# 5G Networks
# And Its Controlled Entities
# Financial Report

FOR THE YEAR ENDED 30 JUNE 2018

ABN 30 163 312 025

“Innovation distinguishes between being a leader and a follower.”

Steve Jobs

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5G networks

# CORPORATE DIRECTORY

**DIRECTORS**
Albert Cheok (Non-Executive Chairman)
Joseph Gangi (Non-Executive Director)
Joseph Demase (Managing Director)

**REGISTERED OFFICE**
Level 8, 99 William Street
Melbourne VIC 3000
Telephone No: +1300 546 389
Fax No: +613 8630 3799

**COMPANY NUMBER**
A.C.N: 163 312 025

**COUNTRY OF INCORPORATION**
Australia

**COMPANY DOMICILE AND LEGAL FORM**
5G Networks Limited is the parent entity
and an Australian Company limited by shares

**PRINCIPAL PLACE OF BUSINESS**
Level 8,
99 William Street
Melbourne VIC 3000

**COMPANY SECRETARY**
Geoffrey Nicholas

**LEGAL ADVISERS**
Cornwall Stodart Lawyers
Level 10, 114 William Street
Melbourne VIC 3000

**AUDITORS**
PKF Melbourne Audit & Assurance Pty Ltd
Level 12, 440 Collins Street
Melbourne VIC 3000

**SHARE REGISTER**
Link Market Services Pty Limited
Level 12, 680 George Street
Sydney NSW 2000

**ASX CODE**
5GN

**WEBSITE**
www.5gnetworks.com.au

“Growth is never by mere chance; it is the result of forces working together.”

James Cash Penney.

# CHAIRMAN'S ADDRESS

## Dear Shareholders,

As Chairman of 5G Networks Limited (ASX:5GN), it gives me great pleasure to address you in this first Annual Report for the Company. It has been a phenomenal start for a newly listed company. 5GN has performed exceptionally well since its listing in November 2017 and is well on its way to achieving its goal of becoming a leading Telecommunications and data services provider to the broader Australian business market.

It is of great credit to the Managing Director Joe Demase and his dedicated and experienced team, that 5GN has been able to rapidly increase revenue to over $50M on an annualised basis in only 9 months since listing. Joe and his team are now focused on the integration of the new acquisitions, and implementing the many synergies identified and continue to support and grow the highly regarded client base.

The Australian telecommunications industry in recent years has experienced extreme transition, creating extensive opportunities for companies like 5G Networks. As the Government owned NBN continues to roll out, we continue to observe the incumbent telecommunications suppliers such as Telstra, who continue to experience organisational restructuring, and Optus giving up ground to consumer driven 2nd tier players such as TPG, Vodafone, and Vocus.

The discussion has moved to mobility and consumer services, these markets are highly regulated and very competitive. However, 5G Networks are completely focussed on the business to business markets including the mid market, enterprise and government sectors, where business communications are being spurred on by an increased hunger for more data, faster pipes, flexible, yet secure services such as Cloud data management and storage. This changing and broadening landscape for telecommunications data services is opening up opportunities and challenges for businesses and service providers.

The Company will be actively pursuing the opportunities that the new landscape presents. Nimble and efficient players will be rewarded, indicating great growth opportunities for 5G Networks. For we are very well placed to capture much of the opportunities available due to our market leading technology, operational expertise, management strength and our superior and flexible offerings.

The overall economic outlook suggests that the years ahead will be lucrative for well managed businesses in telecommunications. As 5GN integrates its new acquisitions and builds out its networks and offerings and pursue its growth objectives, 5GN seeks to be heading for the front.

The Board has every faith and trust in 5GN's management and hard-working staff to guide the Company to continued growth in 2018/19 and beyond.

On behalf of the Board, I am grateful for the support of 5GN's shareholders, customers, suppliers and business partners and I would like to thank our staff and executives for their commitment to achieving exceptional results for the Company and its Shareholders.

Yours sincerely

Albert Cheok
Chairman Non-Executive

"If you do everything that everyone else does in business, you're going to lose. The only way to really be ahead, is to 'be different'."

Larry Ellison, Oracle Corporation

# MANAGING DIRECTOR'S OPERATIONAL REPORT

## Dear Shareholders,

As the managing director of 5G Networks Limited (ASX:5GN), I couldn't be more pleased to deliver this first financial report to you since listing the company on the ASX in November last year. Importantly, the listing of 5G Networks saw us immediately acquire Enspire Australia Pty Ltd, resulting in a positive operational cash flow from the outset. Following the integration of Enspire, the board continued to expedite the Company's growth strategy with the acquisition of Asian Pacific Telecommunications Group (APTel), a subsidiary of the successful Melbourne based Deague Property Group. This acquisition was made on attractive financial metrics and completed for the sum of $6M, representing a 4x FY17 EBITDA multiple and with recognised synergies of $500K per annum. APTel annualised revenue equates to more than $6.3M across over 800 Melbourne residential/hotel and business customers allowing 5GN to quickly gain scale in its early listed life. We look forward to a positive ongoing relationship with the Deague Group as 5G Networks remain a preferred supplier of telecom services to that group, supporting growth in the future as part of our agreement.

For the end of the 2018 financial year, the Board and Management couldn't be happier with the integration of Enspire and APTel and the sales demand we are seeing from cross selling to the acquired customer base and new customer base. Demand is strong across the board for core products of data, cloud and managed services.

Reported EBITDA was $225k which included acquisition costs of $246k, share option provisions of $133k and executive bonuses of $128k. We have exceeded our financial targets with a normalised EBITDA of $732k from revenue of $5.4M representing a normalised EBITDA ratio of 13.5%.

The result represents only 8 months of the Enspire business and 4 months of the APTel business with a combined revenue of $5.4M.

Reported revenue for the 5GN group to June 30th 2018 was $5,405,975 with EBITDA of $225,210 and a Net Loss of $324,828. The revenue from the 1st November 2017 of Enspire Australia Pty Ltd acquisition represented $3,373,235.

The APTel business from 1st March 2018, contributed $2,199,773 of revenue for the financial year.

Subsequent to the end of the period, 5GN successfully completed a third acquisition, purchase of the Direct Business of listed Telco services company In A Box Group Limited (ASX: IAB). The acquisition will result in revenue of approximately $43M for an outlay of $2M in cash and the assumption of $3.7M in employee provisions and lease liabilities. We are confident of delivering economic synergies of $3M per annum in the short term and this will see the Company's revenues exceed $50M on an annualised basis. The acquisition of IAB's Direct business enables 5G Networks to accelerate its growth plan and enhances our ability to service a larger corporate market and provide national geographic coverage. Our experienced management team and staff will be integrating the IAB Direct business and employees and we are very confident this acquisition enhances our company and establishes a foundation for future growth in this fast moving industry.

Since listing in November 2017, 5GN has been successful with its new business integration and synergy extraction as well as growth through re-signing and providing new services to the existing customer base. New customer acquisition has benefited from a broader infrastructure product offering, which is also supporting continued pipeline growth and we are excited to now have a national business.

Operationally, 5G Networks is continuing to execute, develop and assess avenues for growth as part of the Company's strategy. New mid-market corporate customers are continuing to sign on to the Company's services, and base station and fibre rollout across Melbourne is well underway. The market for 5GN's services continue to demonstrate strong demand and the Company is well equipped to advance its growth and development plans.

I couldn't be happier with the management and staff within 5G Networks. They have worked diligently to help build the business in the initial period of the Company and I'm looking forward to what we can deliver to shareholders in the coming years.

Yours sincerely

Joe Demase
Managing Director

# OUR COMPANY AND STRATEGY

> “Broadband connections will pave the way to technology breakthroughs and advancements, but we must first lay the infrastructure so everyone can benefit.”

Klaus Schwab, Founder & Executive Chairman, World Economic Forum.

5G Networks (5GN) is aspiring to be one of Australia’s leading telecommunications and information technology companies in the business to business markets. The Company offers a range of market leading communication and managed information technology services to it’s customers with the core focus being network access, cloud and managed services.  With national coverage supported by 12 offices located in all major cities and larger regional areas across Australia, the Company now employs over 200 experienced staff.

5G Networks business strategy is to rapidly grow the existing customer base by targeting the mid-market, enterprise and government sectors through addressing their growing appetite for cloud applications and high speed network access. 5G Networks anticipates that demand in this segment will continue to grow as these customers transition their business to automated, digitally enabled operations, driving the need for increasingly sophisticated ICT applications and faster connection speeds.

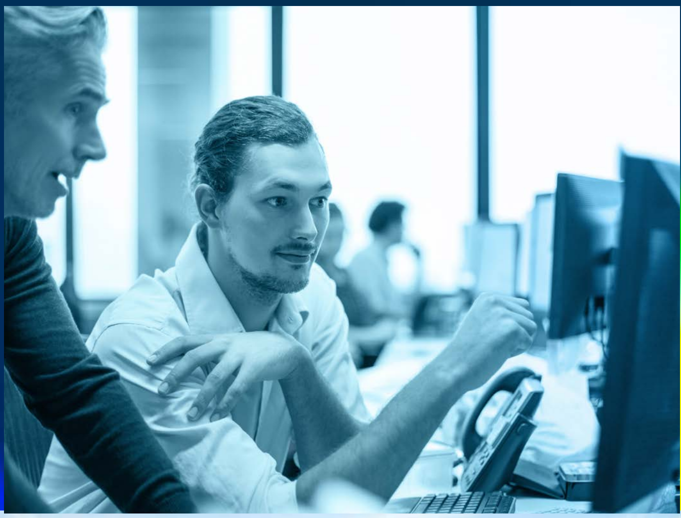
Businesses are finding significant commercial and strategic value in sourcing cloud based computing services within this digital ecosystem. These benefits are derived through improved accessibility, scalability, cost, flexibility and speed of innovation.  5G Networks provides the appropriate connection for businesses to fully capitalise on this market transformation.

In 2017/18, 5GN have continued their effective execution of the network expansion strategy, connecting a broad range of fibre services throughout the Melbourne CBD, with over 7km of fibre installed throughout. Augmenting the growth of the fibre network, has been the investment in wireless base stations. There are now an additional four base stations which have been deployed and integrated into the Company’s core network infrastructure.

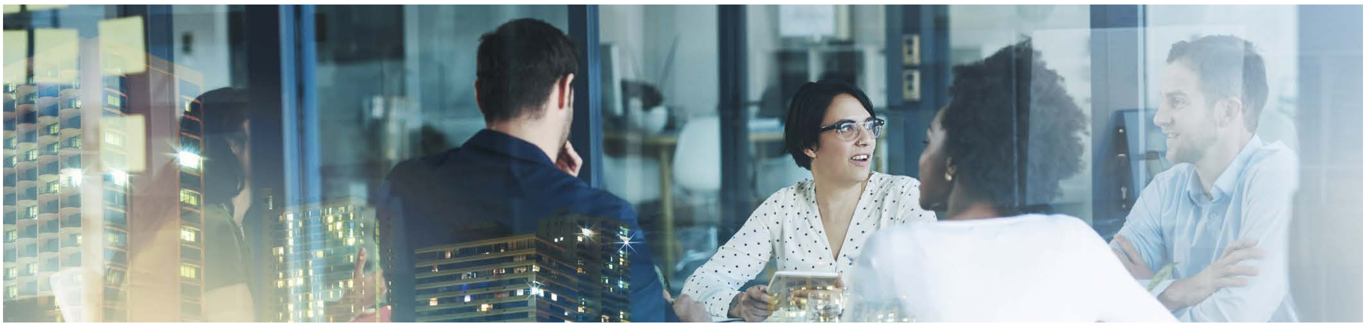
The 5G Networks engineering teams have considerable experience in network rollouts of this type and are fully equipped with the knowledge, skills and expertise to successfully manage the network expansion. 5G Networks will continue to expand and develop the network strategically across Australia, capitalising on the fibre opportunities being presented in the metropolitan areas of major cities, led by customer demand and the opportunity to utilise its existing infrastructure as opposed to leveraging wholesale fibre access from other carriers.

A key strategy of 5G Networks is also to drive profitable revenue growth by cross-selling its network services to a growing and committed managed ICT customer base. This strategy will include offering both cloud infrastructure & cloud applications in addition to high value managed services to customers who are unable to experience the service and operational support required to manage their business in a digitally centric market.

In addition to achieving organic growth of networks and cloud applications, 5G Networks will continue to drive growth through the acquisition of businesses. This demonstrates the capability to increase penetration in the mid market, enterprise and government sectors, in addition to strengthening the depth and functionality of its service offerings. The leadership team at 5G Networks have considerable experience relating to mergers and acquisitions which will underpin and guide the successful execution of this strategy. Indeed, this experience has proven to be critical in the recent acquisitions of both Hostworks and Anittel from Inabox Group. These organisations were acquired in 2018/19.



# OUR BRAND PROPOSITION



> “The real competitive advantage in any business is one word only, which is ‘people’.”

Kamil Toume, Writer and thought leader

## OUR BRAND ALIGNS TO OUR CORE VALUES

There are five streams that outline our brand identity; these are underpinned by our core values. How we make decisions, how we act and how we communicate is guided by these value streams.

## PEOPLE CARE

Our people are the foundation for success at 5G Networks. We truly care about connecting, collaborating and teaming beyond the restrictions of traditional business boundaries. We respect all opinions and openly share our ideas and experiences so that our customers and our business can make well-informed business decisions which helps to build and create unique value.

## TRUSTED

We strive to have our customer and partner relationships built on reliability and trust. The power of trust is critical for our people, processes and our business in that we are totally committed to doing what we say we will do; for each other and our customers.

## INNOVATIVE SOLUTIONS

We invest and drive innovative solutions for our customers so they may leverage the benefits of technology leadership to enable competitive advantage and achieve new standards for best practice. Our organisation is driven by ensuring we have a strong influence in the digital future of Australian business.

## CREATIVE

We believe that true value creation starts by thinking about what the digital world could be for our customers, rather than what is experienced today. We are energised by discovering more effective ways of solving business challenges; new ideas and technologies can guide the journey to a successful future, through the willingness and courage to follow a different path.

## DISCIPLINED

Every group across our organisation will always be driven by achieving new levels of service excellence for our customers. This includes showing the courage to speak up, to take risks when required and persevere when finding ways to learn new skills and experiences to overcome complex challenges for our customers.

# Our Values

Respect

Integrity

Collaboration

Reliability

Perseverance

Honesty

# DIRECTOR'S REPORT

The Directors present their report, together with the full year financial report, of the consolidated entity (referred to hereafter as the 'Group') consisting of 5G Networks Limited (referred to hereafter as "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2018.

## DIRECTORS

The following persons were Directors of 5G Networks Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Albert Cheok (Non-Executive Chairman)
- Joseph Gangi (Non-Executive Director)
- Joseph Demase (Managing Director)

## PRINCIPAL ACTIVITIES

The Group's principal activities during the year were:

- the supply of cloud-based solutions, managed services and network services
- the entity operates its own fibre and wireless infrastructure and manages its own cloud computing environment

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

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

On 13 November 2017 the Company completed the acquisition of Enspire Australia Pty Ltd whose principal activity is the design, delivery and running of cutting edge cloud-based solutions, managed services and network infrastructure.

On 15 November 2017 the Company was admitted to listing on the ASX and commenced trading on 17 November 2017.

On 1 March 2018 the Company completed the acquisition of Asian Pacific Telecommunications Pty Ltd whose principal activities are operating as a voice, data and cloud communications service provider and aggregator.

A review of the operations of the Group during the year and the results of those operations found that the revenue for the year was $5,405,975 (2017: $21). The loss of the Group for the year after providing for income tax amounted to $324,828 (2017: $103,035 loss).

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the year, other than those reported in the Review of operations and financial results.

## EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

On 3 August 2018 the Company completed the acquisition of Hostworks Pty Ltd and Anittel Pty Ltd for total consideration of $2 million in cash.

No other matter or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2018, and the numbers attended by each Director were:

| | Full Meeting of Directors | | Meetings of Committees | | | |
|---|---|---|---|---|---|---|
| | | | Audit | | Nomination and Remuneration | |
| | Held | Attended | Held | Attended | Held | Attended |
| Albert Cheok | 11 | 11 | - | - | 1 | 1 |
| Joseph Gangi | 11 | 11 | 1 | 1 | 1 | 1 |
| Joseph Demase | 11 | 11 | 1 | 1 | - | - |

## DIVIDENDS

There were no dividends paid or declared in the financial year (2017:NIL)

## INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, 5G Networks Limited paid a premium of $41,458 to insure the Directors and secretaries of the Group and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## 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. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Group are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors have considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity.

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **Other Assurance Services** | | |
| IPO Related | 50,600 | - |
| | | |
| **Taxation Services** | | |
| Tax Compliance Services | 19,500 | - |
| | | |
| **Total Remuneration for Non-Audit Services** | 70,100 | **-** |

# AUDITOR'S INDEPENDENCE DECLARATION

**AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF 5G NETWORKS LIMITED**

In relation to our audit of the financial report of 5G Networks Limited for the year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

PKF

**PKF**

**Melbourne, 24 September 2018**

Ken Weldin

**Kenneth Weldin**

**Partner**

PKF Melbourne
Audit & Assurance Pty Ltd
ABN 75 600 749 184

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Melbourne VIC 3000 Australia

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# EXECUTIVE TEAM

## BOARD OF DIRECTORS

The Directors bring to the Board relevant skills and experience, including industry and business knowledge, financial management and corporate governance expertise. The Board of Directors of the Company consists of:

### ALBERT CHEOK

CHAIRMAN NON-EXECUTIVE

Mr Albert Cheok possesses over 40 years of high-level experience in the banking, financial and corporate sectors across the Asia Pacific region. Albert's roles range from the Chief Manager of Reserve Bank of Australia to the Executive Director of the Hong Kong Monetary authority and the Chairman of the Bangkok Bank in Malaysia. Mr Cheok carries various accolades including the top REIT Fund Manager in Asia for 2016 and Fellow of the Certified Public Accountants Australia.

### JOSEPH GANGI

NON-EXECUTIVE DIRECTOR

Mr Joe Gangi holds extensive experience in the corporate management field, having been responsible for several business units across the Asia Pacific region in the engineering consulting sector. Amidst his corporate roles, Joe holds a strong technical background with his involvement in various industries including Pharmaceutical Manufacturing, Biotechnology, Advanced Manufacturing, Bioenergy and Consumer Products.

### JOSEPH DEMASE

MANAGING DIRECTOR

Mr Joseph Demase comes from a background in building a host of successful businesses, including the completion of two ASX listings in the telecommunications sector. Further to this, Joseph has acquired experience in the telecommunications sector amongst both the Australian and UK divisions, along with over 25 years of business experience, allowing Joseph to skilfully identify market opportunities across the board. Joseph displays an abundance of experience, having succeeded in a broad range of executive positions.

# EXECUTIVE TEAM

## SENIOR MANAGEMENT

The Company's senior management consists of:

### GEOFFREY NICHOLAS

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr Geoffrey Nicholas, formerly CEO of Enspire Australia, holds over 15 years of experience in both the Finance and IT sectors. Geoffrey is a proficient business leader who is able to deliver tangible business value, by driving profitable business growth on both an external and internal level.

### GARRY WHITE

NATIONAL SALES DIRECTOR

Mr Garry White comes from a successful background in both the ICT and telecommunications sectors, holding over 20 years of experience. Prior to joining 5G Networks, Garry has delivered success for leading organisations across Australia, New Zealand, Hong Kong, Singapore and the UK, including being the Sales Director for one of Australia's major Telco companies.

# REMUNERATION REPORT (AUDITED)

The Directors present the 5G Networks Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework as well as remuneration awarded this year. It has also been audited as required by section 308(3C) of the Corporations Act (2001).

### THE REPORT IS STRUCTURED AS FOLLOWS:

(a) Key management personnel (KMP) covered in this report
(b) Remuneration policy and link to performance
(c) Elements of remuneration
(d) Remuneration expenses for executive KMP
(e) Non-executive director arrangements
(f) Other statutory information
(g) Options & Performance Rights

## (A) KEY MANAGEMENT PERSONNEL (KMP) COVERED IN THIS REPORT

**Albert Cheok**
Non-Executive Chairman

**Joseph Demase**
Managing Director

**Joseph Gangi**
Non-Executive Director

### OTHER KEY MANAGEMENT PERSONNEL:

**Geoffrey Nicholas**
Chief Financial Officer and Company Secretary

**Garry White**
National Sales Director

There have been no changes in KMP since the end of the reporting period.

## (B) REMUNERATION POLICY AND LINK TO PERFORMANCE

Our remuneration committee is currently made up of one independent non-executive Director and one executive Director. The Committee makes recommendations to the Board with respect to appropriate remuneration and incentive policies for executive Directors and senior executives that:

a) Motivate Executive Directors and senior executives to pursue long term growth and success of the Group within an appropriate control framework;
b) Demonstrate a clear correlation between key performance and remuneration; and
c) Align the interests of key leadership with the long-term interests of the Group's shareholders.

### EXECUTIVE KMP REMUNERATION POLICY STATEMENT

Consistent with contemporary Corporate Governance standards the 5G Networks remuneration policy aims to set employee and executive remuneration that is fair, competitive and appropriate for the markets in which it operates. Specific objectives of the policy include the following:

a) Ensuring executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Group's circumstances and objectives;
b) A proportion of executives' remuneration is structured in a manner designed to link reward to corporate and individual performances
c) Ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved

## (C) ELEMENTS OF REMUNERATION

### FIXED ANNUAL REMUNERATION

Executives may receive their fixed remuneration as cash, superannuation and fringe benefits (received as car parking).

### SHORT-TERM INCENTIVES – OPERATIONAL BONUSES

In 2018, elements of KMP remuneration were dependent on the satisfaction of operational performance conditions as follows:

- A cash bonus of $40,000 for Joseph Demase linked to the achievement of operational KPIs.
- A cash bonus of $47,000 for Garry White linked to the achievement of operational KPIs.
- A cash bonus of $20,000 for Geoffrey Nicholas linked to the achievement of operational KPIs.

### LONG-TERM INCENTIVES

During the financial year the Group issued 6,750,000 performance rights and share options to key management personnel under an Incentive Plan as a means of rewarding and incentivising key employees.

Further details of the performance rights and share options, including details of rights issued during the financial year, are set out in Note 19.

### (D) REMUNERATION EXPENSES FOR EXECUTIVE KMP

The following table details the remuneration expense recognised for the Group's executive key management personnel for the current and previous financial years measured in accordance with the requirements of the accounting standards. Remuneration paid to Directors and executives is valued at the cost to the Group.

#### KEY MANAGEMENT PERSONNEL REMUNERATION / OPTIONS

| Name | Year | Fixed Remuneration | | | | Variable Remuneration | | | Total | Performance based |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash Salary | Non-monetary Benefits | Annual Leave | Post-Employment Benefits | Cash bonus | Performance Rights and Options | Employee Share Plan | | |
| | | $ | $ | $ | $ | $ | $ | $ | | % |
| MANAGING DIRECTOR | | | | | | | | | | |
| Joseph Demase | 2018 | 172,254 | 7,392 | 11,079 | 17,417 | 40,000 | 79,178 | 2,000 | 329,320 | 37% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| OTHER MANAGEMENT PERSONNEL | | | | | | | | | | |
| Geoffrey Nicholas | 2018 | 201,806 | - | 6,078 | 19,749 | 20,000 | 6,097 | 2,000 | 255,730 | 11% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| Garry White | 2018 | 176,337 | 1,857 | 6,996 | 17,417 | 47,000 | 13,883 | 2,000 | 265,490 | 24% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| TOTAL DIRECTORS & OTHER KMPS | 2018 | 550,397 | 9,249 | 24,153 | 54,583 | 107,000 | 99,158 | 6,000 | 850,540 | 25% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| TOTAL NED REMUNERATION (SEE SECTION (E) BELOW) | 2018 | 109,764 | - | - | 6,073 | - | 19,742 | 4,000 | 139,579 | 17% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| TOTAL KMP REMUNERATION EXPENSED | 2018 | 660,161 | 9,249 | 24,153 | 60,656 | 107,000 | 118,900 | 10,000 | 990,119 | 24% |
| | 2017 | - | - | - | - | - | - | - | - | - |

OPTIONS AND RIGHTS GRANTED AS REMUNERATION

| Name | Balance at 01/07/2017 | Grant Details | | | Exercised | Exercised | Lapsed | Balance at 30/06/2018 |
|---|---|---|---|---|---|---|---|---|
| **Key Management Personnel** | | **Issue Date** | **No. '000** | **Value $'000** | **No.** | **Value $'000** | **No.** | **no. '000** |
| Albert Cheok | - | 14 Sept 17 | 450 | 40 | - | - | - | 450 |
| Joseph Demase | - | 14 Sept 17 | 5,000 | 300 | - | - | - | 5,000 |
| Joseph Gangi | - | 14 Sept 17 | 400 | 35 | - | - | - | 400 |
| Geoffrey Nicholas | - | 14 Sept 17 | 300 | 23 | - | - | - | 300 |
| Garry White | - | 14 Sept 17 | 300 | 23 | - | - | - | 300 |
| Garry White | - | 6 Mar 2018 | 300 | 74 | - | - | - | 300 |
| **KMP TOTAL** | **-** | | **6,750** | **495** | **-** | **-** | **-** | **6,750** |

* The fair value of performance rights granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary to vesting are satisfied.

** No performance rights were eligible for conversion to shares or lapsed in the current period.

Details of the performance rights granted as remuneration to those KMP in the above table are included in Note 18 to the financial statements.

### (E) NON-EXECUTIVE DIRECTOR ARRANGEMENTS

Current Board fees are $70,000 per annum for Albert Cheok and $50,000 per annum for Joseph Gangi.

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of the Director.

The table below represents the amounts paid during the periods in which their services were provided.

| Name | Year | Fixed Remuneration | | | | Variable Remuneration | | | Total | Performance based |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Director Fee | Non-monetary Benefits | Annual Leave | Post-Employment Benefits | Cash bonus | Performance Rights and Options | Employee Share Plan | | |
| | | $ | $ | $ | $ | $ | $ | $ | | % |
| CHAIR | | | | | | | | | | |
| Albert Cheok | 2018 | 63,927 | - | - | 6,073 | - | 10,452 | 2,000 | 82,452 | 15% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| NON EXECUTIVE DIRECTOR | | | | | | | | | | |
| Joseph Gangi | 2018 | 45,837 | - | - | - | - | 9,290 | 2,000 | 57,127 | 19% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | | |
| TOTAL NED REMUNERATION | 2018 | 109,764 | - | - | 6,073 | - | 19,742 | 4,000 | 139,579 | 17% |
| | 2017 | - | - | - | - | - | - | - | - | - |

## (F) OTHER STATUTORY INFORMATION

### (I) SHAREHOLDINGS

The numbers of shares in the Group held (directly, indirectly or beneficially) during the financial year by KMP, including their related parties, are set out below

| | Balance at 1 July 2017 | Pre IPO Share Split | Seed Round | Issued on IPO | Purchased March Capital raising | Employee Share Scheme held in Escrow | Bought on Market | Balance at 30 June 2018 |
|---|---|---|---|---|---|---|---|---|
| DIRECTORS | | | | | | | | |
| Albert Cheok | - | - | 2,118,750 | - | 166,667 | 8,000 | - | 2,293,417 |
| Joseph Demase | 7,000,000 | 8,700,000 | - | 424,000 | - | 8,000 | - | 16,132,000 |
| Joseph Gangi | - | - | 529,687 | - | 166,667 | 8,000 | - | 704,354 |
| **TOTAL DIRECTORS** | **7,000,000** | **8,700,000** | **2,648,437** | **424,000** | **333,334** | **24,000** | **-** | **19,129,771** |
| OTHER MANAGEMENT PERSONNEL (OMP) | | | | | | | | |
| Geoffrey Nicholas | - | - | | 1,200,000 | 83,334 | 8,000 | - | 1,291,334 |
| Garry White | - | - | | 1,400,000 | - | 8,000 | - | 1,408,000 |
| **TOTAL OMP** | **-** | **-** | | **2,600,000** | **83,334** | **16,000** | **-** | **2,699,334** |
| | | | | | | | | |
| **GROUP TOTAL** | **7,000,000** | **8,700,000** | **2,648,437** | **3,024,000** | **416,668** | **40,000** | **-** | **21,829,105** |

## G) OPTIONS & PERFORMANCE RIGHTS

### (I) OPTIONS

At the date of this report, there were 2,400,000 shares of 5G Networks Limited under option. (2017: Nil)

### (II) PERFORMANCE RIGHTS

At the date of this report, there were 5,000,000 performance rights over 5G Networks Limited shares. (2017: Nil)

### END OF REMUNERATION REPORT

This report, incorporating the Remuneration Report is signed in accordance with a resolution of Directors.

Signed

Albert Cheok
Chairman
Melbourne
20 September 2018

## COMPLIANCE WITH ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Board of 5G Networks Ltd (the Company) governs the business on behalf of shareholders as a whole with the prime objective of protecting and enhancing shareholder value. The Board is committed to the highest standards of ethics and integrity and ensures that senior management run the Group in accordance with these standards. The Board monitors the Company's governance framework and practices to ensure it fulfils its corporate governance obligations.

5G Networks Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. 5G Networks Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

5G Networks Ltd's corporate governance charter has been drafted in light of these Guidelines and the table below summarises the Company's compliance, in accordance with ASX Listing Rule 4.10.3. The 2018 corporate governance statement is current at 20 September 2018.

| Principles and Recommendations | Compliance | Comply |
|---|---|---|
| **Principle 1 – Lay solid foundations for management and oversight** | | |
| **1.1** Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions. | The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. | Complies |
| **1.2** Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director. | The Company has and will continue to conduct appropriate searches in relation to all appointed and future nominated directors. The Company has published Director profiles on the Company's website outlining biographical details, other directorships held, commencement date of office and level of independence. | Complies |
| **1.3** Have a written agreement with each director and senior executive setting out the terms of their appointment. | The Company has written agreements with each director and senior executive. On appointment of directors and senior executives the Company will issue necessary written agreements outlining the terms of their appointment. | Complies |
| **1.4** The company secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board. | This is consistent with the Charter and corporate structure of the Company. The company secretary has a direct relationship with the Board in relation to these matters. | Complies |
| **1.5** Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period. | The Board determined that given the Company's recent listing, current size and structure, a formal diversity policy is not required. | Does not comply |

| Principles and Recommendations | Compliance | Comply |
|---|---|---|
| **1.6** Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period. | The Company has a process for evaluating the performance of the Board, its committee and individual directors as outlined in the Board Charter. Given the Company listed in November 2017, a formal evaluation has yet to be undertaken | Complies |
| **1.7** Have a process for periodically evaluating the performance of the company's senior executives, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period. | The Managing Director (MD) reviews the performance of the senior executives on a regular basis throughout the reporting period. Additionally, the Board reviews the Managing Director's performance throughout the reporting period. These reviews were conducted in this period. | Complies |
| **Principle 2 – Structure the Board to add value** | | |
| **2.1** The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed. | A combined Nominations and Remuneration Committee has been established with its own charter and consists of:<br>• Albert Cheok (committee chair); and<br>• Joseph Gangi<br>The Board feels that the composition of the committee is appropriate given the recent listing and magnitude of operations of the entity. | Partially Complies |
| **2.2** Have and disclose a board skills matrix, setting out what the board is looking to achieve in its membership. | The Company has established charter rules for the Nominations and Remuneration Committee as a guide for Board deliberations. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Company and its business. | Partially Complies |
| **2.3** Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director | The Board considers Albert Cheok (Appointed 29 June 2017) and Joe Gangi (Appointed 29 June 2017) to be independent directors.<br>The Board notes the following directors are deemed not independent for the purposes of the Guidelines:<br>• Joseph Demase – Joseph is a founding shareholder of 5G Networks Ltd (Appointed 15 April 2013) and is an executive director of the Company. | Complies |
| **2.4** A majority of the Board should be independent directors. | The Board currently comprises three Directors, of which two are independent non-executive Directors. | Complies |
| **2.5** The chair of the Board should be an independent director and should not be the CEO | The chairman, Albert Cheok, is a non-executive and independent director. | Complies |
| **2.6** There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. | This is consistent with the Board Charter. | Complies |

| Principles and Recommendations | Compliance | Comply |
|---|---|---|
| **Principle 3 – Act ethically and responsibly** | | |
| **3.1** Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code. | The Company has adopted a code of conduct, which sets out a framework to enable Directors, senior executives and employees to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of best practise in Corporate Governance. | Complies |
| **Principle 4 – Safeguard integrity in corporate reporting** | | |
| **4.1** The Company should have an audit committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members. The functions and operations of the audit committee should be disclosed. | The Board has established an Audit and Risk Committee which operates under an audit and risk committee charter. The Audit and Risk Committee members are:<br>• Joe Gangi (Chair); and<br>• Joseph Demase<br><br>The committee is chaired by an independent director and the functions of the audit committee are disclosed. Given the current size of the board, a larger committee is not considered appropriate. | Partially Complies |
| **4.2** The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively. | This is consistent with the approach to be adopted by the Audit and Risk Committee and the Board. | Complies |
| **4.3** The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit. | 5G Networks' auditors will be requested to attend the AGM and shareholders will be entitled to ask questions in accordance with the Corporations Act and these guidelines. | Complies |
| **Principle 5 – Make timely and balanced disclosures** | | |

| Principles and Recommendations | Compliance | Comply |
|---|---|---|
| **5.1** Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it. | The Company has a written continuous disclosure policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the ASX Listing Rules. | Complies |
| **Principle 6 – Respect the rights of security holders** | | |
| **6.1** Provide information about the Company and its governance to investors via its website. | The Board Charter and other applicable policies are available on the Company's website. | Complies |
| **6.2** Design and implement an investor relations program to facilitate effective two way communication with investors. | The Company will use its website, half year and annual reports, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings. | Complies |
| **6.3** Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders. | The Company intends to facilitate effective participation in the AGM and has adopted appropriate technologies to facilitate this. | Complies |
| **6.4** Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically. | The company's share registry provides this option for shareholders. | Complies |
| **Principle 7 – Recognise and manage risk** | | |
| **7.1** The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed. | The Company has a combined Audit and Risk Committee. The Audit and Risk Committee members are:<br>• Joseph Gangi (Chair); and<br>• Joseph Demase<br>The committee is chaired by an independent director and the functions of the audit committee are disclosed. Given the current size of the board, a larger committee is not considered appropriate. | Partially Complies |
| **7.2** The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place. | The charter establishes the role of the committee. A risk review was conducted in this period. | Complies |

| Principles and Recommendations | Compliance | Comply |
|---|---|---|
| **7.3** Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | Due to the Company's limited number of employees and relative nature and scale of its operations, the costs of an independent internal audit function would be disproportionate. The Company has an external auditor and the Audit and Risk Committee continues to monitor key controls in the business. | Does not comply due to the nature and scale of operations |
| **7.4** Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks. | The Board does not believe that the Company has any such material risks. | Complies |
| **Principle 8 – Remunerate fairly and responsibly** | | |
| **8.1** The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed. | A combined Nominations and Remuneration Committee has been established with its own charter and consists of:<br>• Albert Cheok (committee chair); and<br>• Joseph Gangi<br>The Board feels that the composition of the committee is appropriate given the recent listing and magnitude of operations of the entity. | Partially Complies |
| **8.2** The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed. | The Nominations and Remuneration Committee charter is available on the Company's website. | Complies |
| **8.3** If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it. | The Company operates an exempt share plan and has approved a performance rights plan for the potential issue of rights in the future. In accordance with the Company's Securities Trading Policy participants are not permitted to enter into transactions which limit economic risk without written clearance. | Complies |

# SHAREHOLDER INFORMATION

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13 September 2018.

### 5G NETWORKS LIMITED

Issued capital ordinary shares: 50,253,545 as at 13 September 2018.

### SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the company are set out below:

| | Ordinary Shares | |
|---|---|---|
| | Number Held | Number of Holders |
| 1 - 1.000 | 147,265 | 189 |
| 1,001 - 5,000 | 1,214,534 | 480 |
| 5,001 - 10,000 | 2,015,858 | 254 |
| 10,001 - 100,000 | 9,376,066 | 313 |
| 100,001 - and over | 37,499,822 | 55 |
| **TOTAL** | **50,253,545** | **1,291** |
| **UNMARKETABLE PARCELS** | **82,357** | **123** |

## VOTING RIGHTS

The voting rights attached to each class of equity securities 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.

## THE NUMBER AND CLASS OF RESTRICTED SECURITIES SUBJECT TO VOLUNTARY ESCROW THAT ARE ON ISSUE

### VOLUNTARY ESCROW

The number and class of securities subject to Voluntary Escrow are set out below:

| | Ordinary Shares | |
|---|---|---|
| | Number Held | % of Total Shares Issued |
| Date that Voluntary Escrow Period Ends: | | - |
| Restricted shares to be held for 12 months from date of issue (Escrow Release Date – 4 September 2018) | 7,757,367 | 15.4% |
| Restricted shares to be held for 24 months from date of IPO (Escrow Release Date – 17 November 2019) | 16,014,507 | 31.9% |
| **TOTAL** | **23,771,874** | **47.3%** |

## THE 20 LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES

| | Ordinary Shares | |
|---|---|---|
| JD Management Group Pty Ltd | 16,132,000 | 32.1% |
| Eckert Investments Pty Ltd | 2,800,000 | 5.6% |
| Albert Saychuan Cheok & Eric Victor Cheok | 2,293,417 | 4.6% |
| Garry White | 1,408,000 | 2.8% |
| Nicholas Management Services Pty Ltd | 1,281,334 | 2.5% |
| Three Zebras Pty Ltd | 1,000,000 | 2.0% |
| Casada Holdings Pty Ltd | 945,521 | 1.9% |
| Mr Bernard William Livy & Mrs Desma Lea Livy | 719,892 | 1.4% |
| Daniela Dona Gangi & Giuseppe Gangi | 704,354 | 1.4% |
| J P Morgan Nominess Australia Limited | 670,000 | 1.3% |
| Narven Investments Pty Ltd | 659,375 | 1.3% |
| Wallis-Mance Investments Pty Limited | 590,000 | 1.2% |
| Mrs Joyce Margaret Demase | 537,105 | 1.1% |
| Gianni Andrea Verrocchi & Deanne Joselyn Verrocchi | 529,687 | 1.1% |
| Domaevo Pty Ltd | 477,872 | 1.0% |
| NSR Investments Pty Ltd | 420,000 | 0.8% |
| Hugo Driemeyer & Tracy Driemeyer | 329,687 | 0.7% |
| Andker Pty Ltd | 329,687 | 0.7% |
| Mrs Bridget Mary Demase | 329,687 | 0.7% |
| Demasiado Pty Ltd | 261,780 | 0.5% |
| **Total** | **32,419,398** | **64.5%** |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Consolidated year to 30 June 2018 | Consolidated year to 30 June 2017 |
|---|---|---|---|
| | | $ | $ |
| **CONTINUING OPERATIONS** | | | |
| Revenue | 4 | 5,405,975 | - |
| Other Income | 5 | 723,331 | 21 |
| Network and data centre costs | | (2,538,609) | - |
| Corporate and administration expenses | | (758,815) | (116,745) |
| Rent and office expenses | | (191,237) | - |
| Employee benefits expenses | | (2,269,307) | - |
| Share based expenses | | (133,798) | - |
| Depreciation and amortisation expenses | | (240,736) | (153) |
| Finance costs | | (8,993) | - |
| | | | |
| **LOSS BEFORE INCOME TAX** | | **(12,189)** | **(116,898)** |
| Income tax (expense)/benefit from continuing operations | 8 | (312,639) | 13,863 |
| **LOSS FOR THE YEAR** | | **(324,828)** | **(103,035)** |
| | | | |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX** | | - | - |
| | | | |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(324,828)** | **(103,035)** |
| | | | |
| TOTAL COMPREHENSIVE PROFIT FOR THE YEAR ATTRIBUTABLE TO: | | | |
| **Continuing operations** | | (324,828) | (103,035) |
| **Earnings per share from continuing operations (cents per share):** | | | |
| Basic earnings per share | 7 | (0.98) | (1.10) |
| Diluted earnings per share | 7 | (0.83) | (1.10) |
| **Earnings per share attributable to the owners of 5G Networks Limited (cents per share):** | | | |
| Basic earnings per share | 7 | (0.98) | (1.10) |
| Diluted earnings per share | 7 | (0.83) | (1.10) |

*The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | Consolidated year to 30 June 2018 | Consolidated year to 30 June 2017 |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 3,356,702 | 238,804 |
| Trade and other receivables | 10 | 1,135,848 | 97,936 |
| Other current assets | 13 | 839,408 | - |
| **TOTAL CURRENT ASSETS** | | **5,331,958** | **336,740** |
| | | | |
| **Non-current assets** | | | |
| Trade and other receivables | 10 | 70,000 | 70,000 |
| Property, plant and equipment | 11 | 1,083,413 | 23,880 |
| Deferred tax asset | 8 | 179,096 | 13,863 |
| Intangible assets | 12 | 6,841,651 | - |
| **TOTAL NON-CURRENT ASSETS** | | **8,174,160** | **107,743** |
| **TOTAL ASSETS** | | **13,506,118** | **444,483** |
| | | | |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 756,713 | 24,516 |
| Borrowings | 16 | 215,213 | - |
| Employee benefits | 17 | 453,341 | - |
| Provision for income tax | | 172,438 | - |
| Other liabilities | 15 | 3,291,929 | 3,000 |
| **TOTAL CURRENT LIABILITIES** | | **4,889,634** | **27,516** |
| | | | |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 16 | 131,839 | - |
| Employee benefits | 17 | 3,755 | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **135,594** | **-** |
| **TOTAL LIABILITIES** | | **5,025,228** | **27,516** |
| **NET ASSETS** | | **8,480,890** | **416,967** |
| | | | |
| EQUITY | | | |
| Issued Capital | 19 | 8,774,955 | 520,002 |
| Reserves | | 133,798 | - |
| Accumulated losses | | (427,863) | (103,035) |
| **TOTAL EQUITY** | | **8,480,890** | **416,967** |

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued Capital | Share Based Payment Reserve | Accumulated Losses | Total Equity |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **BALANCE AT 1 JULY 2017** | **520,002** | **-** | **(103,035)** | **416,967** |
| | | | | |
| Loss for the year | - | - | (324,828) | (324,828) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **-** | **-** | **(324,828)** | **(324,828)** |
| | | | | |
| **Transactions with owners in their capacity as owners:** | | | | |
| Shares issued to subscribers in IPO | 4,032,500 | - | - | 4,032,500 |
| Shares issued to vendors to acquire Enspire Australia Pty Ltd | 1,000,000 | - | - | 1,000,000 |
| Shares issued on conversion of convertible notes | 560,000 | - | - | 560,000 |
| Shares issued to 5G employees | 26,000 | - | - | 26,000 |
| Capital raising 19 March 2018 | 3,509,443 | - | - | 3,509,443 |
| Share issue costs | (872,990) | - | - | (872,990) |
| **SUB-TOTAL** | **8,254,953** | **-** | **-** | **8,254,953** |
| | | | | |
| **Performance Rights and Share Options issued** | **-** | **133,798** | **-** | **133,798** |
| | | | | |
| **BALANCE AT 30 JUNE 2018** | **8,774,955** | **133,798** | **(427,863)** | **8,480,890** |
| | | | | |
| **BALANCE AT 1 JULY 2016** | **2** | **-** | **-** | **2** |
| | | | | |
| Loss for the period | - | - | (103,035) | (103,035) |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | **-** | **-** | **(103,035)** | **(103,035)** |
| | | | | |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issued Share capital | 520,000 | - | - | 520,000 |
| **SUB-TOTAL** | **520,000** | **-** | **-** | **520,000** |
| **BALANCE AT 30 JUNE 2017** | **520,002** | **-** | **(103,035)** | **416,967** |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Consolidated year to 30 June 2018 | Consolidated year to 30 June 2017 |
|---|---|---|---|
| | | $ | $ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 5,601,038 | - |
| Payments to suppliers and employees | | (6,442,144) | (104,185) |
| Interest received | | 12,330 | 21 |
| Income tax payments made | | (79,846) | - |
| R&D Tax concession received | | 236,819 | - |
| **NET CASH FLOWS USED IN OPERATING ACTIVITIES** | **9** | **(671,803)** | **(104,164)** |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Enspire Australia Pty Ltd | 18 | (770,639) | - |
| Purchase of Aptel Pty Ltd | 18 | (3,079,215) | - |
| Purchase of property, plant and equipment | | (294,770) | (24,034) |
| Proceeds from sale of property, plant and equipment | | 12,300 | - |
| Cash deposits held by Enspire Australia Pty Ltd on acquisition | | 344,286 | - |
| Cash deposits held by Aptel Pty Ltd on acquisition | | 445,583 | - |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | | **(3,342,455)** | **(24,034)** |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 7,567,943 | 367,000 |
| Proceeds from issue of convertible notes | | 560,000 | - |
| Payment of borrowings | | (122,797) | - |
| Payment of capital raising costs | | (872,990) | - |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | | **7,132,156** | **367,000** |
| | | | |
| Net increase in cash and cash equivalents | | 3,117,898 | 238,802 |
| Cash and cash equivalents at beginning of period | | 238,804 | 2 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **9** | **3,356,702** | **238,804** |

*This Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

5G Networks Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The consolidated financial report of the Group as at and for the year ended 30 June 2018 comprises 5G Networks Limited and the entities it controlled at the end of, or during, the year.

### OPERATIONS AND PRINCIPAL ACTIVITY

The Group's principal activities during the year were:

- the supply of cloud-based solutions, managed services and network services
- the entity operates its own fibre and wireless infrastructure and manages its own cloud computing environment

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 8, 99 William Street, Melbourne VIC 3000

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### 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').

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the revaluation of available for sale financial assets, financial assets and liabilities at fair value through profit & loss, investment properties, certain classes of property, plant and equipment, and derivative financial instruments.

The Financial Statements were authorised for issue, in accordance with a resolution of the Directors on 20 September 2018.

### GOING CONCERN

The financial report for the financial year ended 30 June 2018 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2018 the Group recorded a loss after tax of $324,828 (2017: Loss $103,035), operating cash outflow of $671,803 (2017: $104,164), financing cash inflows of $7,132,156 (2017: $367,000), and a surplus of current assets to current liabilities of $442,324 (2017: $309,224). At year end the Group had $3,356,702 of cash on hand.

The Directors regularly monitor the Group's cash position and on an on-going basis consider a number of strategic and operational plans and initiatives to ensure that adequate funding continues to be available for the Group to meet its business objectives. The Directors have taken the factors above into consideration and determined that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable and the Directors consider the going concern basis of preparation to be appropriate for this Financial Report.

### NEW ACCOUNTING STANDARDS ADOPTED IN THE CURRENT FINANCIAL PERIOD

The Group notes the introduction of new or amended Standards applicable for financial periods commencing on 1 July 2018

### NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, and have not been early adopted in the 2018 reporting year, as well as the Groups assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

*AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).*

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and recognition requirements for financial instruments and simplified requirements for hedge accounting.

A review is currently being undertaken to determine the impact of this standard. At this stage the Group is not in a position to quantify any changes resulting from the adoption of the Standard.

*AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).*

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

### THE TRANSITIONAL PROVISIONS OF THIS STANDARD PERMIT AN ENTITY TO EITHER:

Restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

This standard will apply to the Group from 1 July 2018 and may impact the timing of revenue recognition. A review is currently being undertaken to determine the impact of this standard.  At this stage the Group is not in a position to quantify any changes resulting from the adoption of the Standard.

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The standard will primarily affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $1.0 million (see Note 25) primarily associated with the rental of office premises. A review is currently being undertaken to determine the impact of this standard.  At this stage the Group is not in a position to quantify any changes resulting from the adoption of the Standard.

## PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group ('Group') as at 30 June 2018 and the results of all subsidiaries for the year then ended. The Group and its subsidiaries together are referred to in these financial statements as 'the Group'.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

## BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired in acccordance with the provisions of AASB3 Business Combinations.

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

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

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

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

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

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

## FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

### FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

### SALE OF GOODS

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

### RENDERING OF SERVICES

Revenue from the delivery of services is recognised upon delivery of the service to the customer. All revenue is stated net of the amount of Goods and Services Tax (GST).

### INTEREST

Interest revenue is recognised as interest accrues under 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.

### R&D TAX OFFSET REVENUE

R&D tax offset revenue is revenue recognised when there is reasonable assurance that it will be received. It is recognised in the statement of comprehensive income in the same period that the related costs are recognised as expenses.

### OTHER REVENUE

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

## INCOME TAX

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings of current liabilities on the statement of financial position.

### 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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

Other receivables are recognised at amortised cost, less any provision for impairment.

### 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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices.

For unlisted investments, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### 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.

### PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives. The depreciation rates used for each class of depreciable assets are:

| | Straight line |
|---|---|
| Leasehold improvements | 16.67% |
| Plant & Equipment | 10 - 40% |

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

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

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

## LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

## INTANGIBLE ASSETS

### GOODWILL

Goodwill arises on the acquisition of a business combination. Goodwill is calculated as the excess sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

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.

Goodwill is allocated to the Group's cash-generating units representing the lowest level at which goodwill is monitored.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

## TRADE AND OTHER PAYABLES

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

## 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.

## 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, including:

- Interest on short-term and long-term borrowings
- Interest on finance leases

## FINANCIAL INSTRUMENTS

### INITIAL RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sale of the asset. Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified as "at fair value" through profit or loss in which case the transaction costs are expensed to profit or loss immediately.

### CLASSIFICATION AND SUBSEQUENT MEASUREMENT

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

- LOANS AND RECEIVABLES
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

  Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

- FINANCIAL LIABILITIES
  Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost

### DE-RECOGNITION

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## PROVISIONS

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## EMPLOYEE BENEFITS

### WAGES AND SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

### LONG SERVICE LEAVE

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on Australian corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### 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.

### DIVIDENDS

Dividends are recognised when declared during the financial year.

### EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Group, by the weighted average number of ordinary shares outstanding during the financial year.

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

### GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

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

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

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

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

### COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## 3. 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 within the next financial year are discussed below.

#### PROVISION FOR IMPAIRMENT OF RECEIVABLES

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

#### ESTIMATION OF USEFUL LIVES OF ASSETS

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

### GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1.

### IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

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

### INCOME TAX

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

### RECOVERY OF DEFERRED TAX ASSETS

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

### REVENUE IN ADVANCE

Customers of Aptel are invoiced for telephone calls and line rental monthly in arrears on the 20th day of each month. Unearned Revenue is recorded for telephone calls and line rental made between the invoice date which occurs mid-month, and the last day of the month in order to match the period of revenue recognition with the period in which the service (telephone calls and line rental) was provided.

### LONG SERVICE LEAVE PROVISION

As discussed in Note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present values of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### BUSINESS COMBINATIONS

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

## 4. OPERATING SEGMENTS & PRODUCT LINES

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Makers ('CODM') in assessing performance and determining the allocation of resources. The CODM considers that the business has one reportable segment, being IT and Telecommunications. Therefore, all segment assets and liabilities, and the segment result, relate to one business segment and consequently no detailed segment analysis has been prepared.

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **REVENUE BY SEGMENT** | | |
| IT and Telecommunications | 5,405,975 | - |
| **TOTAL REVENUE BY SEGMENT** | **5,405,975** | **-** |
| | | |
| **REVENUE BY GEOGRAPHIC AREA** | | |
| Australia | 5,405,975 | - |
| **TOTAL REVENUE BY GEOGRAPHIC AREA** | **5,405,975** | **-** |

## 5. OTHER INCOME

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| **OTHER INCOME** | | |
| R&D tax offset | 711,001 | - |
| Interest income | 12,330 | 21 |
| **TOTAL OTHER INCOME** | **723,331** | **21** |

## 6. EXPENSES

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| **Profit before income tax includes the following expenses:** | | |
| Acquisition costs | 246,375 | - |
| Performance rights and share option expense | 133,798 | - |
| Short term bonus incentives | 128,000 | |
| Movement in provision for doubtful debts | 20,846 | |
| | | |
| **Depreciation** | | |
| Plant & Equipment | 209,507 | 153 |
| Leasehold Improvements | 31,229 | - |
| **TOTAL DEPRECIATION** | **240,736** | **153** |
| | | |
| **Finance Costs** | | |
| Interest and Finance Charges Paid/Payable | 8,993 | - |
| **TOTAL FINANCE COSTS** | **8,993** | **-** |

## 7. EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The following represents the share data used in the EPS computations:

| | Consolidated 30 June 2018 Thousands | Consolidated 30 June 2017 Thousands |
|---|---|---|
| Weighted average number of ordinary shares for basic earnings per share | 33,047 | 9,376 |
| *Effect of Dilution:* | | |
| Share options, performance rights | 6,061 | - |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 39,108 | 9,376 |

## 8. TAX

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| (A) INCOME TAX EXPENSE | | |
| Loss before income tax expense | (12,189) | (116,898) |
| | | |
| Tax expense/(benefit) at the statutory tax rate of 27.5% (2017 27.5%) | 3,352 | 32,147 |
| | | |
| **Tax effect amounts which are not deductible in calculating taxable income:** | | |
| R&D subsidy | (253,958) | - |
| Share issue costs | (67,748) | - |
| Expense on performance rights | (36,794) | - |
| Due diligence costs | - | (14,777) |
| IPO costs | 47,995 | (2,460) |
| Other non-deductible expenses | (1,960) | (1,047) |
| Over provision from prior period | (3,526) | - |
| **INCOME TAX (EXPENSE) / BENEFIT** | **(312,639)** | **13,863** |
| | | |
| (B) INCOME TAX EXPENSE | | |
| Current Tax | 428,209 | (13,863) |
| Deferred Tax – origination and reversal of temporary differences | (119,096) | - |
| Over provision from prior period | 3,526 | - |
| **AGGREGATE INCOME TAX EXPENSE:** | **312,639** | **(13,863)** |

### 8. TAX (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| (C) DEFERRED TAX ASSET | | |
| **Deferred tax asset is comprised of the following temporary differences:** | | |
| Provision for annual leave and long service leave | 82,863 | - |
| Accruals not yet deductible for tax | 41,686 | - |
| Income earned not yet invoiced | (45,579) | - |
| Tax losses not yet utilised | 100,126 | 13,863 |
| | 179,096 | 13,863 |

### 9. CASH AND CASH EQUIVALENTS

#### (A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash includes cash at bank and in hand net of bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Cash at bank and in hand | 3,175,299 | 238,804 |
| Term deposit | 181,403 | - |
| **NET CASH AND CASH EQUIVALENTS** | **3,356,702** | **238,804** |

## 9. CASH AND CASH EQUIVALENTS (CONTINUED)

### (B) RECONCILIATION OF PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Loss after income tax | (324,828) | (103,035) |
| | | |
| NON-CASH FLOWS IN PROFIT: | | |
| Depreciation | 240,736 | 153 |
| Movement in leave liability | 58,635 | 3,000 |
| Movement in share premium reserve | 133,798 | - |
| | | |
| **Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:** | | |
| Decrease in trade and other receivables | (211,011) | (14,936) |
| Decrease in other assets | (552,409) | - |
| Decrease in deferred tax asset | 4,091 | (13,862) |
| Increase in trade and other payables | (434,944) | 24,516 |
| Increase in employee benefits | 168,273 | - |
| Decrease in other liabilities | 268,591 | - |
| Increase in Income tax payable | (22,735) | - |
| **NET CASH FROM OPERATING ACTIVITIES** | **(671,803)** | **(104,164)** |

## 10. TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| CURRENT | | |
| Trade receivables | 879,528 | - |
| Allowance for impairment of receivables | (27,398) | - |
| | 852,130 | - |
| | | |
| Unearned revenue | 165,743 | - |
| Unsecured loans – at call [1] | 117,975 | - |
| Sundry debtors | - | 2,707 |
| Other receivables [2] | - | 83,000 |
| GST receivable | - | 12,229 |
| | 1,135,848 | 97,936 |
| | | |
| NON-CURRENT | | |
| Unsecured loans – at call [3] | 70,000 | 70,000 |
| | 70,000 | 70,000 |

[1] Unsecured loans – at call represents an unsecured loan receivable arising from an indemnity agreement with the prior owners of Enspire Australia

[2] Other receivables represents a short-term loan provided to JD Management Group Pty Ltd for the balance of unpaid shares issued 29 June 2017

[3] Unsecured loans – at call represents an issue of 1,400,000 shares to Garry White (National Sales Director) for $70,000 on 29 June 2017. The funds to finance the share purchase were loaned by the Company as a non-recourse loan which is repayable the earlier of 17 July 2020 or upon sale of issued shares.

### 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| IMPAIRMENT OF RECEIVABLES | | |
| The Group has recognised a loss of $27,398 (2017 Nil) in profit and loss in respect of impairment of receivables for the year ended 30 June 2018 | | |
| **The aging of the impaired receivables provided for above are as follows:** | | |
| Not yet overdue | 669 | - |
| 1 - 3 months overdue | 11,598 | - |
| More than 3 months overdue | 15,131 | - |
| **TOTAL PROVISION FOR IMPAIRMENT OF RECEIVABLES** | **27,398** | **-** |
| | | |
| **Movements in the provision for impairment of receivables are as follows:** | | |
| Opening Balance | - | - |
| Additional Provision Recognised through Business Combinations | 7,598 | - |
| Additional Provision Recognised | 40,646 | - |
| Receivables Written off During the Year as Uncollectable | (20,846) | - |
| **CLOSING BALANCE** | **27,398** | **-** |

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| PAST DUE BUT NOT IMPAIRED: | | |
| Customers with balances past due but without provision for impairment of receivables amount to $269,342 as at 30 June 2018 (2017: Nil). The Group did not consider a credit risk on these aggregate balances after reviewing collectability. | | |
| **The aging of the past due but not impaired receivables are as follows:** | | |
| 1 - 3 months overdue | 216,031 | - |
| More than 3 months overdue | 53,311 | - |
| **TOTAL RECEIVABLES PAST DUE BUT NOT IMPAIRED** | **269,342** | **-** |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| PLANT AND EQUIPMENT | | |
| At cost | 2,593,744 | 24,033 |
| Accumulated depreciation | (1,745,546) | (153) |
| | 848,198 | 23,880 |
| LEASEHOLD IMPROVEMENTS | | |
| At cost | 337,276 | - |
| Accumulated depreciation | (102,061) | - |
| | 235,215 | - |
| **TOTAL PROPERTY, PLANT AND EQUIPMENT** | **1,083,413** | **23,880** |

### RECONCILIATIONS

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

| | Leasehold Improvements<br>$ | Plant and Equipment<br>$ | Total<br>$ |
|---|---|---|---|
| YEAR ENDED 30 JUNE 2018 | | | |
| COST | | | |
| Balance at the beginning of the year | - | 24,033 | 24,033 |
| Assets acquired in the business acquisition | 335,636 | 2,288,881 | 2,624,517 |
| Additions | 1,640 | 293,130 | 294,770 |
| Disposals | - | (12,300) | (12,300) |
| **CLOSING VALUE AT 30 JUNE 2018** | **337,276** | **2,593,744** | **2,931,020** |
| | | | |
| ACCUMULATED DEPRECIATION | | | |
| Balance at the beginning of the year | - | (153) | (153) |
| Assets acquired in the business acquisition | (70,832) | (1,535,886) | (1,606,718) |
| Depreciation | (31,229) | (209,507) | (240,736) |
| Disposals | - | - | - |
| **CLOSING VALUE AT 30 JUNE 2018** | (102,061) | (1,745,546) | (1,847,607) |
| **NET CARRYING VALUE** | 235,215 | 848,198 | 1,083,413 |

## 12. INTANGIBLE ASSETS

| | Consolidated 30 June 2018 $ | Consolidated 30 June 2017 $ |
|---|---|---|
| GOODWILL | | |
| Cost | 6,841,651 | - |
| Net carrying value | 6,841,651 | - |
| | | |
| TOTAL INTANGIBLES | 6,841,651 | - |

| | Goodwill $ | Total $ |
|---|---|---|
| YEAR ENDED 30 JUNE 2018 | | |
| Balance at the beginning of the year | - | - |
| Additions – Enspire Australia Pty Ltd (Note 18) | 1,768,160 | 1,768,160 |
| Additions – Asian Pacific Telecommunications Pty Ltd (Note 18) | 5,073,491 | 5,073,491 |
| **CLOSING VALUE AT 30 JUNE 2018** | **6,841,651** | **6,841,651** |
| | | |
| YEAR END 30 JUNE 2017 | | |
| Balance at the beginning of the year | - | - |
| Additions | - | - |
| **CLOSING VALUE AT 30 JUNE 2017** | **-** | **-** |

### IMPAIRMENT DISCLOSURES AND TESTING OF GOODWILL

All Goodwill is allocated to the Group's one cash generating unit (CGU) being IT & telecommunications.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use the present value of cash flow projections over a 5 year period, with growth rates based on budgets with conservative growth rates as approved by management. Cash flows are not extrapolated beyond 5 years.

The Discount rate has been based upon an estimate of the entity's weighted average cost of capital, being 10%.

### IMPAIRMENT CHARGE FOR GOODWILL

As a result of the impairment testing and evaluation, the Group has determined that the carrying value of Goodwill does not exceed their value-in-use, and no impairment charge is required.

### IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

If the discount rate, based on an estimate of the entity's weighted average cost of capital was increased by 50% to 15%, there would still be no impairment charge required.

## 13. OTHER ASSETS

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Prepayments | 82,983 | - |
| R&D tax receivable | 711,001 | - |
| Other | 45,424 | - |
| | **839,408** | **-** |

## 14. TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Trade payables | 743,910 | 24,516 |
| Accrued liabilities | 12,803 | - |
| | **756,713** | **24,516** |

## 15. OTHER LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Deferred settlement relating to purchase of Aptel (Note 18) | 3,000,000 | - |
| GST and PAYG due to ATO | 207,813 | - |
| Revenue in Advance | 54,480 | - |
| Accrued COGS | 26,824 | - |
| Customer deposits | 2,812 | - |
| Other | - | 3,000 |
| | **3,291,929** | **3,000** |

## 16. BORROWINGS

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| CURRENT | | - |
| Designated at amortised cost: | | - |
| Obligations under bank loan [1] | 116,683 | - |
| Obligations under vendor finance | 77,254 | - |
| Obligations under lease fit out incentive | 21,276 | - |
| | 215,213 | - |
| | | |
| NON-CURRENT | | |
| Designated at amortised cost: | | |
| Obligations under bank loan [1] | 30,338 | - |
| Obligations under vendor finance | 35,839 | |
| Obligations under lease fit out incentive | 65,662 | - |
| | 131,839 | - |

### SECURITY ARRANGEMENTS

[1] The bank loans are from ANZ and they are secured with a fixed charge over particular assets and a floating charge over other collateral.

## 17. EMPLOYEE BENEFITS

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Annual leave | 172,242 | - |
| Long Service Leave | 125,322 | - |
| Superannuation payable | 27,777 | - |
| Accrued bonuses | 128,000 | - |
| | **453,341** | **-** |
| | | |
| NON-CURRENT | | |
| Long service leave | 3,755 | - |
| | **3,755** | **-** |

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| MOVEMENTS IN PROVISIONS | | |
| **Provision for Long Service Leave** | | |
| Balance at 1 July | - | - |
| Acquired on acquisitions | 49,522 | - |
| Additional Provisions | 79,555 | - |
| Amounts Used | - | - |
| **BALANCE AT 30 JUNE** | **129,077** | **-** |

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| MOVEMENTS IN PROVISIONS | | |
| **Provision for Annual Leave** | | |
| Balance at 1 July | - | - |
| Acquired on acquisitions | 201,004 | - |
| Additional Provisions | 103,375 | - |
| Amounts Used | (132,137) | - |
| **BALANCE AT 30 JUNE** | **172,242** | **-** |
| | | |
| Analysis of Total Employee Provisions | | |
| Current | 297,564 | - |
| Non-Current | 3,755 | - |
| **TOTAL PROVISIONS** | **301,319** | **-** |

## 18. BUSINESS ACQUISITIONS

### ENSPIRE AUSTRALIA PTY LTD

On 13 November 2017, the Company completed the acquisition of 100% of the shares in Enspire Australia Pty Ltd (Enspire) (ABN 96 105 883 887). Enspire offers cloud-based IT solutions, managed services and network infrastructure in Melbourne and Sydney to the small and mid-markets.

The acquisition met the definition of a business combination in accordance with AASB 3 Business Combinations. As such, the entity purchased has been consolidated into the Group from the date of acquisition. The consideration for the purchase included the issue of shares in the Company to the previous shareholders of Enspire at the date of acquisition.

The consideration for the acquisition was made up of:

| | Number | Cents | $ |
|---|---|---|---|
| Issue of shares in the Company to Mark Eckert | 2,800,000 | 0.25 | 700,000 |
| Issue of shares in the Company to Geoffrey Nicholas | 1,200,000 | 0.25 | 300,000 |
| | 4,000,000 | | 1,000,000 |
| Cash consideration paid | | | 770,639 |
| **TOTAL CONSIDERATION** | | | **1,770,639** |

The fair value of the net assets acquired were:

| | $ |
|---|---|
| Cash and cash equivalents | 344,286 |
| Trade and other receivables | 235,958 |
| R&D tax refund due | 286,999 |
| Property, plant & equipment | 330,307 |
| Deferred tax asset | 200,857 |
| Trade and other payables | (919,317) |
| Borrowings – current | (125,145) |
| Employee benefits – current | (107,817) |
| Borrowings – non current | (214,465) |
| Employee benefits – non current | (29,184) |
| Provisional fair value of the net assets of Enspire | 2,479 |
| | |
| **PROVISIONAL GOODWILL ON ACQUISITION** | **1,768,160** |

## 18. BUSINESS ACQUISITIONS (CONTINUED)

### ASIAN PACIFIC TELECOMMUNICATIONS PTY LTD

On 1 March 2018, the Company completed the acquisition of 100% of the shares in Asian Pacific Telecommunications Pty Ltd (Aptel) (ABN 42 091 353 374). Aptel's principal activities are operating as a voice, data and cloud communications service provider and aggregator.

The acquisition met the definition of a business combination in accordance with AASB 3 Business Combinations. As such, the entity purchased has been consolidated into the Group from the date of acquisition. The consideration for the purchase was as detailed below:

| | $ |
|---|---|
| Cash consideration paid | 3,079,215 |
| Cash consideration payable (Note 15) | 3,000,000 |
| **TOTAL CONSIDERATION** | **6,079,215** |

The provisional fair value of the net assets acquired were:

| | $ |
|---|---|
| Cash and cash equivalents | 445,583 |
| Trade and other receivables | 590,943 |
| Property, plant & equipment | 687,492 |
| Deferred tax asset | (31,533) |
| Trade and other payables | (378,063) |
| Employee benefits – current | (93,187) |
| Provision for Tax | (195,173) |
| Employee benefits – non current | (20,338) |
| Provisional fair value of the net assets of Aptel | 1,005,724 |
| | |
| **PROVISIONAL GOODWILL ON ACQUISITION** | **5,073,491** |

## 19. ISSUED CAPITAL

| | Consolidated 30 June 2018 | Consolidated 30 June 2017 |
|---|---|---|
| (A) ISSUED AND PAID-UP CAPITAL | | |
| Ordinary Shares fully paid | 8,774,955 | 520,002 |

| | No. | $ |
|---|---|---|
| (B) MOVEMENT IN ORDINARY SHARES ON ISSUE | | |
| Balance at 1 July 2017 | 18,157,975 | 520,002 |
| Issue of ordinary shares to Enspire Australia Pty Ltd vendors [1] | 4,000,000 | 1,000,000 |
| Issue of ordinary shares at IPO [2] | 16,130,000 | 4,032,500 |
| Issue of ordinary shares to seed shareholders on conversion of convertible notes [3] | 5,932,499 | 560,000 |
| Issue of ordinary shares to employees under Employee Share Plan [4] | 184,000 | 26,000 |
| Issue of ordinary shares relating to March 2018 capital raising [5] | 5,849,071 | 3,509,443 |
| Share issue costs | - | (872,990) |
| | | |
| **AT 30 JUNE 2018** | **50,253,545** | **8,774,955** |

[1] 4,000,000 Shares were issued at $0.25 on 14 November 2017 to the Enspire Vendors
[2] 16,130,000 shares were issued at $0.25 on 16 November 2017 to IPO subscribers
[3] 5,932,499 shares were issued at $0.09 on 17 November 2017 after conversion of $560,000 of convertible notes raised on 16 July 2017.
[4] On 17 November 2017 184,000 shares were issued to staff of the 5G Group
[5] On 19 March 2018 5,849,071 shares were issued at $0.60 as part of a capital raising

## 19. ISSUED CAPITAL (CONTINUED)

### ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

### SHARE BASED PAYMENTS - EMPLOYEE SHARES

On 16 November 2017, 184,000 ordinary shares were issued to employees under an Employee Share Plan for total consideration of $26,000.

Shares acquired under this plan carry all of the same rights and obligations of other shares, except for any rights attaching to shares by reference to a record date prior to the date of issue or transfer.

### SHARE BASED PAYMENTS – PERFORMANCE RIGHTS

During the year the Group issued 5,000,000 performance rights to key management personnel under an Employee Share Plan as a means of rewarding and incentivising key employees.

Further details of the performance rights, including details of rights issued during the financial year, are set out in Note 20.

## 20. SHARE-BASED PAYMENTS - PERFORMANCE RIGHTS AND EXECUTIVE SHARE OPTIONS

### LONG TERM INCENTIVE PLAN (LTIP)

In line with its remuneration policy, the Board approved the adoption of a LTIP whereby performance rights and share options were issued to key executives and senior leaders of the Group.

The key criteria for the LTIP are as follows:

- Tranche 1 performance rights issued to the Joseph Demase (Managing Director) require the fulfillment of turnover and EBIT targets, as well as completion of a 3 year tenure period.
- Tranche 2-5 share options require the completion of tenure periods between of 2 and 3 years.

The Performance Rights and options will not give the holder a legal or beneficial interest in ordinary fully paid shares in 5G Networks until those Performance Rights and options vest. Prior to vesting, Performance Rights and options do not carry a right to vote or receive dividends. When the Performance Rights and options have vested, ordinary fully paid shares will be allocated, and these shares will rank equally with existing 5G Networks shares.

### 20. SHARE-BASED PAYMENTS - PERFORMANCE RIGHTS AND EXECUTIVE SHARE OPTIONS (CONTINUED)

The Performance Rights and Executive Share Options over Ordinary Shares have been issued in five tranches as set out below.

| | 2017 Tranche 1 (2017-1) | 2017 Tranche 2 (2017-2) | 2017 Tranche 3 (2017-3) | 2018 Tranche 4 (2018-1) | 2018 Tranche 5 (2018-2) |
|---|---|---|---|---|---|
| Issue Date | 14 Sept 2017 | 14 Sept 2017 | 14 Sept 2017 | 6 Mar 2018 | 6 Mar 2018 |
| Vesting Date | 14 Oct 2020 | 14 Oct 2019 | 14 Oct 2020 | 6 Mar 2020 | 6 Mar 2021 |
| Expiry Date | 14 Oct 2020 | 14 Oct 2019 | 14 Oct 2020 | 6 Mar 2020 | 6 Mar 2021 |
| Exercise Price | 0.30 | 0.30 | 0.30 | 0.80 | 0.80 |
| Amount Payable on Grant | - | - | - | - | - |
| Performance Hurdles | Service tenure from Grant to Vesting as well as achievement of Revenue and EBIT targets. | Service tenure from Grant to Vesting. | Service tenure from Grant to Vesting. | Service tenure from Grant to Vesting. | Service tenure from Grant to Vesting. |
| **Performance Rights Granted to:** | | | | | |
| Joseph Demase | 5,000,000 | | | | |
| **Share Options Granted to:** | | | | | |
| Albert Cheok | | 225,000 | 225,000 | | |
| Joseph Gangi | | 200,000 | 200,000 | | |
| Geoffrey Nicholas | | 150,000 | 150,000 | | |
| Garry White | | 150,000 | 150,000 | 150,000 | 150,000 |
| Other Employees | | 300,000 | 300,000 | 150,000 | 150,000 |

## 20. SHARE-BASED PAYMENTS - PERFORMANCE RIGHTS AND EXECUTIVE SHARE OPTIONS (CONTINUED)

### FAIR VALUE OF PERFORMANCE RIGHTS AND OPTIONS ISSUED

| | Opening Balance | Granted | Vested | Lapsed | Closing Balance | Fair Value |
|---|---|---|---|---|---|---|
| | Qty | Qty | Qty | Qty | Qty | $ |
| DIRECTORS | | | | | | |
| Joseph Demase | - | 5,000,000 | - | - | 5,000,000 | 300,000 |
| Albert Cheok | - | 450,000 | - | - | 450,000 | 39,600 |
| Joseph Gangi | - | 400,000 | - | - | 400,000 | 35,200 |
| OTHER KEY MANAGEMENT PERSONNEL | | | | | | |
| Geoffrey Nicholas | - | 300,000 | - | - | 300,000 | 23,100 |
| Garry White | - | 600,000 | - | - | 600,000 | 96,600 |
| OTHER EMPLOYEES | | | | | | |
| Other Employees | - | 900,000 | - | 250,000 | 650,000 | 100,450 |

The weighted average fair value of performance rights and options granted during the year has been assessed by the Directors as being $0.08. This value was calculated using the Black-Scholes pricing model applying the following inputs:

| | |
|---|---|
| Weighted average fair value: | 0.0803 |
| Weighted average life of the rights: | 2.83 years |
| Expected share price volatility: | 80% |
| Risk-free interest rate: | Average 2.0% |

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

The Directors have assessed that the likelihood of exercise of the Tranche 1 performance rights as being 50%. This recognises the uncertainty relating to the achievement of revenue and EBIT growth targets. The Directors have assessed the likelihood of exercise of the Tranche 2-5 share options as being 70% reflecting the uncertainty of employees completing required tenure with the business.

## 21. PARENT INFORMATION

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

### PARENT ENTITY STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| ASSETS | | |
| Current Assets | 3,433 | 337 |
| Non-Current Assets | 8,074 | 108 |
| **TOTAL ASSETS** | **11,507** | **445** |

## 21. PARENT INFORMATION (CONTINUED)

### PARENT ENTITY STATEMENT OF FINANCIAL POSITION
As at 30 June 2018 (continued)

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| LIABILITIES | | |
| Current Liabilities | 3,290 | 28 |
| Non-Current Liabilities | - | - |
| **TOTAL LIABILITIES** | **3,290** | **28** |
| **NET ASSETS** | **8,217** | **417** |
| | | |
| EQUITY | | |
| Issued Capital | 8,775 | 520 |
| Reserves | 134 | - |
| Retained Profits | (692) | (103) |
| **TOTAL EQUITY** | **8,217** | **417** |

### PARENT ENTITY STATEMENT OF COMPREHENSIVE INCOME As at 30 June 2018

| | Consolidated | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **TOTAL PROFIT** | **(588)** | **(103)** |
| **NET COMPREHENSIVE INCOME** | **(588)** | **(103)** |

### GUARANTEES
During the reporting period, 5G Networks Limited had no guarantees.

### CONTINGENT LIABILITIES
The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

## 22. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note1:

| Name of Entity | Country of Incorporation | Equity Holding 2018 | Equity Holding 2017 |
|---|---|---|---|
| 5G Network Operations Pty Ltd (Registered 7 July 2017) | Australia | 100% | - |
| Enspire Australia Pty Ltd (Acquired 13 November 2017) | Australia | 100% | - |
| Asian Pacific Telecommunications Pty Ltd (Acquired 1 March 2018) | Australia | 100% | - |

## 23. FINANCIAL RISK MANAGEMENT

### FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, loans to and from subsidiaries, and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

The Group does not have any derivative instruments at 30 June 2018 or 30 June 2017.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows.

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| | | |
| FINANCIAL ASSETS | | |
| Cash & Cash Equivalents (Note 8) | 3,356,702 | 238,804 |
| Trade & Other Receivables (Note 9) | 1,205,848 | 167,936 |
| **TOTAL FINANCIAL ASSETS** | **4,562,550** | **406,740** |
| | | |
| FINANCIAL LIABILITIES | | |
| Trade & Other Payables (Note 13) | 756,713 | 24,516 |
| Borrowings (Note 15) | 347,052 | - |
| **TOTAL FINANCIAL LIABILITIES** | **1,103,765** | **24,516** |

### TREASURY RISK MANAGEMENT

The Board's overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance

### FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

### FOREIGN CURRENCY RISK

The Group has no material exposure to fluctuations in foreign currencies.

### LIQUIDITY RISK

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Cash flows realised from financial assets in the table below reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

| CONTRACTED MATURITIES AT 30 JUNE 2017 | 0-12 Months $'000 | 1-2 Years $'000 | 2-5 Years $'000 | >5 Years $'000 | Total Cash Flows $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 239 | - | - | - | 239 | 239 |
| Trade & Other Receivables | 168 | - | - | - | 168 | 168 |
| **TOTAL** | **407** | **-** | **-** | **-** | **407** | **407** |

| CONTRACTED MATURITIES AT 30 JUNE 2018 | 0-12 Months $'000 | 1-2 Years $'000 | 2-5 Years $'000 | >5 Years $'000 | Total Cash Flows $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|---|
| Cash & Cash Equivalents | 3,357 | - | - | - | 3,357 | 3,357 |
| Trade & Other Receivables | 1,136 | - | 70 | - | 1,206 | 1,206 |
| **TOTAL** | **4,563** | **-** | **-** | **-** | **4,563** | **4,563** |

The Group has recognised a loss of $20,846 (2017 Nil) in profit and loss in respect of impairment of receivables for the year ended 30 June 2018. The movements in the provision for impairment of receivables were outlined in Note 10.

The table below sets out the maturity periods of the financial liabilities of the consolidated Group as at 30 June 2018 and 30 June 2017. All carrying amounts of equipment finance are discounted contractual cash flows.

| CONTRACTED MATURITIES AT 30 JUNE 2017 | < 6 Months $'000 | 6-12 Months $'000 | 1-2 Years $'000 | 2-5 Years $'000 | >5 Years $'000 | Total Cash Flows $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|---|---|
| Trade & Other Payables | 25 | - | - | - | - | 25 | 25 |
| Borrowings | - | - | - | - | - | - | - |
| **TOTAL** | **25** | **-** | **-** | **-** | **-** | **25** | **25** |

| CONTRACTED MATURITIES AT 30 JUNE 2018 | < 6 Months $'000 | 6-12 Months $'000 | 1-2 Years $'000 | 2-5 Years $'000 | >5 Years $'000 | Total Cash Flows $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|---|---|
| Trade & Other Payables | 757 | - | - | - | - | 757 | 757 |
| Borrowings | 115 | 110 | 78 | 56 | - | 359 | 347 |
| **TOTAL** | **872** | **110** | **78** | **56** | **-** | **1,116** | **1,104** |

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2018 or 30 June 2017.

Credit risk is managed on a Group basis and reviewed regularly by the Board. It arises from exposures to customers as well as through deposits with financial institutions.

The following table provides information regarding the credit risk relating to cash and money market securities based on Moody's counterparty credit ratings.

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| CASH & CASH EQUIVALENTS | | |
| Aa3 rated | 3,356,702 | 238,804 |
| **TOTAL CASH & CASH EQUIVALENTS** | **3,356,702** | **238,804** |

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

### INTEREST RATE AND MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

All of the Group's equipment finance leases are at a fixed interest rate, and while the Group has a small level of term debt, as the Group has cash and cash equivalents in excess of the debt, the Directors consider interest rate and market risk to be low.

### SENSITIVITY ANALYSIS

As the Group's equipment finance leases are not material to the Group and at a fixed interest rate, no sensitivity analysis has been performed, as any +/- variation in interest rates would not have a material impact on the post-tax profit for the remaining period of the loans.

A change in interest rates on the Cash on Deposit would not have a material impact to the Group and therefore no sensitivity analysis has been performed.

### DEBT MATURITY AND REFINANCING RISK

Refinancing risk is the risk that the Group is not able to refinance the full amount of its ongoing debt requirements on appropriate terms and pricing. These exposures are not material to the Group's operations at this point.

## 24. RELATED PARTY TRANSACTIONS

### SUBSIDIARIES

Details relating to subsidiaries are included in Note 22: Subsidiaries.

### ULTIMATE AND DIRECT PARENT

5G Networks Limited is the ultimate parent entity in the wholly owned Group comprising the Company and its wholly owned controlled entities.

### ENTITIES WITH SIGNIFICANT INFLUENCE

The following entities were considered to have significant influence over the Group during the year: Joseph Demase, Managing Director, holds, directly or indirectly, 32% (2017: 39%) of the ordinary shares of 5G Networks.

### KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Short-Term Employee Benefits | 800,563 | - |
| Long-Term Employee Benefits | 60,656 | - |
| Share based Payments | 128,900 | - |
| **NET COMPREHENSIVE INCOME** | 990,119 | - |

### 24. RELATED PARTY TRANSACTIONS (CONTINUED)

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 10.

#### TRANSACTIONS WITH RELATED PARTIES

During the year, the Group has conducted the following related party transactions:

- Management fees paid to 5G Networks Limited by its controlled entities for FY18: $254,447 (FY17: NIL)
- Management fees paid to 5G Network Operations Pty Ltd by related Group entities for FY18: $298,615 (FY17: NIL)
- Management fees paid to Enspire Pty Ltd by related Group entities for FY18: $49,535 (FY17: NIL)
- A total of $91,504 (FY17: NIL) was paid to Studio Inc, an entity related to Joe Demase, for the design of marketing materials for the Group. All transactions are carried at commercial third party rates.

#### TERMS AND CONDITIONS OF RELATED PARTY TRADING TRANSACTIONS

Fees charged by 5G Networks Limited, 5G Network Operations Pty Ltd and Enspire Pty Ltd to the members of the Group are in respect of these companies acting as a provider of corporate services to the Group. Operational loans for day to day working capital between the Company and its controlled entities are unsecured and advanced on an interest free basis.

Purchases from related parties are made at arm's length at normal market prices and on normal commercial terms. The Group settles related party trade payables according to the payment conditions confirmed by the supplier of invoices and are non interest bearing and generally on 30 day terms from invoice.

#### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

At the end of the year an amount of $23,595 was outstanding as an unsecured loan to Geoffrey Nicholas (Company Secretary). This related to the discharge of liabilities of Enspire Australia Pty Ltd that are to be settled by the former owners of that business under an indemnity payment agreement.

At the end of the year an amount of $70,000 was outstanding as an unsecured loan to Garry White (National Sales Director). This related to an issue of 1,400,000 shares on 29 June 2017. The funds to finance the share purchase were loaned by the Company as a non-recourse loan which is repayable the earlier of 17 July 2020 or upon sale of issued shares.

At the end of the previous financial year an amount of $83,000 was outstanding as an unsecured loan to Joe Demase (Managing Director). This was related to a short-term loan provided to JD Management Group Pty Ltd for the balance of unpaid shares issued 29 June 2017.

### 25. CAPITAL & LEASING COMMITMENTS

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| LEASE COMMITMENTS - OPERATING | | |
| Committed at the reporting date but not recognised as liabilities payable: | | |
| Within one year | 231,578 | - |
| One to five years | 773,586 | - |
| More than five years | - | - |
| **TOTAL LEASE COMMITMENTS - OPERATING** | **1,005,164** | **-** |

Operating lease commitments include contracted amounts for various offices under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. On renewal, the terms of the leases will be renegotiated.

### 25. CAPITAL & LEASING COMMITMENTS (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| COMMITMENTS IN RELATION TO NON-CANCELLABLE FINANCE LEASES ARE AS FOLLOWS: | | |
| Not Later Than 1 Year | 203,828 | - |
| Later Than 1 Year But Not Later Than 5 Years | 68,297 | - |
| Minimum Lease Payments | 272,125 | - |
| Less Future Finance Charges | (12,011) | - |
| | **260,114** | **-** |
| Representing Finance Lease Commitments | | |
| Current (Note 16) | 193,937 | - |
| Non-Current (Note 16) | 66,177 | - |
| **TOTAL LEASE COMMITMENTS - FINANCING** | **260,114** | **-** |

### 26. REMUNERATION OF AUDITORS

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| During the financial year the following fees were paid or payable for services provided by PKF: | | |
| Audit Services | 47,750 | - |
| IPO related services | 50,600 | - |
| Tax compliance services | 19,500 | - |
| **TOTAL** | **117,850** | **-** |

### 27. COMMITMENTS

The Group has no commitments or contingencies as at 30 June 2018 (30 June 2017: Nil)

### 28. SUBSEQUENT EVENTS

On 3 August 2018 the Company completed the purchase of Hostworks Pty Ltd and Anittel Pty Ltd for total consideration of $5.7 million. The total cash consideration is $2.0 million, with 5G assuming leave provisions and debt liabilities. These businesses are complimentary to the existing Group's operations.

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

# DIRECTOR'S DECLARATION

In the directors' opinion:

(a) The financial statements and notes of 5G Networks Limited for the year ended 30 June 2018 are in accordance with the Corporations Act 2001, including:
  (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  (ii) complying with Accounting Standard AASB 134 Financial Reporting, the Corporations Regulations 2001 and other mandatory reporting requirements ; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board of Directors

Joseph Demase
Managing Director
Melbourne, 20th September 2018

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 5G NETWORKS LIMITED**

**Report on the Financial Report**

**Opinion**

We have audited the accompanying financial report of 5G Networks Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

(a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial 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. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

**Independence**

We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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| Key audit matter – Impairment of goodwill | How our audit addressed this matter |
|---|---|
| As at 30 June 2018 the carrying value of goodwill was $6,841,651 (2017: $nil), as disclosed in Note 11. The Consolidated Entity's accounting policy in respect of goodwill is outlined in Note 1 in conjunction with Note 2 critical accounting, judgements, estimates and assumptions.<br><br>An annual impairment test for goodwill and other indefinite life intangible assets is required under AASB 136 Impairment of Assets.<br><br>As outlined in Notes 1 and 11, management assessed the carrying amount of goodwill through impairment testing utilising a board approved value in use forecast model in which significant judgements are applied in determining key assumptions.<br><br>These assumptions include the assessment of future revenue growth expected to be achieved, as well as the weighted average cost of capital. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of goodwill, and accordingly the amount of any impairment charge, or reversal of impairment, to be recorded in the current financial year.<br><br>The evaluation of the recoverable amount requires the group to exercise significant judgement in determining key assumptions, which include:<br><br>• 5 year cash flow forecast;<br>• Discount rate; and<br>• Growth rate.<br><br>The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets including goodwill is a key audit matter. | Our audit procedures included but were not limited to assessing and challenging:<br><br>• the process that management undertakes to evaluate whether there are any indicators of impairment;<br>• the assumption of one CGU being appropriate;<br>• the assumptions used for the future growth rate by comparing normalised average growth rate adopted in the impairment model;<br>• the key assumptions for long term growth in the forecast cash flows by assessing and challenging the growth rate used in the forecast model, including comparing the growth rate in the industry;<br>• assessing and challenging the discount rate applied in the forecast model;<br>• testing, on a sample basis, the mathematical accuracy of the cash flow models; and<br>• performing sensitivity analysis in relation to key assumptions including discount rate and growth rate. |

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| Key audit matter – Business combinations | How our audit addressed this matter |
|---|---|
| During the year, the Consolidated Entity acquired 100% interest in the following entities:<br>• Enspire Australia Pty Ltd<br>• Asia Pacific Telecommunications Group<br>As disclosed in Note 17, as part of the business combination transactions, the Consolidated Entity recognised goodwill of $6.841 million. Significant judgement is required in valuing the acquired identifiable intangible assets and allocation of goodwill.<br>Acquisition accounting involves the recognition and measurement of identifiable assets and liabilities at their fair value. This process is inherently complex and requires a level of judgement and assumptions. We have determined that the accounting relating to the acquisition of the above entities during the year represents a key audit matter. | Our audit procedures included, but were not limited to:<br>• considering the Consolidated Entity's assessment of the application of AASB 3 Business Combinations;<br>• reviewing the provisional accounting entries associated with the business combinations;<br>• assessing the methodology applied to recognise the fair value of identifiable assets and liabilities;<br>• validating inputs of the components of the business combinations to underlying support including settlement contracts; and<br>• Reviewing the related financial statement disclosures for the acquisitions for consistency with the relevant financial reporting standards. |

| Key audit matter – Revenue recognition | How our audit addressed this matter |
|---|---|
| The Consolidated Entity's sales revenue amounted to $5,405,975 during the year.<br>Note 2 describes the accounting policies applicable to distinct revenue streams, noting that revenue from non-recurring services such as set-up charges and hardware sales are recognised on delivery of the service or product, while revenue from recurring access and rental services is invoiced on a monthly basis. APTel recognises a provision for revenue in advance as recurring services are invoiced mid-month. Unearned revenue is disclosed in Note 16.<br>The recognition of revenue and associated unearned revenue is considered a key audit matter due to the varied timing of recognition relative to the different revenue streams and the relative complexity of processes supporting the accounting for each. | Our procedures included, but were not limited to, the following:<br>• understanding the nature of sources of revenue and basis of recognition and potential changes under AASB 15.<br>• testing of transactions as to the consistency of application of processes to recognise revenue and associated costs of sale, and the accounting for separate elements of transactions in accordance with accounting policies; and<br>• completing substantive work supplemented by analytical review, control testing as appropriate and inquiries of management. |

**Other Information**

Other information is financial and non-financial information in the annual report of the Consolidated Entity which is provided in addition to the financial report and our Auditor's Report thereon. The directors are responsible for the other Information in the annual report.

Our opinion on the financial report does not cover the other Information and, accordingly, we do not express any form of assurance conclusion thereon, with the exception of our opinion on the Remuneration Report.

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

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

**Directors' responsibility for the Financial Report**

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

In preparing the financial report, the Directors are responsible for assessing the Consolidated Entity'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 Consolidated Entity or cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 and conditions that may cast significant doubt on the Consolidated Entity'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 on the financial report. 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 Consolidated Entity to cease to continue as a going concern.

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

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 that were of most significance in the audit of the financial report of the current year and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a 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**

**Opinion**

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018. In our opinion, the Remuneration Report of 5G Networks Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

**Responsibilities**

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

**PKF**
**Melbourne, 24 September 2018**

**Kenneth Weldin**
**Partner**

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