

United Networks Limited

ABN 60 607 921 246

Annual Financial Report - 30 June 2019

United Networks Limited
Corporate directory
30 June 2019

Directors	Anthony Ghattas - Chairman Nicholas Ghattas - Chief Executive Officer Charbel Nader
Company secretary	Michael Potts
Notice of annual general meeting	The details of the annual general meeting of United Networks Limited are: Level 2, 100 William Street Woolloomooloo NSW 2011 9.30 am on Monday, 21 October 2019
Registered office and principal place of business	Suite 201, Level 2 100 William Street Woolloomooloo NSW 2011 Phone:(02) 9003 9573
Share register	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6009 Phone: (08) 9389 8033
Auditor	Rothsay Chartered Accountants Level 1, 12 O'Connell Street Sydney NSW 2000
Solicitors	Sekel Grinberg Judd Lawyers Level 8 - Currency House 23 Hunter Street Sydney NSW 2000
Bankers	National Australia Bank 85-95 Marrickville Rd Marrickville NSW 2204 Westpac Banking Corporation 425 Victoria Ave Chatswood NSW 2067
Stock exchange listing	United Networks Limited shares are listed on the Australian Securities Exchange (ASX code: UNL)
Website	www.unitednetworks.net.au
Corporate Governance Statement	www.unitednetworks.net.au/investors#corporateGovernance

United Networks Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of United Networks Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of United Networks Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Anthony Ghattas
Nicholas Ghattas
Charbel Nader

Principal activities

The United Networks Limited group is an innovative enterprise solutions provider which has developed a platform (Trust platform) based on global connectivity and customer engagement. The group provides global engagement and value-add Insuretech solutions to the insurance and travel industry to allow them to increase end-customer engagement. In addition the group continues to offer local telecommunications services to SMB across Australia.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,132,092 (30 June 2018: \$19,268,609).

United Networks Limited (UNL) focus for the year ending 30 June 2019 was to restructure the business to a sustainable level, whilst maintaining the new product development with direct and partner lead sales growth. UNL successfully increased revenues by launching new partners and products in FY19 whilst at the same time reducing overheads to improve gross margins.

Key Achievements in FY2019

- Increase in direct sales
- Increase in gross margin
- Reduction in overheads
- Reduction in net cash outflows
- Launch of New Products and strategic partnerships

Financial Summary

- Group Revenue of \$3.0 million, up 14.7% on prior year \$2.6m
 - Direct Sales and Partner Sales of \$2.34m
 - Revenue from direct UNL branded online products grew by 580%
 - The FY19 adjusted normalised total sales excluding Covermore increased by 18%
- Gross Profit as a percentage of sales before grants was 41% of sales an increase of 27% on FY18 primarily as result of improved SIM/eSIM bundling of online products coupled with the launch of eSIM has reduced the distribution cost as it is a virtual product
- Restructuring in FY19 resulted in reduced overhead to \$1.56m down 34.6% (FY18 \$2.39)
- EBITDA loss of \$0.07m a 92% reduction (FY18 \$1.8m) an improvement of \$1.73m
- Loss after tax of \$1.13m a 94% reduction (FY18 \$19.27m)
- Net cash outflows \$0.83m reduced by \$2.03m (FY18 Net Cash Outflows \$2.86m)

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		2019 million	2018 million
Group Revenue			
Sales - Direct & Partner	Up 18%	2.34	1.98
Sales - Covermore	No Sales FY19	-	0.63
Grants	FY18 Grant was accrued in FY17	0.66	-
Total		<u>3.00</u>	<u>2.61</u>
Gross profit	Up 92%	1.62	0.84
Gross profit before grants	Up 13%	<u>0.96</u>	<u>0.84</u>

	2019 \$	2018 \$
Reconciliation of loss before income tax to EBITDA and Adjusted EBITDA (unaudited):		
Loss before income tax expense	(1,132,092)	(18,849,667)
Finance costs	24,450	51,769
Interest revenue	(8,338)	(42,376)
Depreciation expense	219,090	204,730
Amortisation expense	824,902	770,040
EBITDA	<u>(71,988)</u>	<u>(17,865,504)</u>
Goodwill impairment	-	16,016,577
Adjusted EBITDA	<u><u>(71,988)</u></u>	<u><u>(1,848,927)</u></u>

EBITDA and adjusted EBITDA are non-IFRS earnings measures which do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. These measures, which are unaudited, are important to management as an additional way to evaluate the company's performance.

New Partners, Products and Distribution FY19

- United launched RACV offers to over 2 million members at the end of June 2019 with orders having grown in both July and August 2019
- United signed an agreement with Hepstar in April 2019 to integrate United suite of products in the OTA booking paths of its customers base we anticipate a launch in Q1 FY20
- United eSIM marketing initiatives have resulted in activations from customers in over 30 countries
- United commercially launched the eSIM in Q3 it now constitutes 23% of SIM sales after only 4 months with activation grown month on month
- United launched its first UK partner Collinson in November 2018 under the Columbus brand
- United became an Authorised Representative of Chubb insurance Australia, to allow for the sale of insurance product
- Global Insurer AIG Singapore went live in August 2018 to provide WiFi/SOS to Travel Guard Customers
- New Insuretech Products
 - Flight Delay Insurance launched in conjunction with Swiss Re and Chubb embedded in the Chubb Connect App

Key Indicators

- United average revenue per active SIM user has increased to \$95 as of August 2019, a result of eSIM launch up 17% from December 2018 and 13% from June 2018
- 98% of United SIM sales are now under our direct brand with the database surpassing 500,000 in FY19
- United eSIM has grown to 22% of SIM sales since its launch in February 2019
- Significant interest from partners in the United Virtual eSIM solution
- United direct online sales grow 580% in FY19 and continue to grow

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

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Matters subsequent to the end of the financial year

Acquisition of Broadland Group

On 13 September 2019, United Networks Limited (UNL) announced it had entered into a binding agreement to acquire 100% of the Broadland Group (BLG) which comprises Broadland Solutions Pty Ltd and Broadland Victoria Pty Ltd and its related entities for a consideration of \$9.5 million. The transaction is subject to shareholder approval at the AGM on 21 October 2019.

The transaction will be funded by the issue of 266,554,433 UNL shares at a price of \$0.03564 per share to BLG shareholders. No further capital raising will be required to complete this transaction.

The Telecommunication Service Provider business division of UNL and BLG are very similar serving small to medium business a range of telecommunications and data services, both direct billing under their respective brands. The transaction is expected to deliver direct synergies from cost savings and supplier negotiation for cost of services.

From a legal and taxation perspective UNL will be considered the acquiring entity. However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 'Business combinations' because the acquisition will result in BLG shareholders holding a controlling interest in UNL after the transaction notwithstanding UNL being the legal parent of the new group. Accordingly, the consolidated financial statements of UNL for the half year ending 31 December 2019 will be prepared as a continuation of the business and operations of BLG. As the deemed acquirer BLG will account for the acquisition of UNL from the date the transaction is approved by the shareholders of UNL.

If the transaction had been completed on 30 June 2019, the following would have been the goodwill at that date:

	Pro-forma 30 June 2019 \$
Net assets of UNL acquired on reverse acquisition	<u>1,777,448</u>
Assessed fair value of assets acquired: 125,824,949, being 100% of the UNL shares on issue at \$0.013 per share	<u>(1,635,724)</u>
Gain on bargain purchase	<u><u>141,724</u></u>

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

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

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Going concern

For the year ended 30 June 2019 the consolidated entity incurred a loss after income tax of \$1,132,092 (2018: \$19,268,609) and net cash outflows from operating activities of \$97,390 (2018: \$1,277,975). The net operating loss for the financial year ended 30 June 2018, excluding the impairment of goodwill (\$16,016,577) and the write back of the net deferred tax asset (\$418,942), was \$2,833,090. The recurring historical operating losses and net cash outflows from operating activities give rise to a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern.

The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the consolidated entity having sufficient working capital to fund its activities.

On 13 September 2019, United Networks Limited (UNL) announced it had entered into a binding agreement to acquire 100% of the Broadland Group (BLG) which comprises Broadland Solutions Pty Ltd and Broadland Victoria Pty Ltd and its related entities for a consideration of \$9.5 million (refer note 29). The transaction is subject to shareholder approval at the AGM on 21 October 2019. The acquisition is expected to increase both revenue and the profitability of UNL and post-transaction cash on hand is expected to increase to over \$2 million. The acquisition, should it be approved, is expected to completely mitigate the material uncertainty related to the ability of the consolidated entity to continue as a going concern. The UNL Directors, who collectively hold 60.72% of the voting rights in UNL, unanimously recommend the transaction to shareholders and have stated that they intend to vote, or cause to be voted, all UNL shares held or controlled by them, or on their behalf, in favour of all the resolutions associated with this transaction at the forthcoming AGM. The resolutions must be approved by at least 50% of the total number of votes cast at the AGM. The UNL Directors consider that it is highly unlikely that the transaction will not be completed.

However, in the unlikely event the transaction is not completed, the UNL Directors have prepared a consolidated income and expenditure budget and cash flow budget for the 2020 financial year, based on reasonable assumptions. The Directors are budgeting for a modest surplus for the 30 June 2020 financial year and for a positive working capital balance throughout the period.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of signature of the audit report on this financial report to the date of signature of the audit report on the financial report for the year ending 30 June 2020, and has accordingly prepared the financial report on a going concern basis. Refer to Note 1 to the consolidated financial statements for further details on the budgets.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

The company's auditor has, without qualifying their audit opinion, included an 'emphasis of matter' paragraph in their audit report which draws attention to the aforementioned uncertainty regarding going concern.

Environmental regulation

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

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Information on directors

Name: Anthony Ghattas
Title: Non-executive Chairman
Qualifications: None
Experience and expertise: Anthony Ghattas is the former CEO of ASX listed, digital and mobile content development company HWW Limited. Anthony is the Founder and Managing Director of United Lifestyle Group, he has extensive experiences in direct to customer marketing in Australia and overseas which retails consumer direct wines under multiple brands in Australia and New Zealand. Over the last 15 years, Anthony has seen to the growth of United Lifestyle Group across multiple continents.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman
Interests in shares: 38,238,124
Interests in options: 5,250,000

Name: Nicholas Ghattas
Title: Director and Chief Executive Officer
Qualifications: BCom (University of New South Wales)
Experience and expertise: Nicholas Ghattas has more than 20 years of experience in telecommunications. He has experience in sourcing, developing, building and managing mobile solutions businesses, Nicholas has delivered telecommunications solutions to Enterprise clients. His experience includes roles such as Corporate Financial Accountant at Coopers & Lybrand (PwC) and Director of a mobile retail outlet.

Over the last 7 years, Nicholas has built United Networks Limited into a successful domestic telecommunications business and has extended the business into the international mobile roaming market through a global roaming solution, available in Australia, Canada, Malaysia and New Zealand.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chief Executive Officer
Interests in shares: 38,208,124
Interests in options: 5,250,000

Name: Charbel Nader
Title: Non-executive Director
Qualifications: BCom (University of Melbourne), Master of Applied Finance (University of Melbourne)
Experience and expertise: Charbel Nader is an investment banker with extensive experience in corporate finance and strategic advisory roles, including experience in mergers and acquisitions. Charbel was the Founding Chairman of Metro Media Publishing Pty Ltd. Charbel is a Director of Madman Entertainment Pty Ltd and Chairman of New Talisman Gold Mines Limited.

Other current directorships: Chairman - New Talisman Gold Mines Limited (since 24 August 2016)
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 90,000
Interests in options: 3,500,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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Company secretary

Michael Potts is the Chief Finance Officer (CFO) and Company Secretary of United Networks Limited. Michael has more than 30 years of experience in major firms including Deloitte, Nexia Australia, MasterPack Systems and JUA Underwriting Agency. Michael's expertise has seen him in roles and responsibilities ranging from consultancy to CFO. Michael holds a Bachelor's Degree in Economics from Macquarie University and is a member of the Chartered Accountants Australia and New Zealand.

Meetings of directors

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

	Full Board	
	Attended	Held
Anthony Ghattas	8	8
Nicholas Ghattas	8	8
Charbel Nader	8	8

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

An Audit Committee has been formed but did not meet during the year to 30 June 2019. There are no other separate Board committees.

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

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The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors are entitled to receive share options under the Employee Share Option Plan.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The approval of a maximum annual aggregate remuneration for non-executive directors will be tabled at the company's next Annual General Meeting to be held on 21 October 2019.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The long-term incentives include share-based payments. Options to acquire shares may be awarded to executives.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

Use of remuneration consultants

The company did not engage remuneration consultants during the financial year ended 30 June 2019.

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Voting and comments made at the company's 26 November 2018 Annual General Meeting ('AGM')

At the 26 November 2018 AGM, 93% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of United Networks Limited:

- Anthony Ghattas - Non-executive Chairman
- Nicholas Ghattas - Director and Chief Executive Officer
- Charbel Nader - Non-executive Director

And the following person:

- Michael Potts - Chief Finance Officer

	Short-term benefits		Post-employment benefits		Long-term benefits	
	Cash salary and fees	Annual leave accrual	Super-annuation	Termination benefits	Long service leave	Total
	\$	\$	\$	\$	\$	\$
2019						
<i>Non-Executive Directors:</i>						
Anthony Ghattas	6,000	-	1,330	-	-	7,330
Charbel Nader	8,000	-	760	-	-	8,760
<i>Executive Directors:</i>						
Nicholas Ghattas	223,615	(8,560)	4,275	-	28,889	248,219
<i>Other Key Management Personnel:</i>						
Michael Potts	181,900	3,794	16,796	-	523	203,013
	419,515	(4,766)	23,161	-	29,412	467,322
	Short-term benefits		Post-employment benefits		Long-term benefits	
	Cash salary and fees	Annual leave accrual	Super-annuation	Termination benefits	Long service leave	Total
	\$	\$	\$	\$	\$	\$
2018						
<i>Non-Executive Directors:</i>						
Anthony Ghattas	85,731	-	7,767	-	-	93,498
Charbel Nader	48,000	-	4,560	-	-	52,560
<i>Executive Directors:</i>						
Nicholas Ghattas	280,231	7,942	11,955	-	14,509	314,637
<i>Other Key Management Personnel:</i>						
Neil Brener*	164,363	(5,889)	14,318	11,086	(4)	183,874
Michael Potts	176,800	4,939	16,796	-	69	198,604
	755,125	6,992	55,396	11,086	14,574	843,173

* Neil Brener ceased employment on 23 March 2018

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The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2019	2018	At risk - STI 2019	At risk - LTI 2019
<i>Non-Executive Directors:</i>				
Anthony Ghattas	100%	100%	-	-
Charbel Nader	100%	100%	-	-
<i>Executive Directors:</i>				
Nicholas Ghattas	100%	100%	-	-
<i>Other Key Management Personnel:</i>				
Neil Brener	-	100%	-	-
Michael Potts	100%	100%	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Nicholas Ghattas
Title: Chief Executive Officer
Agreement commenced: 1 November 2015
Term of agreement: On-going
Details: Base salary of \$295,000 per annum, to be reviewed annually by the Board. The contract may be terminated by the company giving a 12 months notice and the CEO giving the greater of 4 weeks and the notice required under the Fair Work Act. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments.

Name: Michael Potts
Title: Chief Finance Officer
Agreement commenced: 31 August 2015
Term of agreement: On-going
Details: Base salary of \$181,900 per annum. The contract may be terminated by either party giving to the other party notice in accordance with an applicable Industrial Instrument of the Fair Work Act. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019 (2018: nil).

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Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Anthony Ghattas	5,250,000	01/07/2016	01/07/2018	11/11/2021	\$0.300	\$0.000
Nicholas Ghattas	5,250,000	01/07/2016	01/07/2018	11/11/2021	\$0.300	\$0.000
Charbel Nader	3,500,000	01/07/2016	01/07/2018	11/11/2021	\$0.300	\$0.000

Options granted carry no dividend or voting rights.

The options granted to Directors were in terms of the Employee Share Option Plan and were granted over unissued fully paid ordinary shares in the company. Options vest based on the provision of service over the vesting period whereby the Director becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

There were no options that were exercised, forfeited or lapsed during the year.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Sales revenue	2,335,694	2,617,734	5,142,500	6,926,658	5,892,531
EBITDA	(71,988)	(17,865,504)	(309,067)	1,019,643	83,954
EBIT	(1,115,980)	(18,840,274)	(1,050,522)	347,477	(188,224)
Profit/(loss) after income tax	(1,132,092)	(19,268,609)	(1,037,177)	337,001	(260,689)

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Anthony Ghattas	38,238,124	-	-	-	38,238,124
Nicholas Ghattas	38,208,124	-	-	-	38,208,124
Charbel Nader	90,000	-	-	-	90,000
Michael Potts	25,000	-	-	-	25,000
	<u>76,561,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,561,248</u>

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Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Anthony Ghattas	5,250,000	-	-	-	5,250,000
Nicholas Ghattas	5,250,000	-	-	-	5,250,000
Charbel Nader	3,500,000	-	-	-	3,500,000
	<u>14,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,000,000</u>

Loans to key management personnel and their related parties

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, at 30 June 2019 and 30 June 2018.

Other transactions with key management personnel and their related parties

The consolidated entity sold goods and services (IT support, telephone and internet, IT and network equipment and infrastructure services), during the year in the sum of \$180,058 (2018: \$135,731) to 7 entities in which Mr Anthony Ghattas is a director and a controlling shareholder. The contracts were based on normal commercial terms and conditions.

The consolidated entity purchased goods and services (rent, parking, shared office services and amenities and HR services) during the year in the sum of \$182,721 (2018: \$372,617) from 5 entities in which Mr Anthony Ghattas is a director and a controlling shareholder. The contracts were based on normal commercial terms and conditions.

Included in trade and other receivables at 30 June 2019 is a security deposit on the rental premises of \$39,331 (2018: \$39,331) held by a Director related entity. The security deposit will be refunded on termination of the lease.

Included in current borrowings at 30 June 2019 is a promissory note due to a director related entity of \$155,692 (2018: \$315,454). The promissory note is secured under a General Security Agreement and interest is charged at the average bid rate for bills plus a margin of 3%.

Aggregate amounts of each of the above types of other transactions with key management personnel and their related entities:

Amounts recognised as revenue

Sale of goods: \$117,975 (2018: \$84,242)

Services: \$62,083 (2018: \$51,489)

Amounts recognised as expenses

Administration: \$182,721 (2018: \$372,617)

Interest paid: \$11,629 (2018: \$23,021)

Amounts recognised as trade and other receivables

Trade receivables: \$118,298 (2018: \$58,622)

Security deposit: \$39,331 (2018: \$39,331)

Amounts recognised as trade and other payables

Trade payables: \$nil (2018: \$10,279)

Amounts recognised as borrowings

Promissory note: \$155,692 (2018: \$315,454)

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2019.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of United Networks Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 July 2016*	1 November 2021	\$0.300	14,000,000
2 November 2016**	2 November 2021	\$0.300	1,000,000
11 November 2016***	11 November 2021	\$0.300	1,000,000
			<u>16,000,000</u>

* Options granted to the Directors

** Options granted to the Lead Manager in relation to the company's initial public offer of shares

*** Options granted to the Corporate Adviser in consideration for consultancy services in relation to the company's initial public offer of shares

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

No options were granted to the directors or any of the five highest remunerated officers of the company since the end of the financial year.

Shares issued on the exercise of options

There were no ordinary shares of United Networks Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Use of cash and assets readily convertible to cash since admission to ASX official list

In accordance with Listing Rule 4.10.19 the company confirms that the consolidated entity has been utilising the cash and assets in a form readily convertible to cash, that it held at the time of its admission to the Official List of ASX in the current reporting period in a way that is consistent with its business objectives.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

United Networks Limited
Directors' report
30 June 2019

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

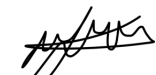
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Rothsay Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Nicholas Ghattas
Chief Executive Officer and Director

30 September 2019
Sydney

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 2019, 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.

Rothsay Chartered Accountants



Frank Vrachas

Partner

Sydney, 30 September 2019

United Networks Limited
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30 June 2019

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General information

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

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

Suite 201, Level 2
100 William Street
Woolloomooloo
NSW 2011

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

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

United Networks Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	4	3,002,339	2,626,009
Interest revenue calculated using the effective interest method		8,338	42,376
Expenses			
Cost of sales		(1,380,724)	(1,775,523)
Marketing		(91,685)	(50,599)
Occupancy		-	(11,926)
Administration		(1,560,008)	(2,385,159)
Impairment of goodwill	12	-	(16,016,577)
Other expenses		(1,085,902)	(1,226,499)
Finance costs	5	<u>(24,450)</u>	<u>(51,769)</u>
Loss before income tax expense	5	(1,132,092)	(18,849,667)
Income tax expense	6	<u>-</u>	<u>(418,942)</u>
Loss after income tax expense for the year attributable to the owners of United Networks Limited	21	(1,132,092)	(19,268,609)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of United Networks Limited		<u><u>(1,132,092)</u></u>	<u><u>(19,268,609)</u></u>
		Cents	Cents
Basic earnings per share	32	(0.90)	(15.31)
Diluted earnings per share	32	(0.90)	(15.31)

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

United Networks Limited
Statement of financial position
As at 30 June 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	7	525,890	1,355,892
Trade and other receivables	8	372,269	372,898
Inventories	9	61,964	90,900
Other	10	71,596	103,700
Total current assets		<u>1,031,719</u>	<u>1,923,390</u>
Non-current assets			
Plant and equipment	11	92,016	361,386
Intangibles	12	1,551,808	1,981,955
Total non-current assets		<u>1,643,824</u>	<u>2,343,341</u>
Total assets		<u>2,675,543</u>	<u>4,266,731</u>
Liabilities			
Current liabilities			
Trade and other payables	14	491,464	616,484
Contract liabilities	15	20,000	-
Borrowings	16	204,755	505,704
Provisions	17	123,484	147,815
Total current liabilities		<u>839,703</u>	<u>1,270,003</u>
Non-current liabilities			
Borrowings	18	-	87,188
Provisions		58,392	-
Total non-current liabilities		<u>58,392</u>	<u>87,188</u>
Total liabilities		<u>898,095</u>	<u>1,357,191</u>
Net assets		<u>1,777,448</u>	<u>2,909,540</u>
Equity			
Issued capital	20	24,278,800	24,278,800
Accumulated losses	21	(22,501,352)	(21,369,260)
Total equity		<u>1,777,448</u>	<u>2,909,540</u>

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

United Networks Limited
Statement of changes in equity
For the year ended 30 June 2019

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	24,278,800	(2,100,651)	22,178,149
Loss after income tax expense for the year	-	(19,268,609)	(19,268,609)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(19,268,609)	(19,268,609)
Balance at 30 June 2018	<u>24,278,800</u>	<u>(21,369,260)</u>	<u>2,909,540</u>
	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	24,278,800	(21,369,260)	2,909,540
Loss after income tax expense for the year	-	(1,132,092)	(1,132,092)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(1,132,092)	(1,132,092)
Balance at 30 June 2019	<u>24,278,800</u>	<u>(22,501,352)</u>	<u>1,777,448</u>

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

United Networks Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,545,169	3,506,670
Payments to suppliers and employees (inclusive of GST)		<u>(3,294,189)</u>	<u>(5,275,530)</u>
		(749,020)	(1,768,860)
R&D tax incentive		606,070	519,033
Interest received		8,338	42,376
Export market development grant		58,099	-
Interest and other finance costs paid		<u>(20,877)</u>	<u>(70,524)</u>
Net cash used in operating activities	30	<u>(97,390)</u>	<u>(1,277,975)</u>
Cash flows from investing activities			
Payments for plant and equipment	11	(10,077)	(10,385)
Payments for intangibles	12	(394,755)	(892,499)
Loans repaid by/(advanced to) other entities		<u>-</u>	<u>1,905</u>
Net cash used in investing activities		<u>(404,832)</u>	<u>(900,979)</u>
Cash flows from financing activities			
Repayment of borrowings		<u>(327,780)</u>	<u>(680,103)</u>
Net cash used in financing activities		<u>(327,780)</u>	<u>(680,103)</u>
Net decrease in cash and cash equivalents		(830,002)	(2,859,057)
Cash and cash equivalents at the beginning of the financial year		<u>1,355,892</u>	<u>4,214,949</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>525,890</u></u>	<u><u>1,355,892</u></u>

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the new standards and amendments to standards affected any of the amounts recognised in the current period or any prior period.

During the financial year ended 30 June 2016, the consolidated entity elected to early adopt AASB 15 'Revenue from contracts with customers' and AASB 16 'Leases'. AASB 15 and AASB 16 are applicable to annual financial reporting periods beginning on or after 1 January 2018 and 1 January 2019 respectively. Any other new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

For the year ended 30 June 2019 the consolidated entity incurred a loss after income tax of \$1,132,092 (2018: \$19,268,609) and net cash outflows from operating activities of \$97,390 (2018: \$1,277,975). The net operating loss for the financial year ended 30 June 2018, excluding the impairment of goodwill (\$16,016,577) and the write back of the net deferred tax asset (\$418,942), was \$2,833,090. The recurring historical operating losses and net cash outflows from operating activities give rise to a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern.

The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the consolidated entity having sufficient working capital to fund its activities.

On 13 September 2019, United Networks Limited (UNL) announced it had entered into a binding agreement to acquire 100% of the Broadland Group (BLG) which comprises Broadland Solutions Pty Ltd and Broadland Victoria Pty Ltd and its related entities for a consideration of \$9.5 million (refer note 29). The transaction is subject to shareholder approval at the AGM on 21 October 2019. The acquisition is expected to increase both revenue and the profitability of UNL and post-transaction cash on hand is expected to increase to over \$2 million. The acquisition, should it be approved, is expected to mitigate the material uncertainty related to the ability of the consolidated entity to continue as a going concern. The UNL Directors, who collectively hold 60.72% of the voting rights in UNL, unanimously recommend the transaction to shareholders and have stated that they intend to vote, or cause to be voted, all UNL shares held or controlled by them, or on their behalf, in favour of all the resolutions associated with this transaction at the forthcoming AGM. The resolutions must be approved by at least 50% of the total number of votes cast at the AGM. The UNL Directors consider that it is highly unlikely that the transaction will not be completed.

However, in the unlikely event the transaction is not completed, the UNL Directors have prepared a consolidated income and expenditure budget and cash flow budget for the 2020 financial year, based on reasonable assumptions. The Directors are budgeting for a modest surplus for the 30 June 2020 financial year and for a positive working capital balance throughout the period.

In preparing the budget, the Directors note the following:

- The consolidated entity, with the implementation of eSIM and restructuring, has significantly increased its gross profit percentage by 27% to 41% of Sales (excluding R&D Grants) (30 June 2018 gross profit percentage: 32%).
- The consolidated entity has restructured overheads achieving a 34.6% reduction in operational costs (excluding depreciation, amortisation and interest) in the 2019 financial year. Opportunities to further reduce costs have been identified for the 2020 financial year should this be necessary.
- The company has announced the successful launch of its global eSIM in February 2019 which has received significant interest from partners in the first four months of release and is growing sales each month since the launch representing over 20% of SIM sales as at June 2019.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of signature of the audit report on this financial report or to the date of signature of the audit report on the financial report for the year ending 30 June 2020, and has accordingly prepared the financial report on a going concern basis.

Note 1. Significant accounting policies (continued)

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

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

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

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

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

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

Income tax

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

United Networks Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. 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 applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

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

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

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

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Note 1. Significant accounting policies (continued)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

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 are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Leases

A lease is a contract or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All leases that the company enters into as lessee, except for short-term leases (leases of 12 months or less) and leases of low-value assets, are recognised in the statement of financial position.

For leases that are recognised in the statement of financial position, a right-of-use asset and a lease liability are measured as the present value of the unavoidable future lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or if that rate cannot be readily determined, the company's incremental borrowing rate. After the initial recognition of the lease liability, the lease liability is remeasured to reflect changes to the lease payments and the amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

The company accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

A depreciation charge for the leased asset (included in 'other expenses') and an interest expense on the recognised lease liability (included in 'finance costs') is recognised. If the lease transfers ownership of the underlying asset to the company by the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise a purchase option, the company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

For short-term leases or leases for which the underlying asset is of low value, the lease payments associated with those leases are recognised as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the company's benefit.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

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

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. Based on the preliminary analysis performed, the consolidated entity does not expect that any of these standards and interpretations will have a material impact on the consolidated entity's financial report.

Note 2. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Goodwill impairment

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The company undertook an assessment of the recoverable amount of goodwill at 30 June 2018, and as a result of this assessment, the Directors determined to fully impair the goodwill amount of \$16,016,577. The reasons for impairment of goodwill were principally due to the cancellation of the Covermore contract in the 2018 financial year and a decrease in sales volume in the Global SIM business.

Note 3. Operating segments

Identification of reportable operating segments

Operating segments are identified based on separate financial information which is regularly reviewed by the Board of Directors, representing the consolidated entity's Chief Operating Decision Makers (CODM), in assessing performance and determining the allocation of resources.

The consolidated entity operates in primarily one geographical segment, namely Australia. The primary business segment is telecommunications namely voice, data and value added services. As the consolidated entity operates in only one segment, the consolidated results are also its segment results.

The consolidated entity operates in one geographical segment being Australia. Revenue from overseas customers is not material to the consolidated entity.

Major customers

All revenue of the consolidated entity is from external customers. During the year ended 30 June 2019 there were no transactions with a single external customer that amounted to 10 per cent or more of the consolidated entity's revenues. For the year ended 30 June 2018, 31% of the consolidated entity's external sales revenue was derived from sales to a single customer.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

	2019 \$	2018 \$
<i>Sales revenue</i>		
Sale of goods	26,349	59,104
Services	2,309,345	2,558,630
	<u>2,335,694</u>	<u>2,617,734</u>
<i>Other revenue</i>		
R&D incentive grant	606,070	-
Export market development grant	58,099	-
Other revenue	2,476	8,275
	<u>666,645</u>	<u>8,275</u>
Revenue	<u>3,002,339</u>	<u>2,626,009</u>

Note 4. Revenue (continued)

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods (telecommunications hardware)

Revenue from the sale of goods is recognised when control of the products has transferred to the customer. This will usually occur on delivery of the goods. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

The consolidated entity 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 consolidated entity considers the nature of the service 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 consolidated entity 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

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

Other revenue

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

Note 5. Expenses

	2019 \$	2018 \$
Loss before income tax includes the following specific expenses:		
<i>Aggregate employee benefits expense</i>		
Defined contribution superannuation expense	70,828	121,976
Other employee benefits expenses	905,583	1,624,235
	<u>976,411</u>	<u>1,746,211</u>
<i>Less</i>		
Employee costs capitalised to web development	<u>(195,495)</u>	<u>(347,482)</u>
Employee benefits expense	<u>780,916</u>	<u>1,398,729</u>
<i>Depreciation</i>		
Plant and equipment	6,478	7,569
Furniture, fixtures and fittings	37,853	1,639
Computer equipment	9,814	10,583
Right-of-use assets - property leases	164,945	184,939
Total depreciation	<u>219,090</u>	<u>204,730</u>
<i>Amortisation</i>		
Web development	342,944	303,792
Software	481,958	466,248
Total amortisation	<u>824,902</u>	<u>770,040</u>
<i>Finance costs</i>		
Interest on lease liabilities	8,356	18,592
Interest on other borrowings	16,094	33,177
Finance costs expensed	<u>24,450</u>	<u>51,769</u>

Note 6. Income tax expense

	2019 \$	2018 \$
<i>Income tax expense</i>		
Deferred tax - origination and reversal of temporary differences	-	418,942
Aggregate income tax expense	<u>-</u>	<u>418,942</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 13)	-	762,620
Decrease in deferred tax liabilities (note 19)	-	(343,678)
Deferred tax - origination and reversal of temporary differences	-	418,942
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,132,092)	(18,849,667)
Tax at the statutory tax rate of 27.5%	(311,325)	(5,183,658)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax effect on research & development	(167,036)	-
Impairment of goodwill	-	4,404,558
	(478,361)	(779,100)
Current year tax losses not recognised	518,591	861,935
Current year temporary differences not recognised	(40,230)	(82,835)
Prior year deferred tax balances derecognised	-	418,942
Income tax expense	<u>-</u>	<u>418,942</u>
	2019 \$	2018 \$
<i>Deferred tax assets not recognised</i>		
Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised are attributable to the following:		
Unused tax losses	2,083,174	1,529,093
Impairment of receivables	1,087	3,623
Employee benefits	52,926	43,986
Accrued expenses	31,125	43,842
Formation expenses	88,456	176,912
Deductible temporary differences offset against taxable temporary differences	(580,426)	(584,472)
Total deferred tax assets not recognised	<u>1,676,342</u>	<u>1,212,984</u>

The above potential tax benefit for tax losses and deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain. The tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Current assets - cash and cash equivalents

	2019 \$	2018 \$
Cash on hand	-	455
Cash at bank	484,526	780,252
Cash on deposit	40,364	575,185
Paypal	1,000	-
	<u>525,890</u>	<u>1,355,892</u>

Accounting policy for cash and cash equivalents

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

Note 8. Current assets - trade and other receivables

	2019 \$	2018 \$
Trade receivables	322,891	325,197
Less: Allowance for expected credit losses	(3,380)	(13,174)
	<u>319,511</u>	<u>312,023</u>
Other receivables	13,427	9,174
Security deposit	39,331	39,331
GST receivable	-	12,370
	<u>372,269</u>	<u>372,898</u>

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	2019 \$	2018 \$
Past due 60+ days	<u>3,380</u>	<u>13,174</u>

Movements in the allowance for expected credit losses are as follows:

	2019 \$	2018 \$
Opening balance	13,174	34,237
Additional provisions recognised	27,337	55,328
Receivables written off during the year as uncollectable	(37,131)	(76,391)
Closing balance	<u>3,380</u>	<u>13,174</u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 8. Current assets - trade and other receivables (continued)

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 9. Current assets - inventories

	2019 \$	2018 \$
Stock on hand - at cost	<u>61,964</u>	<u>90,900</u>

Accounting policy for inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 10. Current assets - other

	2019 \$	2018 \$
Prepayments	<u>71,596</u>	<u>103,700</u>

Note 11. Non-current assets - plant and equipment

	2019 \$	2018 \$
Plant and equipment - at cost	58,663	56,999
Less: Accumulated depreciation	<u>(32,285)</u>	<u>(25,807)</u>
	26,378	31,192
Furniture, fixtures and fittings - at cost	45,746	45,746
Less: Accumulated depreciation	<u>(45,746)</u>	<u>(7,893)</u>
	-	37,853
Computer equipment - at cost	85,520	77,107
Less: Accumulated depreciation	<u>(70,957)</u>	<u>(61,143)</u>
	14,563	15,964
Right-of-use assets - property leases	509,975	739,094
Less: Accumulated depreciation	<u>(458,900)</u>	<u>(462,717)</u>
	51,075	276,377
	<u>92,016</u>	<u>361,386</u>

Note 11. Non-current assets - plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment \$	Furniture, fixtures and fittings \$	Computer equipment \$	Right-of-use assets - property leases \$	Total \$
Balance at 1 July 2017	36,392	39,492	18,531	411,632	506,047
Additions	2,369	-	8,016	49,684	60,069
Depreciation expense	(7,569)	(1,639)	(10,583)	(184,939)	(204,730)
Balance at 30 June 2018	31,192	37,853	15,964	276,377	361,386
Additions	1,664	-	8,413	-	10,077
Right-of-use asset derecognised	-	-	-	(60,357)	(60,357)
Depreciation expense	(6,478)	(37,853)	(9,814)	(164,945)	(219,090)
Balance at 30 June 2019	<u>26,378</u>	<u>-</u>	<u>14,563</u>	<u>51,075</u>	<u>92,016</u>

Accounting policy for plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a reducing balance basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	20% - 50%
Furniture, fixtures and fittings	10% - 50%
Computer equipment	50%
Right-of-use assets - property leases	Lease term

Depreciation of right-of-use assets

If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that the company will exercise a purchase option, the company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

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

Note 12. Non-current assets - intangibles

	2019 \$	2018 \$
Goodwill - at cost	-	16,016,577
Less: Impairment	-	(16,016,577)
	-	-
Patents, trademarks and other rights - at cost	6,413	6,413
Web development - at cost	1,520,864	1,388,617
Less: Accumulated amortisation	(944,946)	(602,002)
	575,918	786,615
Software - at cost	2,781,000	2,518,492
Less: Accumulated amortisation	(1,811,523)	(1,329,565)
	969,477	1,188,927
	<u>1,551,808</u>	<u>1,981,955</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$	Patents, trademarks and other rights \$	Web development costs \$	Software \$	Total \$
Balance at 1 July 2017	16,016,577	6,413	776,235	1,076,848	17,876,073
Additions	-	-	314,172	578,327	892,499
Impairment of assets	(16,016,577)	-	-	-	(16,016,577)
Amortisation expense	-	-	(303,792)	(466,248)	(770,040)
Balance at 30 June 2018	-	6,413	786,615	1,188,927	1,981,955
Additions	-	-	132,247	262,508	394,755
Amortisation expense	-	-	(342,944)	(481,958)	(824,902)
Balance at 30 June 2019	-	6,413	575,918	969,477	1,551,808

The company undertook an assessment of the recoverable amount of goodwill at 30 June 2018, and as a result of this assessment, the Directors determined to fully impair the goodwill amount of \$16,016,577. The reasons for impairment of goodwill were principally due to the cancellation of the Covermore contract in the 2018 financial year and a decrease in sales volume in the Global SIM business.

Accounting policy for intangible assets

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

Note 12. Non-current assets - intangibles (continued)

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Software and web development costs

Significant costs associated with software and web development costs are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Note 13. Non-current assets - deferred tax

	2019 \$	2018 \$
<i>Movements:</i>		
Opening balance	-	762,620
Charged to profit or loss (note 6)	-	(762,620)
Closing balance	-	-

Note 14. Current liabilities - trade and other payables

	2019 \$	2018 \$
Trade payables	369,466	486,954
Interest payable	5,868	2,295
Other payables	116,130	127,235
	491,464	616,484

Refer to note 23 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 15. Current liabilities - contract liabilities

	2019 \$	2018 \$
Contract liabilities	20,000	-

Accounting policy for contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 16. Current liabilities - borrowings

	2019 \$	2018 \$
Promissory note - related party	155,692	315,454
Lease liability	49,063	190,250
	<u>204,755</u>	<u>505,704</u>

Refer to note 23 for further information on financial instruments.

Promissory note - related party

The company issued a promissory note to ULG Holdings Limited, a director related entity, amounting to \$1,016,650 in relation to amounts payable by the wholly owned subsidiary, United Global SIM Limited. The promissory note is secured under a General Security Agreement and interest is charged at the average bid rate for bills plus a margin of 3%.

Note 17. Current liabilities - provisions

	2019 \$	2018 \$
Annual leave	123,484	119,331
Long service leave	-	28,484
	<u>123,484</u>	<u>147,815</u>

Accounting policy for employee benefits

Short-term employee benefits

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

Note 18. Non-current liabilities - borrowings

	2019 \$	2018 \$
Lease liability	-	87,188

Refer to note 23 for further information on financial instruments.

Note 18. Non-current liabilities - borrowings (continued)

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2019 \$	2018 \$
Lease liability	49,063	277,438
Promissory note	-	315,454
	<u>49,063</u>	<u>592,892</u>

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 19. Non-current liabilities - deferred tax

	2019 \$	2018 \$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Plant and equipment	235,288	274,856
Other	345,138	309,616
Deductible temporary differences offset against taxable temporary differences	<u>(580,426)</u>	<u>(584,472)</u>
Deferred tax liability	<u>-</u>	<u>-</u>
<i>Movements:</i>		
Opening balance	-	343,678
Credited to profit or loss (note 6)	<u>-</u>	<u>(343,678)</u>
Closing balance	<u>-</u>	<u>-</u>

Note 20. Equity - issued capital

	2019 Shares	2018 Shares	2019 \$	2018 \$
Ordinary shares - fully paid	<u>125,824,949</u>	<u>125,824,949</u>	<u>24,278,800</u>	<u>24,278,800</u>

Ordinary shares

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

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

Note 20. Equity - issued capital (continued)

Capital risk management

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2019 was \$192,016 (2018: \$653,387).

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 21. Equity - accumulated losses

	2019 \$	2018 \$
Accumulated losses at the beginning of the financial year	(21,369,260)	(2,100,651)
Loss after income tax expense for the year	<u>(1,132,092)</u>	<u>(19,268,609)</u>
Accumulated losses at the end of the financial year	<u><u>(22,501,352)</u></u>	<u><u>(21,369,260)</u></u>

Note 22. Equity - dividends

Dividends

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

Franking credits

	2019 \$	2018 \$
Franking credits available for subsequent financial years based on a tax rate of 27.5%	<u><u>22,925</u></u>	<u><u>22,925</u></u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 23. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk management is carried out under policies set by the board of directors. The board provides principles for overall risk management, as well as policies covering specific areas.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Most of the consolidated entity's transactions are denominated in Australian Dollars.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. These exposures are not significant.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2019		2018	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Promissory note	4.20%	155,692	4.87%	315,454
Net exposure to cash flow interest rate risk		<u>155,692</u>		<u>315,454</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 100 (2018: 100) basis points would have an adverse/favourable effect on profit before tax of \$1,557 (2018: \$3,155) per annum. The percentage change is based on the expected volatility of interest rates using market data.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Note 23. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The consolidated entity 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 for the consolidated entity. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

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

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	Not later than 1 month \$	1 - 3 months \$	3 months to 1 year \$	1 to 5 years \$	Remaining contractual maturities \$
- 2019					
<i>Non-interest bearing</i>					
Trade and other payables	491,464	-	-	-	491,464
<i>Interest-bearing</i>					
Promissory note	-	-	155,692	-	155,692
Lease liability	8,177	16,354	24,532	-	49,063
Total non-derivatives	499,641	16,354	180,224	-	696,219
	Not later than 1 month \$	1 - 3 months \$	3 months to 1 year \$	1 to 5 years \$	Remaining contractual maturities \$
- 2018					
<i>Non-interest bearing</i>					
Trade and other payables	616,484	-	-	-	616,484
<i>Interest-bearing</i>					
Promissory note	-	-	315,454	-	315,454
Lease liability	15,442	30,747	144,061	87,188	277,438
Total non-derivatives	631,926	30,747	459,515	87,188	1,209,376

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

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

Note 24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2019 \$	2018 \$
Short-term employee benefits	414,749	762,117
Post-employment benefits	23,161	66,482
Long-term benefits	29,412	14,574
	<u>467,322</u>	<u>843,173</u>

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Rothsay Chartered Accountants, the auditor of the company:

	2019 \$	2018 \$
<i>Audit services - Rothsay Chartered Accountants</i>		
Audit or review of the financial statements	<u>50,000</u>	<u>61,000</u>
<i>Other services - Rothsay Chartered Accountants</i>		
Taxation services	6,916	35,142
Other advisory services	<u>700</u>	<u>5,500</u>
	<u>7,616</u>	<u>40,642</u>
	<u>57,616</u>	<u>101,642</u>

Note 26. Related party transactions

Legal Parent entity

United Networks Limited is the parent entity.

Accounting parent entity

United Lifestyle Group Networks Pty Ltd is the accounting parent of the group.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Note 26. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
	\$	\$
Sale of goods and services:		
Sale of goods to related party	117,975	84,242
Sale of services to related party	62,083	51,489
Payment for goods and services:		
Payment for services from related party	182,721	372,617
Payment for other expenses:		
Interest paid to related party	11,629	23,021

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2019	2018
	\$	\$
Current receivables:		
Trade receivables from related party	118,298	58,622
Current payables:		
Trade payables to related party	-	10,279

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2019	2018
	\$	\$
Current receivables:		
Loan to director related entity	39,331	39,331
Current borrowings:		
Promissory note - director related entity	155,692	315,454

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Profit/(loss) after income tax	2,294	(8,676,223)
Total comprehensive income	2,294	(8,676,223)

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	503,642	500,017
Total assets	503,936	500,311
Total current liabilities	-	(1,332)
Total liabilities	-	(1,332)
Equity		
Issued capital	9,163,750	9,163,750
Accumulated losses	(8,659,814)	(8,662,107)
Total equity	503,936	501,643

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Legal parent entity disclosures

The above information has been extracted from the books and records of the legal parent entity, United Networks Limited. Accordingly, the information does not relate to the 'accounting parent' - United Lifestyle Group Networks Pty Ltd.

Significant accounting policies

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

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

Note 28. Interests in subsidiaries

United Networks Ltd is the legal parent entity of the group and United Lifestyle Group Networks Pty Ltd is the accounting parent entity.

Legal subsidiaries: Name of entity	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
United Lifestyle Group Networks Pty Ltd	Australia	100.00%	100.00%
United Networks Ltd	Hong Kong	100.00%	100.00%
United Sim Canada Limited	Canada	100.00%	100.00%
United Networks Operations Limited	Hong Kong	100.00%	100.00%
United Global Sim Limited*	Hong Kong	100.00%	100.00%

* Subsidiary of United Lifestyle Group Networks Pty Ltd

Note 29. Events after the reporting period

Acquisition of Broadland Group

On 13 September 2019, United Networks Limited (UNL) announced it had entered into a binding agreement to acquire 100% of the Broadland Group (BLG) which comprises Broadland Solutions Pty Ltd and Broadland Victoria Pty Ltd and its related entities for a consideration of \$9.5 million. The transaction is subject to shareholder approval at the AGM on 21 October 2019.

The transaction will be funded by the issue of 266,554,433 UNL shares at a price of \$0.03564 per share to BLG shareholders. No further capital raising will be required to complete this transaction.

The Telecommunication Service Provider business division of UNL and BLG are very similar serving small to medium business a range of telecommunications and data services, both direct billing under their respective brands. The transaction is expected to deliver direct synergies from cost savings and supplier negotiation for cost of services.

From a legal and taxation perspective UNL will be considered the acquiring entity. However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 'Business combinations' because the acquisition will result in BLG shareholders holding a controlling interest in UNL after the transaction notwithstanding UNL being the legal parent of the new group. Accordingly, the consolidated financial statements of UNL for the half year ending 31 December 2019 will be prepared as a continuation of the business and operations of BLG. As the deemed acquirer BLG will account for the acquisition of UNL from the date the transaction is approved by the shareholders of UNL.

If the transaction had been completed on 30 June 2019, the following would have been the goodwill at that date:

	Pro-forma 30 June 2019 \$
Net assets of UNL acquired on reverse acquisition	1,777,448
Assessed fair value of assets acquired: 125,824,949, being 100% of the UNL shares on issue at \$0.013 per share	(1,635,724)
Gain on bargain purchase	141,724

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

Note 30. Reconciliation of loss after income tax to net cash used in operating activities

	2019 \$	2018 \$
Loss after income tax expense for the year	(1,132,092)	(19,268,609)
Adjustments for:		
Depreciation and amortisation	1,043,992	974,770
Impairment of goodwill	-	16,016,577
Change in operating assets and liabilities:		
Decrease in trade and other receivables	629	1,521,903
Decrease in inventories	28,936	41,075
Decrease in deferred tax assets	-	762,620
Decrease/(increase) in prepayments	32,104	(44,378)
Decrease in trade and other payables	(125,020)	(957,019)
Increase in contract liabilities	20,000	-
Decrease in deferred tax liabilities	-	(343,678)
Increase in employee benefits	34,061	18,764
Net cash used in operating activities	<u>(97,390)</u>	<u>(1,277,975)</u>

Note 31. Changes in liabilities arising from financing activities

	Promissory note \$	Lease liability \$	Total \$
Balance at 1 July 2017	811,679	411,632	1,223,311
Net cash used in financing activities	(496,225)	(183,878)	(680,103)
Additions to right of use assets - property leases	-	49,684	49,684
Balance at 30 June 2018	315,454	277,438	592,892
Net cash used in financing activities	(159,762)	(168,018)	(327,780)
Derecognition of right of use assets - property leases	-	(60,357)	(60,357)
Balance at 30 June 2019	<u>155,692</u>	<u>49,063</u>	<u>204,755</u>

Note 32. Earnings per share

	2019 \$	2018 \$
Loss after income tax attributable to the owners of United Networks Limited	<u>(1,132,092)</u>	<u>(19,268,609)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	125,824,949	125,824,949
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>125,824,949</u>	<u>125,824,949</u>
	Cents	Cents
Basic earnings per share	(0.90)	(15.31)
Diluted earnings per share	(0.90)	(15.31)

Note 32. Earnings per share (continued)

Accounting policy for earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 33. Share-based payments

Employee Share Option Plan

On 17 November 2015 the company established a employee share option plan to provide eligible employees with a means of receiving options to subscribe for shares and a means of receiving rights to receive shares. Eligible employees includes:

- (a) an employee, director or secretary of the company or any subsidiary of the company;
- (b) and a contractor, consultant, agent, advisor other person retained, engaged or nominated by company or any subsidiary of the company.

The purpose of the plan is to provide eligible employees with an opportunity to share in the growth in value of the company and to encourage them to improve the longer-term performance of the company and its return to shareholders. Participation in the plan is at the Board of Director's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The Board has the discretion to determine the exercise price of the options and any exercise conditions. Unless otherwise determined by the Board, no payment is required for the grant of options or rights under the plan. Options granted under the plan carry no dividend or voting rights.

On 1 July 2016, a total of 14,000,000 options were granted to the company's Directors. The options vest on 1 July 2018, are exercisable at 30 cents and expire on 11 November 2021. There are no performance conditions attaching to these options. The fair value of the options granted was \$nil.

Other share-based payments

On 2 November 2016, the Board granted 1,000,000 options at an exercise price of 30 cents per option to the Lead Manager in relation to the company's initial public offer of shares (IPO). The options were granted as more than \$5 million was raised in the IPO. The options vest on 2 November 2019 and expire on 2 November 2021. The fair value of the options granted was \$nil.

On 11 November 2016, the Board granted 1,000,000 options at an exercise price of 30 cents per option to the Corporate Adviser in consideration for consultancy services in relation to the company's initial public offer of shares (IPO). The options were granted as more than \$5 million was raised in the IPO. The options vest on 11 November 2018 and expire 11 November 2021. The fair value of the options granted was \$nil.

There were no options or rights issued under the plan during the 2019 financial year.

Note 33. Share-based payments (continued)

Set out below are summaries of options granted:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2016	11/11/2021	\$0.000	14,000,000	-	-	-	14,000,000
02/11/2016	02/11/2021	\$0.000	1,000,000	-	-	-	1,000,000
11/11/2016	11/11/2021	\$0.000	1,000,000	-	-	-	1,000,000
			16,000,000	-	-	-	16,000,000
Weighted average exercise price			\$0.300	\$0.000	\$0.000	\$0.000	\$0.300

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2016	11/11/2021	\$0.300	14,000,000	-	-	-	14,000,000
02/11/2016	02/11/2021	\$0.300	1,000,000	-	-	-	1,000,000
11/11/2016	11/11/2021	\$0.300	1,000,000	-	-	-	1,000,000
			16,000,000	-	-	-	16,000,000
Weighted average exercise price			\$0.300	\$0.000	\$0.000	\$0.000	\$0.300

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.37 years (2018: 3.37 years).

Options were priced using a Black-Scholes pricing model. Expected volatility was based on an evaluation of the historical volatility of other comparable companies based on publicly available information. Options were assumed to be exercised in full on the date of expiry.

The total share based payments expense for the year was \$nil (2018: \$nil).

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 33. Share-based payments (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

United Networks Limited
Directors' declaration
30 June 2019

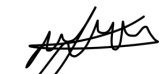
In the directors' opinion:

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

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

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

On behalf of the directors



Nicholas Ghattas
Chief Executive Officer and Director

30 September 2019
Sydney

UNITED NETWORKS LIMITED
INDEPENDENT AUDITOR'S REPORT

To the members of Insight United Networks Limited

Opinion

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

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going concern

We draw attention to Note 1, "Going Concern" in the Financial Report. The conditions disclosed in Note 1 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Financial Report. Our opinion is not modified in respect of this matter.

A Level 1/12 O'Connell Street
Sydney NSW 2000

GPO Box 542
Sydney NSW 2001

P 02 8815 5400
F 02 8815 5401

E info@rothsay.com.au
W www.rothsay.com.au

ABN 59 087 479 410

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UNITED NETWORKS LIMITED
INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Going Concern The financial statements have been prepared on a going concern basis as discussed in note 1. For the year ended 30 June 2019 the consolidated entity incurred a loss after income tax of \$1,132,092 (2018: \$19,268,609) and net cash outflows from operating activities of \$97,390 (2018: \$1,277,975). The recurring historical operating losses and net cash outflows from operating activities give rise to a material uncertainty that may cast significant doubt about the ability of the consolidated entity to continue as a going concern. We included the going concern assumption as a key audit matter as it relies on existing cash reserves and revenue growth generating sufficient cashflows to cover necessary expenditure.	We considered the current financial position of the Group, Management's forecasts, including plans to return the Group to profitability, and actions taken subsequent to year end, by way of corporate development detailed in Note 29 in the Financial Statements, to strengthen the Group's working capital position and improve profitability.

Responsibility of Directors for the Financial Report

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

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



UNITED NETWORKS LIMITED
INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



UNITED NETWORKS LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the Directors' Report for the year ended 30 June 2019. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

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

Rothsay Chartered Accountants

Frank Vrachas

Partner

Sydney, 30 September 2019

United Networks Limited
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 24 September 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	13
1,001 to 5,000	20
5,001 to 10,000	84
10,001 to 100,000	170
100,001 and over	75
	362
Holding less than a marketable parcel	152

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares % of total shares issued
Number held	
Autopilot Consulting Pty Ltd	38,208,124 30.37
Temont Pty Ltd	38,208,124 30.37
HSBC Custody Nominees (Australia) Limited	4,253,881 3.38
Bull Equities Pty Ltd	4,236,625 3.37
Australian Executor Trustees Limited < No. 1 Account >	3,147,019 2.50
Mr Humberto Vieira	1,666,667 1.32
Richard Albarran < Albarran Family No 2 A/C >	1,333,334 1.06
Rolay Pty Ltd	1,333,334 1.06
Tuwele Pty Limited < Murphy Family A/C >	1,250,000 0.99
Sharley Investments Pty Ltd < Sharley Super Fund A/C >	1,157,606 0.92
Mr Justin O'Neil Malouf	1,000,000 0.79
Lunn Family Super Pty Ltd < Lunn Family Super A/C >	1,000,000 0.79
Mr Gareth Graeme MacDougall	1,000,000 0.79
Mr Ross Patrick Martin	1,000,000 0.79
Tuwele Pty Limited < Rosella Superannuation A/C >	784,000 0.62
Pershing Australia Nominees Pty Ltd < Accum A/C >	762,610 0.61
Slapdash Pty Limited	700,000 0.56
Gelloyce Pty Limited < Gelloyce Super Fund A/C >	683,513 0.54
Tempo (Aust) Pty Ltd	666,667 0.53
Merrill Lynch (Australia) Nominees Pty Limited	648,707 0.52
	103,040,211 81.88

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	16,000,000	5

United Networks Limited
Shareholder information
30 June 2019

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Autopilot Consulting Pty Ltd	38,208,124	30.37
Temont Pty Ltd	38,208,124	30.37

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.