

United Networks Limited

ACN: 607 921 246

Financial Statements

For the Year Ended 30 June 2016

United Networks Limited

ACN: 607 921 246

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For the Year Ended 30 June 2016

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Directors' Report

30 June 2016

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2016.

1. General information

Information on directors

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

- Anthony Ghattas
- Nicholas Ghattas
- Charbel Nader

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

Principal activities

During the year, the principal activities of entities within the Group were:

- sale, customisation and integration of IT and telecommunications systems
- maintenance of IT and telecommunications systems
- internet based selling of hardware and software products

There have been no significant changes in the nature of these activities during the year.

2. Operating results and review of operations for the year

Operating results

The consolidated profit of the Group amounted to \$337,001 (2015: loss of \$260,689).

Review of operations

The Group is a participant in the IT and Telecommunications services market. The vision of the Group is to provide seamless connectivity to customers through various channels. The Group has been actively targeting and securing industry partners to continue to facilitate growth within its key service and product lines. Industry partners are assessed based on specific criteria falling within 3 broad categories:

- Access to highly actionable database to make relevant offers
- Ensuring that we can integrate a low cost customer acquisition model and automated onboarding
- Ensuring the ancillary offer adds value to the partner's value proposition

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Directors' Report 30 June 2016

Key operating results as well as a review of the operations of the Group during the financial year have been detailed below:

	FY16 (\$)	FY15 (\$)
EBITDA	1,019,643	83,954
Financing Costs - interest	(72,732)	(1,172)
Income tax (expense) / benefit	62,256	(71,293)
Depreciation and amortisation expense	(672,166)	(272,178)
Profit / (loss) for the year	337,001	(260,689)

- Turnover of \$7.55m is up 26% from \$5.99m in 2015
- EBITDA of \$1.02m up 1,115% on previous year \$0.08m
- NPAT \$0.33m compared to a loss of (\$0.26m)
- Restructuring of the Group from a private entity to a public entity as a result of capital raisings undertaken
- Raised \$2.03m in capital for future Developments
- Received R&D grants for the 2014-15 tax year of \$384K
- Launched the Global SIM in North America and Canada
- Increase support centre to 24/7 support
- Began the development of the SIM less "No Sim" Solution/ alternatives to future proof the business

The Group presented an EBITDA of \$1.02m for 2016 financial year. This was due to growth in revenue and an increased GP margin by way of efficiencies gained.

Investment in the Platform and Future Growth

It has been a significant year for the Group, which has invested heavily in developing its cloud platform GAP to cater for new customers, new products and multiple markets. The Group has secured growth in revenue and profits whilst still continuing to develop its software platform. The Group believes it is well positioned to capitalise on current opportunities by increasing its industry partnerships so as to continue to facilitate current growth and meet forecast projections set by its directors. Key features intended to be developed for commercial success include:

- Virtual Wallet
- Complete cloud based hosting of the GAP solution
- Enhanced Location Services and Messaging portal
- Support Centre Activating Live tracking and alerts
- Complete set of API for new partners to integrate directly into GAP system

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Directors' Report

30 June 2016

Operations

During the year, as well as forecasted for subsequent years, the Group has allocated considerable resources to the continued technical development of its employees. This is an integral element of the Groups business plan ensuring adequate staffing resources available to continue to facilitate the growth of its operations. The Group has also made a number of key appointments to management, both domestically and internationally, with the intention of streamlining the business operations to continue to gain efficiency.

Global Expansion

During the year the Group successfully facilitated the launch of the Global SIM product in Canada. This launch forged partnerships in both the retail and banking industry under the Group's branded solution network. The Group intends to continue to focus on developing partnerships within North America and the Asian region.

New Product Launches

The Group is focused on delivery 3 major initiatives in the 2017 financial year driven by current customers demand:

- New Sim-less App based connectivity solution schedule to be commercially launched in December 2016
- Local MVNO solution
- Enhanced real time location services, via Sim, Wifi or GPS integrated with key partner offers/advertising

The Group believes it is well placed to leverage new simless connectivity technology and anticipates market reception in the second quarter of the 2017 financial year. The Local MVNO projects is still being finalised and will be subject to the company seeking some capital from the market.

The Group's product was well received at the Ancillary Airline Revenue Conference in Kuala Lumpur in August 2016.

3. Other items

Significant changes in state of affairs

During the year the Group was formed as a result of a business combination. This is detailed in Note 2.

Matters or circumstances arising after the end of the year

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

Environmental matters

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

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Directors' Report

30 June 2016

Company secretary

Michael Potts has been appointed Company Secretary of the Group on 25 January 2016. Michael is a chartered accountant and has held a number of senior positions with professional accounting firms. Prior to Michael's appointment Nicholas Ghattas was the Company Secretary.

Meeting of Directors

During the financial year, 9 meetings of directors were held. Attendances by each director during the year were as follows:

Directors' Meetings		
	Number eligible to attend	Number attended
- Anthony Ghattas	9	9
- Nicholas Ghattas	9	9
- Charbel Nader	9	9

Indemnification and insurance of officers and auditors

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.

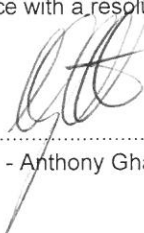
During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001.

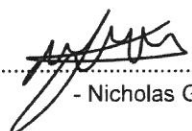
The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2016 has been received and can be found on page 5 of the financial report.

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

Director:

- Anthony Ghattas

Director:

- Nicholas Ghattas

Dated 27 October 2016

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor of United Networks Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of United Networks Limited and the entities it controlled during the year.



Frank Vrachas

Partner

Rothsay Chartered Accountants

Sydney, 27 October 2016

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
Revenues	4	7,558,452	5,989,264
Cost of sales		(4,318,006)	(3,769,395)
Gross profit		<u>3,240,446</u>	<u>2,219,869</u>
Marketing expenses		(120,703)	(145,375)
Occupancy costs		(11,556)	(119,531)
Administrative expenses		(1,882,968)	(1,684,015)
Other expenses		(877,743)	(459,171)
Finance costs		(72,731)	(1,173)
Profit before income tax	5	<u>274,745</u>	<u>(189,396)</u>
Income tax benefit / (expense)	6	62,256	(71,293)
Profit for the year		<u><u>337,001</u></u>	<u><u>(260,689)</u></u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u><u>337,001</u></u>	<u><u>(260,689)</u></u>
Profit attributable to:			
Members of the parent entity		<u>337,001</u>	<u>(260,689)</u>
		<u><u>337,001</u></u>	<u><u>(260,689)</u></u>
Total comprehensive income attributable to:			
Members of the parent entity		<u>337,001</u>	<u>(260,689)</u>
		<u><u>337,001</u></u>	<u><u>(260,689)</u></u>

The accompanying notes form part of these financial statements.

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Statement of Financial Position As At 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	509,297	116,961
Trade and other receivables	9	1,489,994	768,431
Inventories	10	57,450	75,728
Other assets	14	46,922	7,687
TOTAL CURRENT ASSETS		2,103,663	968,807
NON-CURRENT ASSETS			
Other financial assets	11	18,150	30,000
Property, plant and equipment	12	726,027	75,201
Deferred tax assets	22	549,152	402,118
Intangible assets	13	17,499,725	1,091,755
Other assets	14	262,094	-
TOTAL NON-CURRENT ASSETS		19,055,148	1,599,074
TOTAL ASSETS		21,158,811	2,567,881
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	1,695,121	2,235,683
Borrowings	16	1,177,590	724,323
Current tax liabilities	6	22,924	-
Short-term provisions	17	116,845	75,710
Other financial liabilities		-	1,496
TOTAL CURRENT LIABILITIES		3,012,480	3,037,212
NON-CURRENT LIABILITIES			
Borrowings	16	1,243,883	803,981
Deferred tax liabilities	22	188,897	127,043
TOTAL NON-CURRENT LIABILITIES		1,432,780	931,024
TOTAL LIABILITIES		4,445,260	3,968,236
NET ASSETS		16,713,551	(1,400,355)
EQUITY			
Issued capital	18	17,777,025	120
Accumulated losses		(1,063,474)	(1,400,475)
Total equity attributable to equity holders of the Company		16,713,551	(1,400,355)
TOTAL EQUITY		16,713,551	(1,400,355)

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Year Ended 30 June 2016

2016

	Ordinary Shares	Accumulated Losses	Total
Note	\$	\$	\$
Balance at 1 July 2015	120	(1,400,475)	(1,400,355)
Profit attributable to members of the parent entity	-	337,001	337,001
Shares issued during the year, net of cost	17,776,905	-	17,776,905
Balance at 30 June 2016	17,777,025	(1,063,474)	16,713,551

2015

	Ordinary Shares	Accumulated Losses	Total
Note	\$	\$	\$
Balance at 1 July 2014	120	(1,139,786)	(1,139,666)
Profit attributable to members of the parent entity	-	(260,689)	(260,689)
Balance at 30 June 2015	120	(1,400,475)	(1,400,355)

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 30 June 2016

	2016	2015
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	7,459,615	6,689,471
Payments to suppliers and employees	(7,926,315)	(6,432,693)
Dividends received	-	1,830
Interest received	(4,481)	(726)
Interest paid	1,397	3,421
Net cash (used in)/provided by operating activities	<u>30 (469,784)</u>	<u>261,303</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible assets	(559,539)	-
Purchase of property, plant and equipment	(191,697)	(644,327)
Net cash (used in) investing activities	<u>(751,236)</u>	<u>(644,327)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	2,030,250	-
Payments to associated entities	(628,889)	(333,235)
Receipts from associated entities	211,995	603,744
Net cash provided by financing activities	<u>1,613,356</u>	<u>270,509</u>
Net increase/(decrease) in cash and cash equivalents held	392,336	(112,515)
Cash and cash equivalents at beginning of year	116,961	229,476
Cash and cash equivalents at end of financial year	<u>8 509,297</u>	<u>116,961</u>

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

The financial report covers United Networks Limited and its controlled entities ('the Group'). United Networks Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

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

The financial report was authorised for issue by the Directors on 7 October 2016.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*. The financial statements except for cash flow information have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented have been rounded to the nearest dollar.

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

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

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

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent 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 relevant activities of the entity.

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

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

A list of controlled entities is contained in Note 26 to the financial statements.

(b) Business combinations

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

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

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net

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Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

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

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

In December 2015, United Networks Limited ("UNL"), the legal parent and legal acquirer, completed the acquisition of United Lifestyle Group Networks Pty Limited ("ULGN"), which also completed the acquisition of United Global Sim HK Ltd (the "Acquisitions"). The Acquisitions have been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisitions, the former shareholders of ULGN (the legal subsidiary and legal acquiree) obtained accounting control of UNL (the legal parent). Accordingly, the application of the reverse acquisition guidance in AASB 3 by analogy results in UNL, the legal parent, being accounted for as the subsidiary, and ULGN, the legal subsidiary, being accounted for as the accounting parent.

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations as UNL was deemed for accounting purposes not to be a business as at the time of the acquisition UNL was in the process of being formed and therefore the transaction is not a business combination within the scope of AASB 3. Instead the Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transaction in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (ULGN) and the fair value of the accounting acquiree's (UNL) identifiable net assets represents a service received by ULGN. The accounting for the acquisition resulted in a re-capitalisation cost recognised on acquisition of \$16m as set out in Note 13, measured at the fair value of the equity instruments that would have been given by ULGN to have the same percentage holding in the new structure as the date of the transaction.

As ULGN is considered to be the parent of the Group for accounting purposes the consolidated financial statements represent the continuation of the financial statements of ULGN from its incorporation, with the exception of the capital structure, and present only the details for UNL from the date the Acquisition completed. The amount recognised as issued equity instruments in these consolidated financial statements represents the issued equity interests of UNL adjusted to reflect the equity issued by UNL on acquisition. Refer to Note 18 for information on issued capital and Notes 7 and 13 for information on the accounting for the Acquisition.

(c) Income Tax

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

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

Tax Consolidation Legislation

United Networks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. This commenced 1 February 2016. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has supplied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

(d) Leases

For long term operating leases, a 'right-of-use' asset is capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. A depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs) is recognised.

(e) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements and is also exposed to inventory and credit risks.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods (telecommunications hardware)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. This will usually occur on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of services

The Group generates revenues from after-sales service and maintenance provided as well as construction contracts for telecommunication solutions. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed. In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

Contracts for telecommunication solutions

Construction contracts for telecommunication systems specify a fixed price for the development and installation of IT and telecommunication systems. When the outcome can be assessed reliably, contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred. In either situation, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in profit or loss.

Interest and dividend income

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax.

Other income

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

(f) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the assets are substantially ready for their intended use or sale.

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(g) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(i) Property, plant and equipment

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

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to the assets are transferred to retained earnings.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

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

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

Fixed asset class	Depreciation rate
Plant and Equipment	20 - 50%
Furniture, Fixtures and Fittings	10 - 50%
Office Equipment	25%
Computer Equipment	50%
Right to use asset	Lease term

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

(j) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

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

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

The Group's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

The Group has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Group's available-for-sale financial assets comprise listed securities.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in the prior period consolidated statement of profit or loss and other comprehensive income resulting from the impairment of debt securities are reversed through the statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(k) Impairment of non-financial assets

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

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

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

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

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

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

(l) Intangibles

Goodwill

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

- any non-controlling interest;
- the consideration transferred; and
- the acquisition date fair value of any previously held equity interest;

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Research and development

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

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is 4 years.

Software

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

Amortisation

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

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

(m) Cash and cash equivalents

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

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(n) Employee benefits

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

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

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(q) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

(r) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

The Group has elected to early adopt AASB 16 Leases which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees and eliminates the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition has been replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

As a result of the early adoption of AASB 16, the Group has also early adopted AASB 15 Revenue from Contracts with Customers. This standard was otherwise mandatorily applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group's existing revenue recognition policy per Note 2 (e) already complies with the requirements of this Standard and therefore there is no change arising as a result of the early adoption of this Standard.

3 Critical Accounting Estimates and Judgments

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

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

The significant estimates and judgements made have been described below.

Key estimates - impairment of property, plant and equipment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - fair value of financial instruments

The Group has certain financial assets and liabilities which are measured at fair value. Where fair value has not able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

3 Critical Accounting Estimates and Judgments continued

Key judgments - taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

4 Revenue and Other Income

Revenue from continuing operations

	2016	2015
	\$	\$
Sales revenue		
- sale of goods	510,754	549,021
- provision of services	6,415,904	5,343,510
Total Revenue	6,926,658	5,892,531
- other interest received	2,848	3,422
- dividend income	315	1,830
Finance income	3,163	5,252
Other revenue		
- R&D incentive grant	567,820	-
- other income	60,811	91,481
- Total Other Income	631,794	96,733
Total Revenue and Other Income	7,558,452	5,989,264

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Notes to the Financial Statements For the Year Ended 30 June 2016

5 Result for the Year

The result for the year includes the following specific expenses:

	2016	2015
	\$	\$
Finance Costs		
Financial liabilities measured at amortised cost:		
- Interest on obligations under finance leases	10,852	446
- Other finance costs	61,879	727
Total finance costs	72,731	1,173
Other expenses:		
Employee benefit expenses	1,017,585	1,103,160
Depreciation expenses	300,950	132,804
Amortisation expense	371,216	139,374
	672,166	272,178
Other expenses	15,000	-
Bad debts	-	1,690

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Notes to the Financial Statements

For the Year Ended 30 June 2016

6 Income Tax Expense

(a) The major components of tax expense (benefit) comprise:

	2016	2015
	\$	\$
Current tax expense		
Current tax expense	22,924	-
Deferred tax expense		
Other deferred tax	(85,180)	71,293
	<u>(62,256)</u>	<u>71,293</u>

(b) Reconciliation of income tax to accounting profit:

	2016	2015
	\$	\$
Profit/(loss)	274,745	(189,396)
Tax	30%	30%
	<u>82,424</u>	<u>(56,819)</u>
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	185,456	39,841
- non-deductible expenses	505,093	307,701
- other	11,830	89,773
	<u>784,803</u>	<u>380,496</u>
Less:		
Tax effect of:		
- non tax resident for UGS	-	120,434
- tax depreciation	80,179	39,841
- prior year provisions	102,790	10,275
- deductions on formation costs	26,258	-
- capitalised items deductible for tax purposes	190,260	75,341
- other	85,180	-
Recoupment of prior year tax losses not previously brought to account	<u>362,392</u>	<u>63,312</u>
Income tax (benefit) expense	<u>(62,256)</u>	<u>71,293</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2016

7 Business Combinations

In December 2015, United Networks Limited ("UNL"), the legal parent and legal acquirer, completed the acquisition of United Lifestyle Group Networks Pty Limited ("ULGN"), which also completed the acquisition of United Global Sim Limited (the "Acquisitions"). The Acquisitions have been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisitions, the former shareholders of ULGN (the legal subsidiary and legal acquiree) obtained accounting control of UNL (the legal parent). Accordingly, the application of the reverse acquisition guidance in AASB 3 by analogy results in UNL, the legal parent, being accounted for as the subsidiary, and ULGN, the legal subsidiary, being accounted for as the accounting parent.

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations as UNL was deemed for accounting purposes not to be a business as at the time of the acquisition UNL was in the process of being formed and therefore the transaction is not a business combination within the scope of AASB 3. Instead the Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transaction in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (ULGN) and the fair value of the accounting acquiree's (UNL) identifiable net assets represents a service received by ULGN. The accounting for the acquisition resulted in a re-capitalisation cost recognised on acquisition of \$16m as set out in Note 13, measured at the fair value of the equity instruments that would have been given by ULGN to have the same percentage holding in the new structure as the date of the transaction.

As ULGN is considered to be the parent of the Group for accounting purposes the consolidated financial statements represent the continuation of the financial statements of ULGN from its incorporation, with the exception of the capital structure, and present only the details for UNL from the date the Acquisition completed. The amount recognised as issued equity instruments in these consolidated financial statements represents the issued equity interests of UNL adjusted to reflect the equity issued by UNL on acquisition. Refer to Note 18 for information on issued capital and Note 2(b) and 13 for further information on the accounting for the Acquisition.

8 Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash at bank and in hand	454,277	62,811
Short-term deposits	55,020	54,150
Total cash and cash equivalents	509,297	116,961

The effective interest rate on short term bank deposits was 2.64% (2015: 2.50%) and the average maturity was 30 days (2015: 30 days)

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	2016	2015
	\$	\$
Cash and cash equivalents	509,297	116,961
Bank overdrafts	(887)	-
Balance as per statement of cash flows	508,410	116,961

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Notes to the Financial Statements For the Year Ended 30 June 2016

9 Trade and Other Receivables

	2016	2015
	\$	\$
CURRENT		
Trade receivables	508,849	611,287
Provision for impairment Doubtful debts	(20,912)	(13,103)
	<u>487,937</u>	<u>598,184</u>
GST receivable	199,078	59,946
Commissions receivable	469,554	-
Other receivables	222,779	-
Loans to other related parties	110,646	110,301
Total current trade and other receivables	<u><u>1,489,994</u></u>	<u><u>768,431</u></u>

(a) Loans to other related parties

	2016	2015
	\$	\$
Beginning of the year	110,301	-
Loans Advanced - Autopilot Pty Ltd	345	110,301
End of year	<u><u>110,646</u></u>	<u><u>110,301</u></u>

Refer to Note 29 for details on loans to related parties.

(b) Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

	2016	2015
	\$	\$
Balance at beginning of the year	13,103	-
Additional impairment loss recognised	7,809	13,103
Balance at end of the year	<u><u>20,912</u></u>	<u><u>13,103</u></u>

(c) Collateral held as security

The Group does not hold any collateral over any receivables balances.

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

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Notes to the Financial Statements For the Year Ended 30 June 2016

10 Inventories

	2016	2015
	\$	\$
CURRENT		
At cost:		
Inventory on hand	57,450	75,728
	<u>57,450</u>	<u>75,728</u>

Write downs of inventories to net realisable value during the year were \$NIL (2015: \$NIL).

11 Other financial assets

	2016	2015
	\$	\$
Financial assets at fair value through profit or loss		
Financial assets held for trading	18,150	30,000
Total financial assets at fair value through profit or loss	<u>18,150</u>	<u>30,000</u>

Financial assets held for trading consists of listed equity securities. The securities are denominated in \$AUD and are publicly traded in Australia.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 20.

The methods used to measure financial assets and liabilities reported at fair value are described in Note 2(j).

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Notes to the Financial Statements

For the Year Ended 30 June 2016

12 Property, plant and equipment

	2016	2015
	\$	\$
Plant and equipment		
At cost	49,653	15,011
Accumulated depreciation	(14,783)	(5,758)
Total plant and equipment	<u>34,870</u>	<u>9,253</u>
Furniture, fixtures and fittings		
At cost	45,746	45,746
Accumulated depreciation	(4,374)	(2,049)
Total furniture, fixtures and fittings	<u>41,372</u>	<u>43,697</u>
Office equipment		
At cost	1,317	-
Accumulated depreciation	-	-
Total office equipment	<u>1,317</u>	<u>-</u>
Computer equipment		
At cost	72,601	55,835
Accumulated depreciation	(40,739)	(33,584)
Total computer equipment	<u>31,862</u>	<u>22,251</u>
Right to use asset - leases		
At cost	793,309	-
Accumulated depreciation	(176,703)	-
Total right to use asset - leases	<u>616,606</u>	<u>-</u>
Total property, plant and equipment	<u><u>726,027</u></u>	<u><u>75,201</u></u>

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Notes to the Financial Statements

For the Year Ended 30 June 2016

12 Property, plant and equipment

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

Consolidated	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Office Equipment \$	Computer Equipment \$	Right to use asset \$	Total \$
Year ended 30 June 2016						
Balance at the beginning of year	9,253	43,697	-	22,251	-	75,201
Additions	39,806	-	1,317	19,376	793,309	853,808
Depreciation expense	(14,189)	(2,325)	-	(9,765)	(176,703)	(202,982)
Balance at the end of the year	34,870	41,372	1,317	31,862	616,606	726,027

Consolidated	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Office Equipment \$	Computer Equipment \$	Right to use asset \$	Total \$
Year ended 30 June 2015						
Balance at the beginning of year	6,973	779	-	11,338	-	19,090
Additions	5,112	44,428	-	23,558	-	73,098
Depreciation expense	(2,832)	(1,510)	-	(12,645)	-	(16,987)
Balance at the end of the year	9,253	43,697	-	22,251	-	75,201

13 Intangible assets

	2016 \$	2015 \$
Goodwill		
Cost	16,016,577	-
Net carrying value	16,016,577	-
Patents, trademarks and other rights		
Cost	6,413	6,413
Accumulated amortisation and impairment	-	-
Net carrying value	6,413	6,413
Web Development costs		
Cost	790,062	698,831
Accumulated amortisation and impairment	(98,220)	(85,273)
Net carrying value	691,842	613,558

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Notes to the Financial Statements

For the Year Ended 30 June 2016

13 Intangible Assets

	2016	2015
	\$	\$
Computer software		
Cost	1,278,317	734,219
Accumulated amortisation and impairment	(493,424)	(262,435)
Net carrying value	784,893	471,784
Total Intangibles	17,499,725	1,091,755

(a) Movements in carrying amounts of intangible assets

	Patents, trademarks and other rights	Computer software	Goodwill	Development costs	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2016					
Balance at the beginning of the year	6,413	471,784	-	613,558	1,091,755
Additions	-	570,352	16,016,577	290,225	16,877,154
Amortisation	-	(257,243)	-	(211,941)	(469,184)
Balance at the end of the year	6,413	784,893	16,016,577	691,842	17,499,725

	Patents, trademarks and other rights	Computer software	Goodwill	Development costs	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2015					
Balance at the beginning of the year	2,090	557,846	-	85,000	644,936
Additions	4,323	23,519	-	674,168	702,010
Amortisation	-	(109,581)	-	(145,610)	(255,191)
Balance at the end of the year	6,413	471,784	-	613,558	1,091,755

14 Other Assets

	2016	2015
	\$	\$
CURRENT		
Prepayments	44,422	6,595
Deposits Paid	2,500	1,092
	46,922	7,687
NON-CURRENT		
Other assets	262,094	-

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Notes to the Financial Statements

For the Year Ended 30 June 2016

15 Trade and Other Payables

	2016	2015
	\$	\$
CURRENT		
Trade payables	874,572	990,115
GST payable	622,062	59,146
Accrued expenses	57,398	-
Other payables	141,089	1,186,422
	<u>1,695,121</u>	<u>2,235,683</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

16 Borrowings

		2016	2015
		\$	\$
CURRENT			
Unsecured liabilities:			
Loans from related parties	16(b)	787,331	511,654
Other financial liabilities - Promissory note	16(c)	212,669	212,669
Secured liabilities:			
Bank overdraft		887	-
Lease liability secured		176,703	-
Total current borrowings		<u>1,177,590</u>	<u>724,323</u>
NON-CURRENT			
Unsecured liabilities:			
Other financial liabilities - Promissory note	16(c)	803,981	803,981
Secured liabilities:			
Lease liability secured		439,902	-
Total non-current borrowings		<u>1,243,883</u>	<u>803,981</u>
Total borrowings		<u>2,421,473</u>	<u>1,528,304</u>

(a) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

(b) Loans from related parties

Loans from related parties related to amounts received from ULG Holdings Limited, a director related company. The loan is payable on demand and bears a variable interest at 7.50% per annum.

(c) Promissory Note

The Group issued a promissory note to ULG Holdings Ltd, a director related entity, amounting to \$1,016,650 in relation to amounts payable by the wholly owned subsidiary, United Global SIM Limited.

United Networks Limited

ACN: 607 921 246

Notes to the Financial Statements

For the Year Ended 30 June 2016

17 Provisions

	2016	2015
	\$	\$
CURRENT		
Provision for annual leave	95,411	67,297
Provision for long service leave	21,434	8,413
	<u>116,845</u>	<u>75,710</u>

	Provision for annual leave	Provision for long service leave	Total
	\$	\$	\$
Current			
Opening balance at 1 July 2015	67,297	8,413	75,710
Additional provisions	28,114	13,021	41,135
Balance at 30 June 2016	<u>95,411</u>	<u>21,434</u>	<u>116,845</u>

United Networks Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

18 Issued Capital

	2016	2015
	\$	\$
90,157,449 (2015: 120) Ordinary shares	18,031,490	120
Share issue costs	(254,465)	-
Total	17,777,025	120

(a) Ordinary shares

Description Title	2016	2016	2015	2015
	No	\$	No	\$
At beginning of reporting period	120	120	120	120
Issue of consideration shares to UNL	76,416,128	15,958,059	-	-
Shares issued during the year	13,741,201	2,073,311	-	-
Share issue costs	-	(254,465)	-	-
Total	90,157,449	17,777,025	120	120

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

(b) Capital Management

There are no externally imposed capital requirements.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the statement of financial position plus net debt. Refer to Note 21 for further details.

19 Capital and Leasing Commitments

(a) Contracted Commitments

	2016	2015
	\$	\$
Contracted commitments for:		
Company		
Software development services	46,000	-
	46,000	-

20 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

Notes to the Financial Statements

For the Year Ended 30 June 2016

20 Financial Risk Management continued

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not speculate in financial assets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Investments in listed shares
- Trade and other payables
- Floating rate bank loans
- Bills of exchange
- Forward currency contracts

Objectives, policies and processes

Risk management is carried out by the Group's risk management committee under the delegated power from the Board of Directors. The Finance Manager has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Group, these policies and procedures are then approved by the risk management committee and tabled at the board meeting following their approval.

Reports are presented at each Board meeting regarding the implementation of these policies and any risk exposure which the Risk Management Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided overleaf.

United Networks Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

20 Financial Risk Management continued

Liquidity risk

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

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

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

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

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

The Group's liabilities have contractual maturities which are summarised below:

	Not later than 1 month		1 to 3 months		3 months to 1 year		1 to 5 years	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Trade payables	863,765	699,894	358,172	290,221	-	-	-	-
Other short term financial liabilities	15,602	15,602	31,204	31,204	1,982,115	1,528,848	439,902	-
Total	879,367	715,496	389,376	321,425	1,982,115	1,528,848	439,902	-

Credit risk

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

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

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

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

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

United Networks Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

20 Financial Risk Management continued

Credit risk continued

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

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Group.

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

	2016	2015
	\$	\$
Hong Kong	26,669	71,216
Australia	1,504,667	744,565
Canada	6,008	-
	<u>1,537,344</u>	<u>815,781</u>

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired
	\$	\$	\$
2016			
Trade and term receivables	508,849	14,244	494,605
Other receivables	1,028,495	-	1,028,495
Total	<u>1,537,344</u>	<u>14,244</u>	<u>1,523,100</u>
2015			
Trade and term receivables	611,287	13,103	598,184
Other receivables	204,494	-	204,494
Total	<u>815,781</u>	<u>13,103</u>	<u>802,678</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

20 Financial Risk Management continued

Credit risk continued

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

Market risk

(i) Foreign currency sensitivity

Most of the Group transactions are carried out in Australian Dollars. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in USD and CAD. These exposures are not significant.

To mitigate the Group's exposure to foreign currency risk, non-Australian Dollar cash flows are monitored in accordance with the Group's risk management policies

(ii) Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

21 Capital Management

Management controls the capital of the Company in order to in order to maintain a good debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management.

The gearing ratio for the year ended 30 June 2016 and 30 June 2015 are as follows:

		2016	2015
		\$	\$
Total Borrowings	16	2,468,824	1,575,654
Less Cash and cash equivalents	8	(509,297)	(116,961)
Net debt		1,959,527	1,458,693
Equity		16,713,551	(1,400,355)
Total capital		18,673,078	58,338
Gearing ratio		10.00%	2,500.00%

Notes to the Financial Statements

For the Year Ended 30 June 2016

22 Tax assets and liabilities

Recognised deferred tax assets and liabilities

	2016		2015	
	\$	\$	\$	\$
Deferred tax assets	549,152	402,118		
Deferred tax liabilities	188,897	127,043		

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
	\$	\$	\$	\$	\$	\$
Deferred tax assets						
Property, plant and equipment	181,318	-	-	-	-	181,318
Provisions	56,100	-	-	-	-	56,100
Other assets	70,952	-	-	-	-	70,952
Other	93,748	-	-	-	-	93,748
Balance at 30 June 2015	402,118	-	-	-	-	402,118
Property, plant and equipment	181,318	39,754	-	-	-	221,072
Provisions	56,100	-	-	-	-	56,100
Other assets	70,952	-	-	-	-	70,952
Other	93,748	107,270	-	-	-	201,018
Balance at 30 June 2016	402,118	147,024	-	-	-	549,142
Deferred tax liability						
Other	127,043	-	-	-	-	127,043
Balance at 30 June 2015	127,043	-	-	-	-	127,043
Other	127,043	61,854	-	-	-	188,897
Balance at 30 June 2016	127,043	61,854	-	-	-	188,897

United Networks Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

23 Dividends

	2016	2015
	\$	\$
Total dividends per share declared	-	1,064,000

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Franking account

	2016	2015
	\$	\$
The franking credits available for subsequent financial years at a tax rate of 30% (2015: 30%).	-	-

The above available balance is based on the dividend franking account at year-end adjusted for:

- Franking credits that will arise from the payment of the current tax liabilities;
- Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The impact on the franking credit of the dividends proposed after the end of the reporting period is to reduce it by \$Nil (2015: \$Nil).

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

24 Key Management Personnel Disclosures

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

	2016	2015
	\$	\$
Short-term employee benefits	475,745	96,940
Post-employment benefits	36,315	6,982
	<u>512,060</u>	<u>103,922</u>

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 29: Related Party Transactions.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

25 Auditor's Remuneration

	2016	2015
	\$	\$
Remuneration of the auditor of the parent entity, Rothsay Chartered Accountants, for:		
- auditing or reviewing the financial statements of subsidiaries	40,000	20,000
- taxation services	47,980	3,080
- valuation services	6,000	-
Total	93,980	23,080

26 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2016	Percentage Owned (%)* 2015
Subsidiaries:			
United Lifestyle Group Networks Pty Ltd	Australia	100	-
United Networks Ltd (Hong Kong)	Hong Kong & Australia	100	-
United Sim Canada Limited	Canada & Australia	100	-
United Networks Operations Limited	Hong Kong & Australia	100	-
United Global Sim Ltd	Hong Kong & Australia	100	-

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

27 Fair Value Measurement

The Group measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices 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.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

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Notes to the Financial Statements

For the Year Ended 30 June 2016

27 Fair Value Measurement continued

Fair value hierarchy continued

	Level 1	Level 2	Level 3	Total
30 June 2016	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets held for trading	18,150	-	-	18,150
30 June 2015	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets held for trading	30,000	-	-	30,000

Transfers between levels of the hierarchy

There were no transfers between levels of the fair value hierarchy.

Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

28 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2016 (30 June 2015: None).

29 Related Parties

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

(i) Key management personnel:

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

For details of remuneration disclosures relating to key management personnel, refer to Note 24: Key Management Personnel Disclosures.

Other transactions with KMP and their related entities are shown below.

(ii) Other related parties include close family members of key management personnel and entities that are controlled.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2016

29 Related Parties continued

(b) Transactions with related parties

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

The following transactions occurred with related parties:

	Purchases	Sales	Other transactions	Balance outstanding	
				Owed to the company	Owed by the company
KMP related parties	-	-	-	-	-
Subsidiaries	-	-	-	-	-
Controlling entities	-	-	-	-	-
Entities with significant influence	-	-	-	-	-
Other related parties	-	-	-	-	-
ULG Holdings Limited and its controlled entities, a director related entity	-	-	-	-	1,803,981
Autopilot Pty Ltd, a director related entity	-	-	-	110,646	-

United Networks Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

30 Cash Flow Information

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

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

	2016	2015
	\$	\$
Profit/(loss) for the year	337,001	(260,689)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	672,166	272,178
- impairment of receivables	7,809	-
- other	152,264	(25,851)
- R&D incentive grant receivable	(180,000)	-
- commissions receivable	(469,554)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(1,028,928)	414,971
- decrease in inventories	18,278	85,045
- increase/(decrease) in trade and other payables	21,971	(281,445)
- increase in income taxes payable	57,948	51,179
- (decrease) in deferred taxes payable	(102,985)	(71,292)
- increase in provisions	44,246	77,207
Cashflow from operations	<u>(469,784)</u>	<u>261,303</u>

31 Events Occurring After the Reporting Date

The financial report was authorised for issue on 7 October 2016 by the board of directors.

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

32 Parent entity

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

The financial information for the parent entity, United Networks Limited has been prepared on the same basis as the consolidated financial statements except as disclosed overleaf.

United Networks Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

32 Parent entity continued

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

Tax consolidation legislation

United Networks Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

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

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

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

	2016	2015
	\$	\$
Statement of Financial Position		
Assets		
Current assets	1,649,226	-
Non-current assets	640,061	-
Total Assets	<u>2,289,287</u>	-
Liabilities		
Current liabilities	21,592	-
Non-current liabilities	235,822	-
Total Liabilities	<u>257,414</u>	-
Equity		
Issued capital	2,030,250	-
Retained earnings	1,623	-
Total Equity	<u>2,031,873</u>	-
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	<u>1,623</u>	-
Total comprehensive income	<u>1,623</u>	-

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

Contractual commitments

The parent entity did not have any commitments as at 30 June 2016 or 30 June 2015.

United Networks Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

33 Company Details

The registered office of the company is:

United Networks Limited
Level 1, 12 O'Connell Street
Sydney, NSW, 2000

The principal places of business are:

United Networks Limited
Level 2, 100 William Street
Woolloomooloo, NSW, 2011

United Networks Limited

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Directors' Declaration

The directors of the Company declare that:

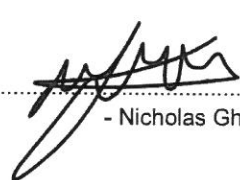
1. the financial statements and notes for the year ended 30 June 2016 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director


- Anthony Ghattas

Director


- Nicholas Ghattas

Dated 27 October 2016

INDEPENDENT AUDITOR'S REPORT

To the members of United Networks Limited

Report on the Financial Report

We have audited the accompanying financial report of United Networks Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of United Networks Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Opinion

In our opinion:

- (a) the financial report of United Networks Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Opinion

In our opinion, the Remuneration Report of United Networks Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Rothsay Chartered Accountants

Frank Vrachas
Partner

Sydney, 27 October 2016