranawake
- Ms Wendy Tyberek
- Dr Phillip Carter

Company Secretary

- Ms Sinead Teague

Auditors

Hall Chadwick
Level 40, 2 Park Street
SYDNEY NSW 2000
Tel: (02) 9263 2600

Stock exchange listing

Field Solutions Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: FSG).

Automic – share registry
Level 5, 126 Phillip Street
SYDNEY NSW 2000
Tel: +61 2 9698 5414

Website - www.fieldsolutions-group.com

Corporate governance statement

The directors and management are committed to conducting the business of Field Solutions Holdings Limited in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at:

http://www.fieldsolutions-group.com/governance-documents/


Australia's
leading
rural &
remote ISP

Directors' Report

Your Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Field Solutions Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

General Information

Directors

The following persons were Directors of Field Solutions Holdings Limited during or since the beginning of the financial year up to the date of this report.

	Appointed	Resignation
Dr Kenneth Carr	2 May 2014	
Mr Andrew Roberts	13 March 2017	
Mr Mithila Ranawake	23 November 2010	
Mr Wayne Wilson	13 March 2017	5 October 2018
Ms Wendy Tyberek	5 October 2018	
Dr Phillip Carter	21 February 2019	

Operating and Financial review

Principal Activities

The principal activities of the consolidated group (Group) during the financial year were to develop and deliver communications products and services.

These activities in detail are:

- telecommunications services designing, building and operating telecommunications networks in rural, regional and remote Australia.
- operating its Retail Service Provider, JustISP, delivering true broadband solutions to residents, business and agribusiness in rural, regional and remote Australia.
- operating its Retail Service Provider, ANT Communications, delivering broadband solutions to residents and business customers.
- Providing communications software development and maintenance services

Our business model and objectives

The Group's business model is based on being Australia's leading telecommunications carrier servicing rural, regional and remote Australia.

Key elements and underlying objectives of our business model are:

- To deliver "true broadband" being the provision of symmetric services to Rural, Regional and Remote communities
- To 'not rely' on the current 3G/4G and future 5G technologies for the delivery of broadband in Rural, Regional and Remote Australia
- To work in partnership with each local community to service their exact telecommunications requirements
- To ensure we have local support services in each region where we operate
- To deliver long term, multi-use telecommunication assets in Rural, Regional and Remote communities

FSG operate as a telecommunications carrier and retail service provider, building infrastructure in partnership with the local government and the local community and deploying telecommunications assets deep into rural, remote and regional Australia. These infrastructure assets service the technology needs for agribusiness, business and residents, and are sold through retail brands JustISP and ANT Communications.

The Consolidated Group also delivers wholesale services to selected partner, agents and resellers that focus on servicing other wireless internet service providers and systems integrators located in rural, remote and regional Australia.

Today, the group operates network in Tasmania, New South Wales, Victoria, Northern Territory and Queensland.

Review of operations

The revenue for the Group was $8,787,743 (2018: $7,440,673) representing an increase of 18%. The Group reported a positive EBITDA of $158,731 (2018: positive $92,985) and Cashflows from Operations of $945,146 (2018: $10,389). The increase in EBITDA (71%) and Cashflows from Operations from prior year


Servicing
17
local
government
areas

Directors' Report continued

represents increased operations and improvement in operational efficiencies.

During the period the Consolidated Entity deployed and expanded its carrier network across NSW, QLD, VIC and NT.

Likely developments and expected results of operations

The Consolidated Entity is well placed to continue its recent growth trajectory in FY 19/20 and is expected to generate an increase in revenue consistent with prior years.

Our intention for FY 19/20 is to:

- Commence build operations in Southern Queensland
- Commence build operations in Central NSW
- Commence build operations in Southern NSW
- Deliver additional regional fibre points of presence
- Deliver great software and network automation

Together with the above organic and grant assisted grow, the consolidated entity will be evaluating accretive acquisition opportunities.

Significant changes in the state of affairs

There were no significant changes in the company's state of affairs during the year ended 30 June 2019.

Dividends Paid or Recommended

There were no dividends paid, recommended or declared during the current or previous financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Eligible to attend	Attended	Held	Attended	Held
Mr Mithila Nath Ranawake	11	12	2	2	4	4
Dr Kenneth Carr	12	12	2	2	2	4
Mr Andrew Roberts	12	12	-	-		
Mr Wayne Wilson	3	3	1	1	1	1
Ms Wendy Tyberek	12	12			4	4
Dr Phillip Carter	5	5				

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

Directors' Report continued

Information relating to Directors and Company Secretary

Ken Carr
Chairman and Non-Executive Director
(PhD Bus Adm. MBA)

Dr Carr is a seasoned, non-executive director and chair, having held CEO/MD roles in 5 ASX listed companies primarily in the, telecoms, banking, payments and electronic manufacturing sectors and non-executive director roles in 3 others, including 2 as chair.

He is currently a non-executive director of Wakenby limited (ASX: WAK). Dr Carr first joined the Freshtel board in February 2010. He has formerly held CEO and Board positions on several listed entities in Australia and overseas, most recently as CEO of Intec Limited (ASX:ITQ), and prior was Managing Director of Rubik Financial Limited (ASX:RFL). Previously he has held senior executive positions at IBM, AT&T, and Lucent Technologies and British Telecom. His main experience is related to corporate restructuring and transformation, which has included several JVs and mergers and acquisitions in many countries. Dr Carr left the Board in February 2013 and re-joined Freshtel on 2 May 2014.

The board considers Dr Ken Carr to be an independent director as Dr Carr is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Mithila Nath Ranawake
Non-Executive Director
(BBus, MBA, CPA, FAICD)

Mr Ranawake was elected to the Freshtel board on 23 November 2010. Mr Ranawake has over 20 years of experience in the telecommunications industry in Asia Pacific, Australia, India and China, combined with a strong background in finance, mergers and acquisitions, information systems, sales, change management, strategy and business development acquired across a number of industries. In his most recent role Mr Ranawake was the chief financial officer of Konekt Limited, an ASX listed workplace health solutions provider. Prior to that he was the CFO of Consistel Group in Singapore where he was instrumental in raising funds from Intel Capital and JAFCO Asia. Prior to joining Consistel, Mithila was the CFO of LongReach Group Limited, an ASX listed Australian telecommunications equipment manufacturer and vendor, where he was involved in raising capital and managing its merger. He has held senior management positions in Telstra Corporation, British Telecom and Marconi. Mr Ranawake also has several years of experience in gas, electric and petroleum industries.

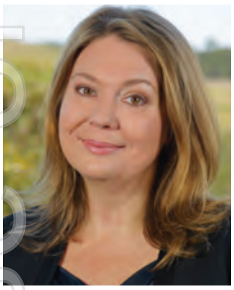
The board considers Mithila Nath Ranawake to be an independent director as Mr Ranawake is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Andrew Roberts
Executive Director
(AICD)

Mr Roberts is a business executive / entrepreneur with over 25 years' experience in the IT industry in Australia, New Zealand, Asia Pacific, and the United Kingdom. He has extensive strategic IT and commercial experience in business aggregation, business analysis/strategy, sales, marketing, professional services, operations and general management. Mr Roberts has direct experience in building and growing IT and cloud-based companies from start-up to sale.

He has previously been a director of Comops Limited (ASX: COM) and was recently head of strategy and cloud operations at Rubik Financial Limited (ASX: RFL). Mr Roberts was also the deputy chair of the Young and Well Cooperative Research Council, a federally funded not-for-profit organisation focusing on the use of technology to assist wellbeing in young people's lives.

Directors' Report continued



Wendy Tyberek
Finance Director
(CA, AICD, BBus)

Ms Tyberek is a chartered accountant with over 25 years experience in financial busines management and related technologies in Australia and the UK.

Wendy is the Finance Director and CFO and leads the finance team for FSG, responsible for the finance, compliance and reporting functions within the group.   She is a hands-on CFO focussed on achiving results and has extensive experience in leading teams to develop and deliver financially successful technology-based solutions to private and public-sector enterprises. Her previous roles have included senior positions with MYOB, Comops (ASX:COM), Solution 6 and Deloitte.

Dr Phillip Carter
Non-Executive Director
(PhD, MAppFin, BEng, SFFIN, FAICD)

Phillip is a joint managing director of Kestrel Capital Pty Ltd. He has extensive experience developing and financing technology rich industrials in Australia, Europe and the United States of America. As chairman of Prism Group Holdings (a developer of enterprise management information systems software), he led the restructure and turnaround of its global operations and subsequent sale of the business to a US competitor, delivering significant returns to investors. Previously, Phillip headed a leading United Kingdom technology consulting and investment advisory practice and managed the InterTechnology Fund, recognised by the European Private Equity and Valuations Capital Association (EVCA) as one of the most active development capital funds in Europe.

Other current directorships: Kestrel Growth Companies Limited, Tambla Limited and Chant West Holdings Limited.

Ms Sinead Teague
Company Secretary

Ms Teague has over ten years of company secretarial experience, working with a variety of ASX listed companies across sectors such as technology, mining, financial and communications as well as providing company secretarial services for other public, private and not-for-profit entities. Ms Teague has a Masters in Management and Corporate Governance and a degree in Law with Government and is an associate member of the Governance Institute having qualified as a Chartered Company Secretary through the ISCA (now Governance Institute).

Ms Teague is a Company Secretary with the Automic Group providing external company secretarial services.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for key management personnel (KMP) performance is competitive and appropriate for the results delivered. The framework aligns executive reward to the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives.

The remuneration policy of Field Solutions Holdings Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and having regard to the current incentive to achieve and earnings milestones pursuant to the acquisition of Field Solutions Group Pty Ltd and other businesses where short term incentives (STI's) are offered.

The Board has established an employee share option plan (ESOP) which was approved by shareholders at the 2017 AGM. The Board believes that the current remuneration policy, together with the ESOP to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated Group, as well as to provide goal congruence between directors, executives and shareholders.

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

- All KMP receive a base salary (based on factors such as length of service and experience), superannuation, STI and become eligible to participate in the Company ESOP (subject to Board invitation).
- Other performance incentives (such as STI's) are generally only paid once pre-determined key performance indicators have been met.
- Incentives in the form of ESOP options and shares are intended to align the interests of KMP and the Company with those of shareholders.
- The remuneration committee reviews KMP packages annually by reference to the consolidated 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 on individual and by reference to the consolidated Group's performance. All bonuses and incentives must be linked to predetermined performance criteria. 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 a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE).

Other than the entitlements provided under the Group's defined contribution superannuation arrangements, KMP do not receive any other retirement benefits.

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

The Board's policy is to remunerate KMP (including non-executive directors) at market rates for time, commitment and responsibilities. The board currently determines payments to KMP and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

Directors' Report continued

One of FSG's remote tower installations.

Options granted under the ESOP do not carry dividend or voting rights. The board is responsible for determining any conditions attaching to the options (including issue price, exercise price, vesting conditions, and conditions of exercise).

Engagement of Remuneration Consultants

The Board did not engage any remuneration consultants during the financial year. The Board will consider the appropriateness of appointing a remuneration consultant during FY 19/20 to review the elements of KMP remuneration and to provide appropriate recommendations.

Performance based Remuneration

KPIs for management and other staff are set annually, in consultation with the Board Remuneration Committee. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas are those 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, in some instances, relevant industry standards.

Performance against KPIs is assessed annually, with any KPI related bonuses being awarded based on achievement of the relevant KPIs (see below for further information regarding cash bonuses). Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Field Solutions Holdings Limited bases the assessment on audited figures and quantitative and qualitative data.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve

Directors' Report continued

this aim, the first being a performance based bonus based on KPIs, and the second being the establishment of an ESOP (under which KMP are eligible participants, subject to Board invitation) to encourage the alignment of personal and shareholder interests.

The Board is of the opinion that the above remuneration policy will enhance company performance going forward.

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of cash bonus reward schemes, in particular the incorporation of incentive payments based on the achievement of Group budgets. The Group does not currently have any cash bonus rewards schemes tied to the company's share price, preferring at this stage to align such cash bonus rewards to operational performance.

The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The satisfaction of the KPIs is based on a review of the audited financial statements of the Group.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group for the 2019 year are set out in the following tables.

	Short-term benefits				Long-term benefits	Share-based payments	Performance based	
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annulation $	Long service leave $	Equity-settled $	% remuneration $	Total $
Non-Executive Directors:								
Dr Kenneth Carr	55,000	-	-	5,225	-	33,263	-	93,488
Mr Mithila Nath Ranawake	48,000	-	-	4,560	-	33,263	-	85,823
Executive Directors:								
Mr Andrew Roberts	295,000	-	-	20,531	-	-	-	315,531
Ms Wendy Tyberek	165,000					33,263		198,263
Secretary:								
Ms Sinead Teague*	27,000	-	-	-	-	-	-	27,000
Mr Graham Henderson	20,000	-	-	-	-	-	-	20,000
	610,000	-	-	30,316	-	99,789	-	740,105

** Ms Teague is engaged through the Automic Group to provide company secretarial services to the Company and does not form part of management.*

Details of the remuneration of key management personnel of the Group for the 2018 year are set out in the following tables.

	Short-term benefits				Long-term benefits	Share-based payments	Performance based	
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annulation $	Long service leave $	Equity-settled $	% remuneration $	Total $
Non-Executive Directors:								
Dr Kenneth Carr	55,000	-	-	5,225	-	-	-	60,225
Mr Mithila Nath Ranawake	48,000	-	-	4,560	-	-	-	52,560
Executive Directors:								
Mr Andrew Roberts	295,000	-	-	28,025	-	110,587	-	433,612
Secretary:								
Mr Graham Henderson	48,000	-	-	-	-	-	-	48,000
	446,000	-	-	37,810	-	110,587	-	594,397

Share-based compensation

Issue of shares

Shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2019 are disclosed above.

Options

There were 21,000,000 options over ordinary shares issued to Directors as part of compensation for the period ended 30 June 2019. Issue of these options were approved by shareholders at the 2018 AGM.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Dr Kenneth Carr	2,500,000	-	500,000	-	3,000,000
Mr Mithila Nath Ranawake	2,066,667	-		-	2,066,667
Mr Andrew Roberts	191,152,115	-	911,520	-	192,063,635
Ms Wendy Tyberek	187,196,432	-	1,804,377	-	189,000,809
Mr Wayne Wilson	466,669	-	-	-	466,669
	383,381,883	-	3,215,897	-	386,597,780

Option holding

There were 21,000,000 options over ordinary shares in the Company held during the financial year by Directors and other members of key management personnel of the Group, including their personally related parties.

Grant date	Expiry date	Exercise price	Number under option
13 December 2018	13 December 2021	$0.03	9,000,000
13 December 2018	13 December 2021	$0.045	6,000,000
13 December 2018	13 December 2021	$0.06	6,000,000
			21,000,000

Other Transactions with KMP and/or their Related Parties

During the year Andrew Roberts provided a loan of $120,000 to the business for short-term funding. This amount is included in the short-term borrowings in the statement of financial position.

This concludes the remuneration report, which has been audited.

Shares under option

There were 33,433,290 unissued ordinary shares of Field Solutions Holdings Limited based on options outstanding at the date of this report. Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity. There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period. For details of options issued to directors and executives as remuneration, refer to the Remuneration report.

Grant date	Expiry date	Exercise price	Number under option
1 April 2017	30 Sept 2020	$0.125	2,433,290
12 April 2018	12 April 2020	$0.03	10,000,000
13 December 2018	13 December 2019	$0.03	9,000,000
13 December 2018	13 December 2020	$0.045	6,000,000
13 December 2018	13 December 2021	$0.06	6,000,000
			33,433,290

Directors' Report continued

Shares issued on the exercise of options

There were no shares of Field Solutions Holdings Limited issued as a result of the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

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

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of Hall Chadwick

There are no officers of the Company who are former partners of Hall Chadwick.

Auditor's independence declaration

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

Auditor

Hall Chadwick continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors

Ken Carr
Director

Mithila Ranawake
Director

30 August 2019
Australia

FIELD SOLUTIONS HOLDINGS LIMITED
ABN 92 111 460 121
AND ITS CONTROLLED ENTITIES

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FIELD SOLUTIONS HOLDINGS LIMITED

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Field Solutions Holdings Limited. As the lead audit partner for the audit of the financial report of Field Solutions Holdings Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

S Kumar

Sandeep Kumar
Partner
Dated: 30 August 2019

Field Solutions Holdings Limited

ABN 92 111 460 121

Financial Statements

for the year ended 30 June 2019

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	Consolidated Group 2019 $	2018 $
Revenue	4	8,787,743	7,440,673
Expenses			
Employee benefit expense		(2,299,408)	(1,948,022)
Depreciation and amortisation		(1,195,583)	(966,951)
Communication and ISP Costs		(4,659,657)	(4,096,570)
Production costs		(279,618)	(270,764)
Occupancy cost		(361,308)	(213,819)
Software and equipment maintenance		(42,187)	(66,465)
Administration		(1,041,257)	(752,048)
Profit/(loss) before income tax expense		(1,091,275)	(873,966)
(Income tax expense)/benefit	5	557,212	408,849
Profit/(loss) after income tax expense for the year attributable to the Owners of Field Solutions Holdings Limited	15	(534,063)	(465,117)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year attributable to the Owners of Field Solutions Holdings Limited		(534,063)	(465,117)
		Cents	Cents
Basic earnings per share	27	(0.12)	(0.12)
Diluted earnings per share	27	(0.11)	(0.12)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position

For the year ended 30 June 2019

	Note	Consolidated Group 2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	367,218	470,425
Trade and other receivables	7	1,140,000	1,346,806
Income tax	5	484,048	557,503
Total current assets		1,991,266	2,374,734
Non-current assets			
Property, plant and equipment	8	4,722,216	2,955,398
Intangibles	9	1,673,563	2,029,527
Deferred tax	5	205,741	192,072
Total non-current assets		6,601,520	5,176,997
Total assets		8,592,786	7,551,731
Liabilities			
Current liabilities			
Trade and other payables	10	1,125,006	1,265,491
Short-term borrowings	11	1,558,084	-
Employee benefits	12	225,137	167,406
Total current liabilities		2,908,227	1,432,897
Non-current liabilities			
Deferred tax	5	10,602	10,602
Total non-current liabilities		10,602	10,602
Total liabilities		2,918,829	1,443,499
Net assets		5,673,957	6,108,232
Equity			
Issued capital	13	6,318,776	6,318,776
Reserves	14	252,341	182,553
Retained profits	15	(897,160)	(393,097)
Total equity		5,673,957	6,108,232

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

Consolidated statement of changes in equity

For the year ended 30 June 2019

Consolidated Group	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2017	5,029,702	90,301	72,020	5,192,023
Loss after income tax expense for the year	-	-	(465,117)	(465,117)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(465,117)	(465,117)
Issued capital from capital raise	1,121,776	-	-	1,121,776
Issued capital asset acquisition	200,000	-	-	200,000
Capital raising costs	(143,289)	-	-	(143,289)
Issued capital share based payment	110,587	-	-	110,587
Share reserve – Option valuation	-	92,252	-	92,252
Balance at 30 June 2018	6,318,776	182,553	(393,097)	6,108,232

Consolidated Group	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2018	6,318,776	182,553	(393,097)	6,108,232
Loss after income tax expense for the year	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	(534,063)	(534,063)
Total comprehensive loss for the year	-	-	(534,063)	(534,063)
Issued capital from capital raise	-	-	-	-
Issued capital asset acquisition	-	-	-	-
Transfer of lapsed options	-	(30,000)	30,000	-
Issued capital share based payment	-	-	-	-
Share reserve – Option valuation	-	99,788	-	99,788
Balance at 30 June 2019	6,318,776	252,341	(897,160)	5,673,957

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

Consolidated statement of cash flows

For the year ended 30 June 2019

	Note	Consolidated Group 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		8,963,231	7,053,413
Payment to suppliers and employees		(8,635,083)	(6,590,595)
Refund / (payment) of income tax		616,999	(452,429)
Net cash from operating activities	25	945,146	10,389
Cash flows from investing activities			
Payments for property, plant and equipment	8	(2,378,016)	(2,551,576)
Payments for intangibles	9	(228,422)	(1,803,844)
Net cash used in investing activities		(2,606,438)	(4,355,420)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,121,776
Costs of raising capital		-	(69,547)
Proceeds from short-term borrowings	11	1,742,139	
Repayment of short-term borrowings		(184,055)	-
Net cash from financing activities		1,558,084	1,052,230
Net increase / (decrease) in cash and cash equivalents		(103,207)	(3,292,801)
Cash and cash equivalents at the beginning of the financial year		470,425	3,763,226
Cash and cash equivalents at the end of the financial year	6	367,218	470,425

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the consolidated financial statements

For the year ended 30 June 2019

Note 1. Significant accounting policies

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 20.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Field Solutions Holdings Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Field Solutions Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue

The Group has applied AASB 15: *Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 111: *Construction Contracts*. The details of accounting policies under AASB 118 and AASB 111 are disclosed separately since they are different from those under AASB 15. See Note 3 for detailed disclosures on reportable segments.

In the comparative period

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Revenue from providing services such as mobiles, fixed line services, satellite services, software and hosting services is recognised when the Group provides the related service during the agreed service by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Communication Services

Customers usually pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either at the time of sale or over the term of their service agreement. When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is

Notes to the consolidated financial statements continued

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.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

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:

Property, Plant and equipment	3-25 years
Fixtures and fittings	3-10 years
Motor Vehicles	3-5 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 Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Customer contracts

Customer contracts acquired in a business combination or asset acquisition contract are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2-5 years.

Intellectual Property

IP acquired in a business combination or asset acquisition contract is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2-5 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Notes to the consolidated financial statements continued

Other long-term employee benefits

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

Fair value measurement

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

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

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group re-measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the Owners of Field Solutions Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Notes to the consolidated financial statements continued

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

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

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

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.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in a effective hedging relationships).
- any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.
- the change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

the contractual cash flow characteristics of the financial asset; and

the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

the financial asset is managed solely to collect contractual cash flows; and

the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

By default, all other financial assets that do not meet the measurement conditions of amortised cost are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;

it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;

it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Compound instruments (convertible notes) issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the arrangements. An option that is convertible and that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments will be classified as equity.

The fair value of the liability component is estimated on date of issue. This is done by using the prevailing market interest rate of the same kind of instrument. This amount is recognised using the effective interest method as a liability at amortised cost until conversion or the end of life of the instrument.

The equity portion is calculated by deducting the liability amount from the fair value of the instrument as a whole. The equity portion is not remeasured after initial recognition. Equity will remain as such until the option is exercised. When the option is exercised a corresponding amount will be transferred to share capital. If the option lapses without the option being exercised the balance in equity will be recognised in profit or loss.

Costs of the transaction of the issue of convertible instruments are proportionally allocated to the equity and liability. Transaction costs in regards to the liability are included in the carrying amount of the liability and

Notes to the consolidated financial statements continued

are amortised over its life using the effective interest method. Transaction cost in equity is directly recognised in equity.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the simplified approaches to impairment, as applicable under AASB 9: Financial Instruments.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and

- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

  The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

  A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed: short-term and low-value leases.

  Basis of preparation

  The accounting for the Group's operating leases will be primarily affected by this new Standard.

  The accounting for the Group's operating leases will be primarily affected by this new Standard.

  AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. While the right-of-use assets for property leases will be measured on transition as if the new rules had always been applied, all other right-of-use assets will be measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

  The Group's non-cancellable operating lease commitments amount to $383,281 as at the reporting date.

  The Group has performed a preliminary impact assessment and has estimated that on 1 July 2019, the Group expects to recognise the right-of-use assets and lease liabilities of approximately $95,548 (after adjusting for prepayments and accrued lease payments recognised as at 30 June 2019).

  Following the adoption of this new Standard, the Group's net profit after tax is expected to not be impacted in 2020.

  The repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows by approximately $95,548.

Given that the Group's activities as a lessor will not be materially impacted by this new Standard, the Group does not expect any significant impact on its financial statement from a lessor perspective. Nonetheless, starting from 2020, additional disclosures will be required.

Going Concern

The financial statements of the Consolidated Group have been prepared on the going concern basis. As at 30 June 2019 the Group had negative working capital of $897,160 and reported a loss after tax of $534,063 (2018: loss after tax of $465,117). This includes the convertible note of $1,250,000 which has been shown as a short-term borrowing. The Consolidated Group expects that net cash inflows from operating activities will be sufficient to cover the costs of operating. Planned construction activity will be funded by a combination of debt and capital raise being based on specific defined project requirements. The directors are of the opinion that it is reasonable to believe that the Group will be able to pay its debts as and when they fall due and therefore the going concern basis is appropriate.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

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

Fair value measurement hierarchy

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

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

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 other than goodwill and other indefinite life intangible assets

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

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

The Group has identified its operating segments based on 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.

The Group operates only in one business segment and has a single group of similar services and products, being suppy of communication and cloud services and products.

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated.

Notes to the consolidated financial statements continued

Note 4. Revenue

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

The Group has one operating segment, Telecommunication Services.

	Consolidated Group	
	2019 $	2018 $
Continued operations		
Telecommunication services		
Revenue from contract with customers	8,787,738	-
Revenue based on AABS 118 and AASB 111	-	7,433,492
	8,787,738	7,433,492
Other revenue		
Other revenue	5	7,181
Revenue	8,787,743	7,440,673

All revenue is recognised over time as the services are provided.

Notes to the consolidated financial statements continued

Note 5. Income tax expense/(benefit)

	Consolidated Group 2019 $	Consolidated Group 2018 $
Income tax expense/(benefit)		
Current tax	(543,750)	(414,990)
Deferred tax	(13,462)	(4,970)
Underprovision for prior year	-	11,111
Income tax expense	(557,212)	(408,849)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit/(loss) before income tax expense	(1,091,275)	(873,966)
Tax at the statutory tax rate of 27.5%	(300,101)	(240,341)
Income tax expense/(benefit)	(300,101)	(240,341)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payment not deductivle	27,442	30,411
Impact of timing difference not previously brought to account	-	-
Impact of cost-base resetting	-	-
Other non-deductible expenses	102,357	101,970
Benefit of R&D offset	(543,750)	(312,000)
R&D non-deductible expenses	343,570	-
Tax losses	(186,730)	-
Other Benefits	-	-
Underprovision for prior year and benefit of timing differences not previously recognised	-	11,111
Income tax expense/(benefit)	(557,212)	(408,849)
Deferred tax asset	205,741	192,072
Comprising:		
Transaction cost of equity issue	76,036	118,709
Superannuation accrued not deductible	17,237	21,460
Annual leave provision	61,913	46,037
Provision for doubtful debts	47,555	5,866
Total	205,741	192,072
Provision for income tax	(484,048)	(557,503)
Deferred tax liability	10,602	10,602
Comprising:		
Property, plant and equipment tax cost base resetting	2,391	2,391
Difference between tax cost base and book value of assets	8,211	8,211
Total	10,602	10,602

Notes to the consolidated financial statements continued

Note 6. Current assets - cash and cash equivalents

	Consolidated Group	
	2019 $	2018 $
Cash at bank	367,218	470,425

Note 7. Current assets - trade and other receivables

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

	Current $	Past Due				Total $
		< 30	31 – 60	61-90	> 90	
2019						
Gross carrying amount	596,672	86,740	19,450	6,728	603,340	1,312,930
Expected credit loss allowance	-	-	-	-	(172,930)	(172,930)
Net carrying amount	596,672	86,740	19,450	6,728	430,410	1,140,000
2018						
Gross carrying amount	338,125	121,616	332,159	145,939	430,297	1,368,136
Expected credit loss allowance	-	-	-	-	(21,330)	(21,330)
Net carrying amount	338,125	121,616	332,159,	145,939	408,967	1,346,806

Key judgements – Expected Credit Losses

Included in trade receivables at the end of the reporting period is:

- Amounts relating to debtors on repayment plans that have been assessed as recoverable as the payments are being made on a regular basis by those customers.
- Approximated 30% relates to business customers that are considered recoverable.

A provision of $172,930 has been taken up after an extensive assessment of provision for impairment of all debtors.

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 7. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

Note 8. Non-current assets - property, plant and equipment

	Consolidated Group 2019 $	Consolidated Group 2018 $
Plant and equipment - at cost	5,638,571	3,353,342
Less: Accumulated depreciation	(1,050,290)	(542,809)
	4,588,281	2,810,533
Fixtures and fittings - at cost	343,642	304,159
Less: Accumulated depreciation	(273,159)	(193,771)
	70,483	110,388
Motor vehicles - at cost	113,304	60,000
Less: Accumulated depreciation	(49,852)	(25,524)
	63,452	34,476
	4,722,216	2,955,398

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:

	Plant and equipment	Fixtures and Fittings	Motor Vehicles	Total
Consolidated Group:				
Balance at 1 July 2017	465,077	170,844	46,500	682,421
Additions	2,687,737	12,873	-	2,700,610
Disposals	-	-	-	-
Depreciation expense	(342,281)	(73,329)	(12,024)	(427,634)
Balance at 30 June 2018	2,810,533	110,388	34,476	2,955,398
Additions	2,285,229	39,483	53,304	2,378,016
Disposals	-	-	-	-
Depreciation expense	(507,482)	(79,388)	(24,328)	(611,198)
Balance at 30 June 2019	4,588,281	70,483	63,452	4,722,216

Note 9. Non-current assets - intangibles

	Consolidated Group 2019 $	Consolidated Group 2018 $
Acquisitions through asset purchase	1,547,365	1,547,364
Computer software and IP	1,374,899	1,146,478
	2,922,264	2,693,842
Less: Accumulated amortisation	(1,248,701)	(664,315)
Less: Impairment losses	-	-
	1,673,563	2,029,527

Impairment disclosures
No goodwill is carried in the accounts at 30 June 2019.

	Customer Contracts and costs	Computer software and IP	Total
Consolidated Group:			
Balance at 1 July 2017	40,000	525,000	565,000
Additions	1,482,364	521,478	2,003,842
Disposals			
Amortisation expense	(384,455)	(154,860)	(539,315)
Balance at 30 June 2018	1,137,909	891,618	2,029,527
Additions	-	228,422	228,422
Disposals	-	-	-
Amortisation expense	(418,531)	(165,855)	(584,386)
Balance at 30 June 2019	719,378	954,185	1,673,563

Intangible assets include in-house software developed including the wholesale portal and telco billing system together with associated costs.

Product development costs

Expenditure on research activities is recognised as an expense in the income statement in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the income statement in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale
- the intention to complete the intangible asset to use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset dueing its development.

The expenditure capitalised includes the cost of direct labour and materials that are directly attributable to preparing the asset for its intended use.

Product development assets are stated at cost less accumulated amortisation and impairment and are amortised on a straight-line basis over their useful lives, which is up to a maximum of 5 years.

Notes to the consolidated financial statements continued

Note 10. Current liabilities - trade and other payables

	Consolidated Group 2019 $	2018 $
Trade Payables	807,696	831,612
Other payables	317,310	433,879
	1,125,006	1,265,491

Note 11. Short-term borrowings

	Consolidated Group 2019 $	2018 $
Unsecured liabilities:		
Borrowings from Related Parties (a)	120,000	-
Other short-term borrowings (b)	188,084	
Convertible Note (c)	1,250,000	-
	1,558,084	-

(a) These borrowings were provided by a director via way of a controlled entity. Interest is payable at the benchmark interest rate. There is no fixed repayment date on these borrowings.

(b) The final repayment on this facility is due to be repaid in full 21 October 2019. Interest is payable at 1% per fortnight.

(c) The convertible note matured on 30 June 2019. An extension has been provided by the Note holder to extend the maturity to 30 September 2019. No interest has been accrued as it is expected this note will be converted to equity.

Note 12. Current liabilities - employee benefits

	Consolidated Group 2019 $	2018 $
Employee benefits	225,137	167,406

Note 13. Equity - issued capital

	Consolidated Group 2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	430,014,401	430,014,401	6,318,776	6,318,776

	Issue Date	Consolidated Group 2019 shares	2019 $
Movements in ordinary share capital			
Ordinary shares - fully paid, opening balance		430,014,401	6,318,776

Notes to the consolidated financial statements continued

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

There is no current on-market share buy-back.

Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 2018 Annual Report.

Note 14. Equity - reserves

	Consolidated Group	
	2019 $	2018 $
Share reserve pursuant to business acquisition	-	30,000
Options reserve	252,341	152,553
Total reserves	252,341	182,553

Note 15. Equity - retained profits

	Consolidated Group	
	2019 $	2018 $
Retained profits at the beginning of the financial year	(393,097)	72,020
Profit/(loss) after income tax expense for the year	(534,063)	(465,117)
Transfer of lapsed options	30,000	-
Retained profits at the end of the financial year	(897,160)	(393,097)

Note 16. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 17. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

The totals for each category of financial instruments, measured in accordance with AASB 9 are as follows:

	Consolidated Group	
	2019 $	2018 $
Financial assets		
Cash and cash equivalents	367,218	470,425
Trade receivables	1,140,000	1,346,806
Total financial Assets	1,507,218	1,817,231
Financial liabilities		
Trade and other payables	1,125,006	1,265,491
Short-term borrowings	1,558,084	-
Total financial liabilities	2,683,090	1,265,491

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign currency risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Sensitivity analysis

The sensitivity analysis reflects how net assets attributable to holders of redeemable shares would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

Management has determined that there a fluctuation in interest rates is unlikely as current short-term lending is at fixed interest rate. Therefore, the Group is not exposed to any significant interest risk.

Credit risk

The Group is not exposed to any significant credit risk.

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 18. Key management personnel disclosures

Directors

The following persons were Directors of Field Solutions Holdings Limited during the financial year:

- Dr Kenneth Carr
- Mr Andrew Jake Roberts
- Mr Mithila Nath Ranawake
- Ms Wendy Tyberek — Appointed 5 October 2018
- Mr Wayne Wilson — Resigned 5 October 2018
- Dr Phillip Carter — Appointed 21 February 2019

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

- Ms Sinead Teague (Company Secretary)
- Mr Graham Henderson (Company Secretary) (Resigned)

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:

	Consolidated Group	
	2019 $	2018 $
Short-term employee benefits	610,000	446,000
Post-employment benefits	30,316	37,810
Share-based payments	99,789	110,587
Total KMP compensation	740,105	594,397

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.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

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

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Notes to the consolidated financial statements continued

Note 19. Related party transactions

Parent entity

Field Solutions Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 23.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the Directors' report.

Transactions with related parties

The Group's related parties are only with key management. Unless otherwise stated, none of the transactions incorporate special terms and no guarantees were given or received. Outstanding balances are usually settled in cash.

Amounts payable to related parties	2019	2018
Short-term borrowings		
Refer to Note 11 for details of the loan.		
Loans from other key management personnel related entities:		
Beginning of the year	-	-
Loans received	120,000	-
Repayments	-	-
Interest charged	-	-
Interest received	-	-
End of the year	120,000	-

Note 20. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $	Parent 2018 $
Profit/(loss) after income tax	(774,898)	431,333
Total comprehensive income	(774,898)	431,333

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	885,969	1,189,037
Total assets	2,486,745	3,722,826
Total current liabilities	924,925	486,527
Total liabilities	924,925	497,128
Equity		
Issued capital	1,122,886	1,122,886
Capital raising cost	(41,992)	(41,992)
Share issue reserve	122,252	122,252
Retained profits	480,346	2,022,552
Total equity	1,683,492	3,225,698

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Notes to the consolidated financial statements continued

Note 21. Options

A summary of the movements of all Group options issues is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2018	12,433,920	$0.04859
Granted during the year – Tranche 1	9,000,000	$0.03000
Granted during the year – Tranche 2	6,000,000	$0.04500
Granted during the year – Tranche 3	6,000,000	$0.06000
Exercised during the year	-	-
Options outstanding as at 30 June 2019	33,433,290	$0.04500
Options exercisable as at 30 June 2019	-	

No options were exercised during the year ended 30 June 2019.

The weighted average remaining life of options outstanding at year-end was 1.82 years.

The weighted average fair value of options granted during the year was $99,789. These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.045
Weighted average life of the option:	3 years
Expected share price volatility:	80%
Risk-free interest rate:	2.00%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Note 22. Share based payment

On 13 December 2018 the 21,000,000 ordinary share options have been issued to the Directors and amortised over the vesting period of the options.

	Fair Value $
Share based payment	99,789
Total	99,789

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
FSG Assets Pty Ltd (previously Freshtel Australia Pty Ltd)	Australia	100%	100%
Freshtel Pty Ltd	Australia	100%	100%
FSG Infrastructure Pty Ltd (previously Voicedot Networks Pty Ltd)	Australia	100%	100%
FSG Construction Pty Ltd (previously Virbiage Pty Ltd)	Australia	100%	100%
Field Audit Pty Ltd	Australia	100%	100%
Field Solutions Group Pty Ltd	Australia	100%	100%
FSG RSP Pty Ltd	Australia	100%	100%
Field Solutions Technology Services Pty Ltd	Australia	100%	100%

Note 24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 25. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated Group 2019 $	2018 $
Profit/(loss) after income tax expense for the year	(534,063)	(465,117)
Adjustments for:		
Depreciation and amortisation	1,195,583	966,951
Increase in trade and other receivables	206,807	(387,259)
Acquisition and other listing costs	-	-
Increase / (decrease) in other assets	-	10,943
Increase in trade and other payables	(140,485)	662,899
Share based payment	99,788	110,587
Tax payable	59,787	(861,278)
Increase/ (decrerase) in annual leave provision	57,731	(27,337)
Net cash from operating activities	945,146	10,389

Note 26. Contingent Liabilities

There are no contingent liabilities as at 30 June 2019 and 30 June 2018.

Notes to the consolidated financial statements continued

Note 27. Earnings per share

	Consolidated Group	
	2019 $	2018 $
Profit/(loss) after income tax attributable to the Owners of Field Solutions Holdings Limited	(534,063)	(465,117)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	425,691,745	383,185,908
Weighted average number of ordinary shares used in calculating diluted earnings per share	425,691,745	383,185,908

	Cents	Cents
Basic earnings per share	(0.12)	(1.12)
Diluted earnings per share	(0.11)	(1.12)

Note 28. Lease Commitments

Non-cancellable operating lease commitments not capitalised in the financial statements

	Consolidated Group	
	2019 $	2018 $
Not later than one year	95,548	58,932
Later than one year but not later than five years	287,733	235,775
Later than five years	-	-
Total payable – Minimum lease payments	383,281	294,707

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick Pty Ltd, the auditor of the Company:

	Consolidated Group	
	2019 $	2018 $
Auditing or review of the financial statements	60,000	58,500
Taxaton service	4,360	4,500
Total	64,360	63,000

Note 30. Company Details

The registered office and principal place of business of the Company are:

Registered office

c/- KPMG
33 George Street
LAUNCESTON TAS 7250
AUSTRALIA

Principal place of business

Suite 38
23 Narabang Way
BELROSE NSW 2085
AUSTRALIA

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Dr Ken Carr
Director

Mr Mithila Nath Ranawake
Director

30 August 2019
Australia

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx : (612) 9263 2800

FIELD SOLUTIONS HOLDINGS LIMITED AND CONTROLLED ENTITIES
ABN 92 111 460 121

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIELD SOLUTIONS HOLDINGS LIMITED

Opinion

We have audited the financial report of Field Solutions Holdings Limited and controlled entities (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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of Field Solutions Holdings Limited and controlled entities 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 then ended; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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 for the year ended 30 June 2019. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Revenue Recognition Refer to Note 1 for the groups' revenue accounting policy. The group recognises revenue from prepaid mobile and other communication services and is recognised as the customer consumes these services. Customers pay in advance for these services. The revenue recognised for the year ended 30 June 2019 was $8,747,743. We focused on this area as a key audit matter given the significance of the balance and that there is a risk that revenue may not be recognised in accordance with the revenue recognition principles as set out in AASB 15: Revenue from Contracts with Customers.	Our procedures included, amongst others: We obtained an understanding of the key controls in the revenue recognition cycle. Sample tested revenue transactions throughout the year to ensure that revenue was recognised in accordance with AASB 15: Revenue from Contracts with Customers
Property, Plant and Equipment Refer to the Note 8 property, plant and equipment. The group has $4,722,216 of property, plant and equipment at 30 June 2019. During the year the group made additions of $2,378,016. Included in the additions, the company capitalised $577,754 of consulting costs associated with constructing and installing certain specialised assets during the year ended 30 June 2019. We focussed on this matter as a key audit matter as property, plant and equipment is the most significant asset of the group and critical to the operations of the group.	Our procedures included amongst others: We assessed the policies in place for capitalising costs associated with constructing and installing specialised assets. On a sample basis we tested costs capitalised to supporting documentation and payroll records. We assessed the appropriateness of whether the costs capitalised were eligible to be recognised as assets in accordance with the accounting standards AASB 16: Property, Plant and Equipment. We assessed other observable indicators of fair value including market capitalisation of the group.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Recoverability of trade and other receivables Refer to Note 7 trade and other receivables The Group has $1,140,000 of trade and other receivables at 30 June 2019 which has significant balances relating to older than 90 days. The Group provided $172,930 of provision for expected credit losses during the year ended 30 June 2019. AASB 9: Financial Instruments requires the group to apply an expected loss model, not on an incurred credit loss model as per the previous applicable standard (AASB 139). This area is a key audit matter due to the degree of subjectivity and management judgement applied in assessing whether these overdue debtors are impaired.	Our procedures included amongst others: We assessed the appropriateness of whether the provision for impairment calculated by management were adequate in accordance with the requirements of the accounting standards. We considered the historical levels of bad debts and managements collection efforts undertaken to recover some of these balances.

Information Other than the Financial Report and Auditor's Report Thereon

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the 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 directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

From the matters communicated with the directors, we determine those matters that were most significant to the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matters should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 16 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Field Solutions Holdings Limited, for the year ended 30 June 2019, complies with s 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 s 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.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S Kumar

Sandeep Kumar

Partner

Dated: 30 August 2019

Shareholder information

The shareholder information set out below was applicable as at 30 June 2019.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% total shares issued
CONVERGENT TECHNOLOGY	192,143,635	45.14
HOLDREY PTY LTD <DON MATHIESON FAMILY A/C>	16,305,136	3.83
ELLENKAY PTY LTD <ELLENKAY P/L STAFF S/F A/C>	9,622,020	2.26
GBBM PTY LIMITED <BERESFORD A/C>	8,265,330	1.94
SMC CAPITAL PTY LTD <SMC CAPITAL A/C>	7,900,000	1.86
MR RICHARD VICTOR GAZAL	5,000,000	1.17
RATT SUPERANNUATION PTY LTD <RATT SUPER FUND A/C>	4,520,000	1.06
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,422,727	1.04
ACTION SUPERANNUATION PTY LTD <FRANK SERGI RETIRE FUND A/C>	4,400,000	1.03
MR RICHARD PROPERT WILLIAMS + MRS CATHERINE WILLIAMS <R & C WILLIAMS S/F A/C>	4,000,000	0.94
MR BRUCE MILTON WEISE + MRS BARBARA KATHLEEN WEISE <WEISE FAMILY SUPER FUND A/C>	4,000,000	0.94
CITYSTYLE HOLDINGS PTY LTD <GERDA TWO A/C>	3,723,162	0.87
LIBERTY INVESTING PTY LTD	3,709,433	0.87
SOOTHJET PTY LIMITED <SPA SUPER FUND A/C>	3,525,666	0.83
L & H MCGUIRE SUPER PTY LTD <MCGUIRE SUPERANNUATION A/C>	3,350,000	0.79
GECKO TECHNOLOGIES PTY LTD <PREECE FAMILY A/C>	3,260,408	0.77
BASHA NOMINEES PTY LTD <BASHA SUPER FUN A/C>	3,209,016	0.76
KEN CARR	3,000,000	0.70
MR MARK ANTHONY BETAR & MRS LYNETTE LEE BETAR <M BETAR RETAIL P/L S/F A/C>	3,000,000	0.70
KORE CAPITAL PTY LTD	3,000,000	0.70
MR RYAN ANTHONY SPILLANE	3,000,000	0.70
DTD CAPITAL PTY LTD <JEC SUPER FUND A/C>	3,000,000	0.70
MR JOHN BEITH PRIDHAM	2,879,333	0.68
GEOFFREY H SYMONDS PTY LTD <GEOFF H SYMONDS PRACTICE SF>	2,850,000	0.67
	306,585,876	72.02

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% total shares issued
CONVERGENT TECHNOLOGY	192,143,635	45.14

FIELDsolutions rural regional remote
TELECOMMUNICATIONS + SOFTWARE + CLOUD

Registered office
c/- KPMG
33 George Street
LAUNCESTON
TAS 7250
AUSTRALIA

Principal place of business
Suite 38
23 Narabang Way
BELROSE NSW 2085
AUSTRALIA

www.fieldsolutions-group.com