# United Networks Limited

**ABN 60 607 921 246**

# Annual Financial Report - 30 June 2020

**United Networks Limited**
**Corporate directory**
**30 June 2020**

| | |
|---|---|
| Directors | Anthony Ghattas - Chairman<br>Victor Tsaccounis - Chief Executive Officer<br>Charbel Nader |
| Company secretary | Michael Potts |
| Registered office and principal place of business | Suite 1.03, Level 1<br>6-10 Talavera Road<br>Macquarie Park<br>NSW 2113<br>Phone:(02) 9003 9573 |
| Share register | Advanced Share Registry Services<br>110 Stirling Highway<br>Nedlands<br>WA 6009<br>Phone: (08) 9389 8033 |
| Auditor | Rothsay Chartered Accountants<br>Level 1, 12 O'Connell Street<br>Sydney<br>NSW 2000 |
| Solicitors | Sekel Grinberg Lawyers<br>Level 8 - Currency House<br>23 Hunter Street<br>Sydney<br>NSW 2000 |
| Bankers | National Australia Bank<br>85-95 Marrickville Rd<br>Marrickville<br>NSW 2204<br><br>Westpac Banking Corporation<br>425 Victoria Ave<br>Chatswood<br>NSW 2067<br><br>St George Bank<br>Level 3<br>1 Chifley Square<br>Sydney<br>NSW 2000 |
| Stock exchange listing | United Networks Limited shares are listed on the Australian Securities Exchange (ASX code: UNL) |
| Website | www.unitednetworks.net.au |
| Corporate Governance Statement | www.unitednetworks.net.au/investors#corporateGovernance |

**United Networks Limited**
**Directors' report**
**30 June 2020**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of United Networks Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

## Directors

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

Anthony Ghattas
Victor Tsaccounis (appointed 22 October 2019)
Charbel Nader
Nicholas Ghattas (resigned 22 October 2019)

## Acquisition of Broadlands Group and structure of this report

On 21 October 2019 United Networks Limited acquired 100% of Broadland Solutions Pty Limited (BLS) and Broadland Victoria Pty Limited (BLV) in exchange for United Networks Limited issuing the shareholders of BLS and BLV 266,554,433 ordinary shares in United Networks Limited, representing 66% of the total ordinary shares in United Networks Limited post the acquisition.

Under the terms of AASB 3 *Business Combinations*, BLS is deemed to be the accounting acquirer in the business combination. The BLS transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of United Networks Limited have been prepared as a continuation of the consolidated financial statements of the BLS. BLS as the deemed acquirer, has accounted for the acquisition of United Networks Limited and its controlled entities at 21 October 2019. The comparative information from 1 July 2018 to 30 June 2019, and at 30 June 2019 presented in the consolidated financial statements is that of BLS, unless otherwise stated. Refer to note 1 and note 31 of the financial statements for further details of the business combination.

## Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:
- sale, customisation and integration of IT and telecommunications systems
- maintenance of IT and telecommunications systems
- internet based selling of hardware and software products

## Dividends

Dividends paid/payable during the financial year were as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Dividends paid/payable to shareholders of United Networks Limited | - | - |

Broadland Solutions Pty Limited (accounting acquirer) paid dividends of $580,000 (2019: $499,950) to its shareholders prior to its acquisition by United Networks Limited.

## Review of operations

The profit for the consolidated entity after providing for income tax amounted to $2,626,165 (30 June 2019: $528,943).

UNL achieved its first annual statutory net profit after tax of $2.6m for FY20 with an EBITDA result of $1.7m. This profit was generated on revenue of $16.3 million, a 29.6% increase compared to the reported results in the prior year. Final cash position at the end of the year was $2.9m.

Reconciliation of profit before income tax to EBITDA and Adjusted EBITDA (unaudited):

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Profit before income tax expense | 999,239 | 926,449 |
| Finance costs | 48,785 | 235 |
| Interest revenue | (4,970) | (6,929) |
| Depreciation expense | 122,085 | 32,622 |
| Amortisation expense | 574,262 | - |
| EBITDA | 1,739,401 | 952,377 |
| Acquisition costs | 180,417 | - |
| Adjusted EBITDA | 1,919,818 | 952,377 |

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

Business transformation achievements FY2020
- New CEO and experienced executive team
- Established Managed Service Division
- Reduced carriage costs through scale
- New CRM with marketing automation
- Integration to one billing platform
- Integration to one accounting platform
- Implementation of new operating methodology

Acquisitions completed in the last 12 months
- Broadland Solutions Pty Ltd
- Broadland Victoria Pty Ltd
- Nextcom (Asset acquisition)
- Vokal Pty Limited (Vokal) (formerly Symmetry Networks Pty Limited)
- C3 Innovations (Asset acquisition - acquired August 2020)

Key Financial Outcomes (Compared to the previous corresponding period, unless noted otherwise)

*Statutory result*
- Statutory Revenue was up 29.6% to $16.3m from $12.5m
- Statutory NPBT (net profit before income tax benefit) was up 7.9% to $1.0m up from $0.9m.
- Statutory NPAT $2.6m (net profit after tax includes income tax benefit of $1.6m)
- Cash at year end $2.9m

*Underlying result (Normalised)*
- Aggregated sales revenue was up 440% to $16.3m from $3.0m
- Underlying EBITDA was up to $1.7m (includes $0.2m in acquisitions and transition costs) from an EBITDA loss of $0.07m
- Underlying EBIT was up to $1.0m from an EBIT loss of $1.1m
- Underlying NPAT up to $2.6m from a net loss after tax of $1.1m
- Underlying NPAT margin was 18.2% of Sales

The above summary of underlying results is a comparison of the current year results with the historical results of UNL that were extracted from its financial report for the year ended 30 June 2019.

**Significant changes in the state of affairs**
Refer to paragraph *Acquisition of Broadlands Group and structure of this report* for details of reverse acquisition transaction.

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

## Matters subsequent to the end of the financial year

On 4 August 2020, the company announced the acquisition of the business assets of C3 Innovations Pty Limited (C3 Innovations). C3 Innovations is a specialised service provider of unified communications, and hosted and managed data solutions to companies. The acquisition consideration paid by UNL for the business assets of C3 Innovations consists of a $250,000 cash payment, issue of 3,750,000 shares in UNL and a 12-month EBIT performance bonus payment of $250,000 if the forecast is achieved.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Likely developments and expected results of operations

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

## Environmental regulation

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

## Information on directors

| | |
|---|---|
| Name: | Anthony Ghattas |
| Title: | Non-executive Chairman |
| Qualifications: | None |
| Experience and expertise: | Anthony Ghattas is the former CEO of ASX listed, digital and mobile content development company HWW Limited. Anthony is the Founder and Managing Director of United Lifestyle Group, he has extensive experiences in direct to customer marketing in Australia and overseas which retails consumer direct wines under multiple brands in Australia and New Zealand. Over the last 15 years, Anthony has seen to the growth of United Lifestyle Group across multiple continents. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chairman |
| Interests in shares: | 38,238,124 |
| Interests in options: | 5,250,000 |

| | |
|---|---|
| Name: | Victor Tsaccounis |
| Title: | Director and Chief Executive Officer (appointed 22 October 2019) |
| Qualifications: | None |
| Experience and expertise: | Victor Tsaccounis has over 20 years' experience in the telecommunications industry. He has held senior roles including Head of Business at Vodafone where he successfully integrated his 2 business units during the merger of 3 Mobile and Vodafone in Australia. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chief Executive Officer |
| Interests in shares: | 72,383,316 |
| Interests in options: | None |

| | |
|---|---|
| Name: | Charbel Nader |
| Title: | Non-executive Director |
| Qualifications: | BCom (University of Melbourne), Master of Applied Finance (University of Melbourne) |
| Experience and expertise: | Charbel Nader is an investment banker with extensive experience in corporate finance and strategic advisory roles, including experience in mergers and acquisitions. Charbel was the Founding Chairman of Metro Media Publishing Pty Ltd. Charbel is a Director of Madman Entertainment Pty Ltd and Chairman of New Talisman Gold Mines Limited. |
| Other current directorships: | Chairman - New Talisman Gold Mines Limited (since 24 August 2016) |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | 90,000 |
| Interests in options: | 3,500,000 |

| | |
|---|---|
| Name: | Nicholas Ghattas |
| Title: | Director and Chief Executive Officer (resigned 22 October 2019) |
| Qualifications: | BCom (University of New South Wales) |
| Experience and expertise: | Nicholas Ghattas has more than 20 years of experience in telecommunications. He has experience in sourcing, developing, building and managing mobile solutions businesses, Nicholas has delivered telecommunications solutions to Enterprise clients. His experience includes roles such as Corporate Financial Accountant at Coopers & Lybrand (PwC) and Director of a mobile retail outlet. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chief Executive Officer until 22 October 2019 and Chief Operating Officer thereafter |
| Interests in shares: | 38,208,124* |
| Interests in options: | 5,250,000* |

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

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

* Interests in the shares and options of the company as at the date of resignation as a director.

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

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Anthony Ghattas | 8 | 8 |
| Victor Tsaccounis (appointed 22 October 2019) | 7 | 7 |
| Charbel Nader | 8 | 8 |
| Nicholas Ghattas (resigned 22 October 2019) | 1 | 1 |

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

An Audit Committee has been formed but did not meet during the year to 30 June 2020. There are no other separate Board committees.

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

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

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The approval of a maximum annual aggregate remuneration for non-executive directors will be tabled at a general meeting of the company. The amount paid to non-executive directors of the parent entity (United Networks Limited) during the year to 30 June 2020 was $157,680.

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

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

*(ii) Short-term incentives*
*Chief Executive Officer and Chief Operating Officer*
The Chief Executive Officer and Chief Operating Officer are eligible for short-term incentive (STI) cash bonus payments based on the achievement of the KPIs specified in their respective executive service agreements. The KPIs for bonus purposes are determined for each financial year of the term of their service agreements. The aim of the STI is to link the achievement of the consolidated entity's annual and/or immediate financial and broader operational targets with the remuneration received by the Chief Executive Officer and Chief Operating Officer. The total potential STI is set at a level so as to provide sufficient incentive to achieve the operational targets and at a cost to the consolidated entity that is reasonable in the circumstances. Actual STI payments awarded to the Chief Executive Officer and Chief Operating Officer depend on the extent to which specific targets prescribed in the performance agreement for a financial year are met and are limited to a maximum of $97,500 each. The total cash bonus for each executive is $75,000 if the key performance indicators are achieved. If the actual results are at least 10% over budget, 20% or 30% over budget, an additional $7,500 is paid for the achievement of each level.

The Chief Executive Officer and Chief Operating Officer are entitled to bonuses of $90,000 and $58,750 respectively in respect of the 30 June 2020 financial year. The bonuses were accrued for at 30 June 2020 and were paid post year end.

The targets for the financial year ended 30 June 2020 consisted of the following key performance indicators:
Chief Executive Officer:
- EBITDA of $1.5m - weighting: 100%

Chief Operating Officer:
- EBITDA of $1.5m - weighting: 75%
- SIM revenue targets for Quarter 3 and Quarter 4 of $165,000 and $247,000 respectively - weighting: 25%

The use of EBITDA is considered an appropriate measure as it is a reliable indicator of core operating performance that can be easily determined and benchmarked and reflects improvements in both revenue and cost control. The SIM revenue targets have been chosen as they are critical to the role of the individual.

*(iii) Long-term incentives*
The long-term incentives include share-based payments. Options to acquire shares may be awarded to executives. There were no options granted in the 2020 financial year.

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

*Use of remuneration consultants*
The company did not engage remuneration consultants during the financial year ended 30 June 2020.

*Voting and comments made at the company's 21 October 2019 Annual General Meeting ('AGM')*
At the 21 October 2019 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

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

The key management personnel of the consolidated entity consisted of the following directors of United Networks Limited:
- Anthony Ghattas - Non-executive Chairman
- Victor Tsaccounis - Director and Chief Executive Officer (appointed 22 October 2019)
- Charbel Nader - Non-executive Director

And the following persons:
- Nicholas Ghattas - Chief Operating Officer (Director and Chief Executive Officer until 22 October 2019)
- Michael Potts - Chief Finance Officer

The following information includes the historical information for United Networks Limited for the period but does not include the information for Broadland Solutions Pty Ltd prior to the reverse acquisition in October 2019.

| | Short-term benefits | | | | Post-employment benefits | Long-term benefits | |
|---|---|---|---|---|---|---|---|
| **2020** | Cash salary and fees $ | Bonus $ | Other benefits (iii) $ | Annual leave accrual (iv) $ | Super-annuation $ | Long service leave (iv) $ | Total $ |
| *Non-Executive Directors:* | | | | | | | |
| Anthony Ghattas | 96,000 | - | - | - | 9,120 | - | 105,120 |
| Charbel Nader | 48,000 | - | - | - | 4,560 | - | 52,560 |
| *Executive Directors:* | | | | | | | |
| Victor Tsaccounis (i) | 133,331 | 90,000 | - | (1,374) | 11,147 | 3,933 | 237,037 |
| *Other Key Management Personnel:* | | | | | | | |
| Nicholas Ghattas (ii) | 244,879 | 58,750 | 76,648 | (50,741) | 14,410 | (15,733) | 328,213 |
| Michael Potts | 181,784 | - | 10,200 | (8,154) | 17,266 | 695 | 201,791 |
| | 703,994 | 148,750 | 86,848 | (60,269) | 56,503 | (11,105) | 924,721 |

(i) Victor Tsaccounis was appointed a Director on 22 October 2019.
(ii) Nicholas Ghattas resigned as a Director on 22 October 2019 and was appointed Chief Operating Officer on the same date.
(iii) Other benefits include an encashment of annual leave and long service leave entitlements.
(iv) Represents the net movement in the leave entitlement balances.

| | Short-term benefits | | Post-employment benefits | Long-term benefits | |
|---|---|---|---|---|---|
| **2019** | Cash salary and fees $ | Annual leave accrual $ | Super-annuation $ | Long service leave $ | Total $ |
| *Non-Executive Directors:* | | | | | |
| Anthony Ghattas | 6,000 | - | 1,330 | - | 7,330 |
| Charbel Nader | 8,000 | - | 760 | - | 8,760 |
| *Executive Directors:* | | | | | |
| Nicholas Ghattas | 223,615 | (8,560) | 4,275 | 28,889 | 248,219 |
| *Other Key Management Personnel:* | | | | | |
| Michael Potts | 181,900 | 3,794 | 16,796 | 523 | 203,013 |
| | 419,515 | (4,766) | 23,161 | 29,412 | 467,322 |

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

| | Fixed remuneration | | At risk - STI | At risk - LTI |
|---|---|---|---|---|
| Name | 2020 | 2019 | 2020 | 2020 |
| *Non-Executive Directors:* | | | | |
| Anthony Ghattas | 100% | 100% | - | - |
| Charbel Nader | 100% | 100% | - | - |
| *Executive Directors:* | | | | |
| Victor Tsaccounis | 62% | - | 38% | - |
| *Other Key Management Personnel:* | | | | |
| Nicholas Ghattas | 82% | 100% | 18% | - |
| Michael Potts | 100% | 100% | - | - |

The proportion of the cash bonus paid/payable or forfeited is as follows:

| | Cash bonus paid/payable | | Cash bonus forfeited | |
|---|---|---|---|---|
| Name | 2020 | 2019 | 2020 | 2019 |
| *Executive Directors:* | | | | |
| Victor Tsaccounis | 92% | - | 8% | - |
| *Other Key Management Personnel:* | | | | |
| Nicholas Ghattas | 60% | - | 40% | - |

***Service agreements***

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

| | |
|---|---|
| Name: | Victor Tsaccounis |
| Title: | Chief Executive Officer |
| Agreement commenced: | 22 October 2019 |
| Term of agreement: | On-going |
| Details: | Base salary of $200,000 per annum to be reviewed annually by the Board and an annual cash bonus of up to $97,500. The cash bonus is dependent on the achievement of KPI's. The contract may be terminated by the company giving 12 months notice and the CEO giving the greater of 4 weeks and the notice required under the Fair Work Act. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments. |

| | |
|---|---|
| Name: | Nicholas Ghattas |
| Title: | Chief Operations Officer (resigned as Chief Executive Officer on 22 October 2019) |
| Agreement commenced: | 1 November 2015 and amended on 30 November 2019 |
| Term of agreement: | On-going |
| Details: | With effect from 1 December 2019, base salary was decreased from $295,000 to $200,000 per annum to be reviewed annually by the Board and an annual cash bonus of up to $97,500. The cash bonus is dependent on the achievement of KPI's. The contract may be terminated by the company giving 12 months notice and the CEO giving the greater of 4 weeks and the notice required under the Fair Work Act. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments. |

| | |
|---|---|
| Name: | Michael Potts |
| Title: | Chief Finance Officer |
| Agreement commenced: | 31 August 2015 |
| Term of agreement: | On-going |
| Details: | Base salary of $176,800 per annum. The contract may be terminated by either party giving to the other party notice in accordance with an applicable Industrial Instrument of the Fair Work Act. There is no provision in the contract for a payout on termination other than accrued pay, leave entitlements or other statutory payments. |

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

***Share-based compensation***

*Issue of shares*
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020 (2019: nil).

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

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

Options granted carry no dividend or voting rights.

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

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

***Additional information***
The following data for the 2019 and prior financial years, relates to United Networks Ltd and its controlled entities (UNL) only and does not include any data from Broadland Solutions Pty Ltd (BLS). The 2020 data represents the results of BLS for period from 1 July 2019 to 30 June 2020 and the results of UNL and for the period 21 October 2019 to 30 June 2020.

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

| | 2020 $ | 2019 $ | 2018 $ | 2017 $ | 2016 $ |
|---|---|---|---|---|---|
| Sales revenue | 14,469,167 | 2,335,694 | 2,617,734 | 5,142,500 | 6,926,658 |
| EBITDA | 1,739,401 | (71,988) | (17,865,504) | (309,067) | 1,019,643 |
| EBIT | 1,043,054 | (1,115,980) | (18,840,274) | (1,050,522) | 347,477 |
| Profit/(loss) after income tax | 2,626,165 | (1,132,092) | (19,268,609) | (1,037,177) | 337,001 |

***Additional disclosures relating to key management personnel***

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

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Anthony Ghattas | 38,238,124 | - | - | - | 38,238,124 |
| Victor Tsaccounis | - | - | 72,383,316 | - | 72,383,316 |
| Charbel Nader | 90,000 | - | - | - | 90,000 |
| Nicholas Ghattas | 38,208,124 | - | - | - | 38,208,124 |
| Michael Potts | 25,000 | - | - | - | 25,000 |
| | 76,561,248 | - | 72,383,316 | - | 148,944,564 |

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

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

*Loans to key management personnel and their related parties*
There were no loans owing by key management personnel of the group, including their close family members and entities related to them, at 30 June 2020 and 30 June 2019.

*Other transactions with key management personnel and their related parties*
The consolidated entity sold telephone and internet services during the year in the sum of $48,565 (2019: $180,058) to 1 entity (2019: 7 entities) in which Mr Anthony Ghattas is a director and a controlling shareholder. The contracts were based on normal commercial terms and conditions.

The consolidated entity purchased goods and services (rent, parking, shared office services and amenities and HR services) during the year in the sum of $228,024 (2019: $182,721) from 3 entities (2019: 5 entities) in which Mr Anthony Ghattas is a director and a controlling shareholder. The contracts were based on normal commercial terms and conditions.

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

Included in current borrowings at 30 June 2020 is a promissory note due to a director related entity of $127,841 (2019: $155,692). The promissory note is secured under a General Security Agreement and interest is charged at the average bid rate for bills plus a margin of 3%.

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

*Amounts recognised as revenue*
Sale of goods: $nil (2019: $117,975)
Services: $48,565 (2019: $62,083)

*Amounts recognised as expenses*
Administration: $228,024 (2019: $182,721)
Interest paid: $5,522 (2019: $11,629)

*Amounts recognised as trade and other receivables*
Trade receivables: $12,794 (2019: $118,298)
Security deposit: $nil (2019: $39,331)

*Amounts recognised as trade and other payables*
Trade payables: $nil (2019: $nil)

*Amounts recognised as borrowings*
Promissory note: $127,841 (2019: $155,692)

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2020.

***This concludes the remuneration report, which has been audited.***

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

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 1 July 2016* | 11 November 2021 | $0.300 | 14,000,000 |
| 2 November 2016** | 2 November 2021 | $0.300 | 1,000,000 |
| 11 November 2016*** | 11 November 2021 | $0.300 | 1,000,000 |
| | | | 16,000,000 |

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

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

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

**Shares issued on the exercise of options**
There were no ordinary shares of United Networks Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

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

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

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

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

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

**Non-audit services**
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

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

On behalf of the directors

DocuSigned by:
CB8D6A5B6E61459...

Victor Tsaccounis
Director

30 September 2020
Sydney

ROTHSAY
CHARTERED ACCOUNTANTS

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

To the Directors of United Networks Limited

As lead auditor of United Networks Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Rothsay Audit & Assurance**

**Frank Vrachas**
Director
Sydney, 30 September 2020

## General information

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

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

Suite 1.03, Level 1
6-10 Talavera Road
Macquarie Park
NSW 2113

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2020. The directors have the power to amend and reissue the financial statements.

**United Networks Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2020**

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Revenue** | 4 | 16,256,779 | 12,539,045 |
| | | | |
| Share of profits of associates accounted for using the equity method | 12 | 53,400 | 95,245 |
| Other income | | 1,369 | - |
| Interest revenue | | 4,970 | 6,929 |
| Gain from deemed disposal of associate shareholding | 12 | 145,968 | - |
| | | | |
| **Expenses** | | | |
| Cost of sales | | (5,705,534) | (3,833,558) |
| Marketing | | (1,089,951) | (1,434,948) |
| Occupancy | | (266,382) | (273,825) |
| Administration | | (7,453,540) | (6,140,950) |
| Acquisition costs | 31 | (180,417) | - |
| Other expenses | | (718,638) | (31,254) |
| Finance costs | 5 | (48,785) | (235) |
| | | | |
| **Profit before income tax (expense)/benefit** | | 999,239 | 926,449 |
| | | | |
| Income tax (expense)/benefit | 6 | 1,626,926 | (397,506) |
| | | | |
| **Profit after income tax (expense)/benefit for the year attributable to the owners of United Networks Limited** | 24 | 2,626,165 | 528,943 |
| | | | |
| Other comprehensive income for the year, net of tax | | - | - |
| | | | |
| **Total comprehensive income for the year attributable to the owners of United Networks Limited** | | 2,626,165 | 528,943 |
| | | | |
| | | **Cents** | **Cents** |
| | | | |
| Basic earnings per share | 35 | 0.76 | 0.22 |
| Diluted earnings per share | 35 | 0.76 | 0.22 |

As set out in note 1, *Business combination - reverse acquisition*, to these financial statements, as a result of the reverse acquisition of United Networks Limited and its controlled entities (UNL) by Broadland Solutions Pty Limited (BLS), the comparative information for 30 June 2019 represents the results for BLS only for the period 1 July 2018 to 30 June 2019. The statement of profit or loss and other comprehensive income for the year ended 30 June 2020 represents the results of BLS for period from 1 July 2019 to 30 June 2020 and the results of UNL for the period 21 October 2019 to 30 June 2020.

**United Networks Limited**
**Statement of financial position**
**As at 30 June 2020**

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 2,899,313 | 2,304,451 |
| Trade and other receivables | 8 | 1,461,357 | 1,039,740 |
| Inventories | 9 | 23,333 | - |
| Financial assets at fair value through profit or loss | 10 | 13,384 | 19,810 |
| Other | 11 | 93,658 | 4,951 |
| Total current assets | | 4,491,045 | 3,368,952 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 12 | - | 95,245 |
| Plant and equipment | 13 | 819,194 | 491,108 |
| Intangibles | 14 | 2,042,714 | 6,230 |
| Deferred tax | 15 | 1,752,024 | - |
| Other | 11 | 102,497 | 92,497 |
| Total non-current assets | | 4,716,429 | 685,080 |
| **Total assets** | | 9,207,474 | 4,054,032 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 1,847,760 | 1,771,640 |
| Borrowings | 18 | 127,841 | - |
| Lease liabilities | 19 | 252,653 | 106,473 |
| Provisions | 20 | 756,104 | 265,149 |
| Other | 21 | 160,000 | - |
| Total current liabilities | | 3,144,358 | 2,143,262 |
| **Non-current liabilities** | | | |
| Contract liabilities | 17 | 20,000 | - |
| Lease liabilities | 19 | 475,713 | 342,515 |
| Deferred tax | 22 | 125,098 | - |
| Provisions | 20 | 101,447 | 171,611 |
| Total non-current liabilities | | 722,258 | 514,126 |
| **Total liabilities** | | 3,866,616 | 2,657,388 |
| **Net assets** | | 5,340,858 | 1,396,644 |
| **Equity** | | | |
| Issued capital | 23 | 2,333,049 | 435,000 |
| Retained profits | 24 | 3,007,809 | 961,644 |
| **Total equity** | | 5,340,858 | 1,396,644 |

As set out in note 1, *Business combination - reverse acquisition*, to these financial statements, as a result of the reverse acquisition of United Networks Limited and its controlled entities (UNL) by Broadland Solutions Pty Limited, the comparative information for 30 June 2019 represents that of BLS as at 30 June 2019. The statement of financial position as at 30 June 2020 represents that of the consolidated entity which consolidates BLS and UNL as at that date.

**United Networks Limited**
**Statement of changes in equity**
**For the year ended 30 June 2020**

| | Issued capital $ | Retained profits $ | Total equity $ |
|---|---|---|---|
| Balance at 1 July 2018 | 435,000 | 932,651 | 1,367,651 |
| Profit after income tax expense for the year | - | 528,943 | 528,943 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 528,943 | 528,943 |
| *Transactions with owners in their capacity as owners:* | | | |
| Dividends paid (note 25) | - | (499,950) | (499,950) |
| Balance at 30 June 2019 | 435,000 | 961,644 | 1,396,644 |

| | Issued capital $ | Retained profits $ | Total equity $ |
|---|---|---|---|
| Balance at 1 July 2019 | 435,000 | 961,644 | 1,396,644 |
| Profit after income tax benefit for the year | - | 2,626,165 | 2,626,165 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 2,626,165 | 2,626,165 |
| *Transactions with owners in their capacity as owners:* | | | |
| Contributions of equity, net of transaction costs (note 23) | 1,898,049 | - | 1,898,049 |
| Dividends paid (note 25) | - | (580,000) | (580,000) |
| Balance at 30 June 2020 | 2,333,049 | 3,007,809 | 5,340,858 |

As set out in note 1, *Business combination - reverse acquisition*, to these financial statements, as a result of the reverse acquisition of United Networks Limited and its controlled entities (UNL) by Broadland Solutions Pty Limited (BLS), the comparative information for 30 June 2019 represents the changes in equity for BLS only for the period 1 July 2018 to 30 June 2019. The statement of changes in equity for the year ended 30 June 2020 represents the equity balances of BLS for the period from 1 July 2019 to 30 June 2020 and the equity balances of UNL for the period 21 October 2019 to 30 June 2020.

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

**United Networks Limited**
**Statement of cash flows**
**For the year ended 30 June 2020**

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 16,605,822 | 13,820,549 |
| Payments to suppliers and employees (inclusive of GST) | | (17,157,742) | (12,185,846) |
| | | (551,920) | 1,634,703 |
| Dividends received | | - | 100 |
| Interest received | | 4,970 | 6,929 |
| Government grants - R&D tax incentive and JobKeeper | | 963,432 | - |
| Interest and other finance costs paid | | (48,785) | (235) |
| Income taxes paid | | (109,866) | (397,506) |
| Net cash from operating activities | 34 | 257,831 | 1,243,991 |
| **Cash flows from investing activities** | | | |
| Payment for purchase of subsidiaries, net of cash acquired | 31 | 863,854 | - |
| Payment for deferred consideration | | (120,000) | - |
| Payments for property, plant and equipment | | (19,928) | - |
| Payments for intangibles | 14 | (47,651) | - |
| Payments for other assets | | (26,406) | - |
| Payments for security deposits | | (10,000) | (5,500) |
| Loans repaid | | 200,000 | - |
| Proceeds from disposal of investments | | 7,795 | 2,000 |
| Net cash from/(used in) investing activities | | 847,664 | (3,500) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (322,857) | (619,817) |
| Repayment of promissory note | | (27,851) | - |
| Repayment of lease liabilities | | (111,343) | - |
| Share issue costs | | (48,582) | - |
| Net cash used in financing activities | | (510,633) | (619,817) |
| Net increase in cash and cash equivalents | | 594,862 | 620,674 |
| Cash and cash equivalents at the beginning of the financial year | | 2,304,451 | 1,683,777 |
| Cash and cash equivalents at the end of the financial year | 7 | 2,899,313 | 2,304,451 |

As set out in note 1, *Business combination - reverse acquisition*, to these financial statements, as a result of the reverse acquisition of United Networks Limited and its controlled entities (UNL) by Broadland Solutions Pty Limited (BLS), the comparative information for 30 June 2019 represents the cash flows for BLS only for the period 1 July 2018 to 30 June 2019. The statement of cash flows for the year ended 30 June 2020 represents the cash flows of BLS for the period from 1 July 2019 to 30 June 2020 and the cash flows of UNL for the period 21 October 2019 to 30 June 2020.

**Note 1. Significant accounting policies**

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

**Business combination - reverse acquisition**
On 21 October 2019, United Networks Limited completed the acquisition of Broadland Solutions Pty Ltd (BLS) and Broadland Victoria Pty Ltd (BLV). The Broadland entities have been providing telecommunications services to business customers in Australia since 2002. Under the terms of AASB 3 *Business Combinations*, BLS is deemed to be the accounting acquirer in the business combination. The BLS transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of United Networks Limited have been prepared as a continuation of the consolidated financial statements of BLS. BLS as the deemed acquirer, has accounted for the acquisition of United Networks Limited and its controlled entities (UNL) at 21 October 2019. Refer to note 31 for further details of the business combination.

The implications for the application of AASB 3 on the financial statements is as follows:

*Statement of profit or loss and other comprehensive income*
- The 30 June 2020 statement of profit or loss and other comprehensive income comprises 12 months of BLS's results and the results of UNL for the period from its acquisition date to 30 June 2020.
- The 30 June 2019 statement of profit or loss and other comprehensive income comprises 12 months of BLS's results.

*Statement of financial position*
- The 30 June 2020 statement of financial position represents that of the consolidated entity, UNL at 30 June 2020, which consolidated the BLS and UNL statement of financial position as at that date.
- The 30 June 2019 statement of financial position represents BLS.

*Statement of changes in equity*
- The 30 June 2020 statement of changes in equity comprises BLS's equity balance at 1 July 2019, its profit for the period and transactions with equity holders for the 12 months and UNLs from the date of its acquisition, including the impact of the reverse acquisition on the equity balances and the closing equity balances of the consolidated entity as at the end of the period.
- The 30 June 2019 comparative statement of changes in equity comprises 12 months of BLS.

*Statement of cash flows*
- The 30 June 2020 statement of cash flows the opening cash balance of BLS as at 1 July 2019, the transactions for the 12 months being 12 months of BLS and UNL's from the date of its acquisition including the impact of the reverse acquisition on the cash balance.
- The 30 June 2019 statement of cash flows comprises 12 months of BLS.

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

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

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

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

**Note 1. Significant accounting policies (continued)**

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

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of United Networks Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. United Networks Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

**Note 1. Significant accounting policies (continued)**

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

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

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

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

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

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

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

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

**Associates**
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

**Note 1. Significant accounting policies (continued)**

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

*Financial assets at amortised cost*
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

*Financial assets at fair value through profit or loss*
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

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

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

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

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

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

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

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

## Note 1. Significant accounting policies (continued)

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

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

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

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

**Goods and Services Tax ('GST') and other similar taxes**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

**New Accounting Standards and Interpretations not yet mandatory or early adopted**
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. Based on the preliminary analysis performed, the consolidated entity does not expect that any of these standards and interpretations will have a material impact on the consolidated entity's financial report.

## Note 2. Critical accounting judgements, estimates and assumptions

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

*Coronavirus (COVID-19) pandemic*
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

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

*Goodwill impairment*
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

*Lease term*
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

*Incremental borrowing rate*
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

## Note 3. Operating segments

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

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

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

*Major customers*
All revenue of the consolidated entity is from external customers. During the current and prior financial periods, there were no transactions with a single external customer that amounted to 10 per cent or more of the consolidated entity’s revenues.

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

## Note 4. Revenue

| | 2020 $ | 2019 $ |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Sale of goods | 1,632,217 | 1,540,479 |
| Services | 12,836,950 | 10,748,593 |
| | 14,469,167 | 12,289,072 |
| *Other revenue* | | |
| Dividends | - | 100 |
| Government grants - Jobkeeper and Cash Flow Boost | 670,500 | - |
| Government grants - R&D incentive, Export Market Development Grant and other | 665,915 | - |
| Other revenue | 451,197 | 249,873 |
| | 1,787,612 | 249,973 |
| Revenue | 16,256,779 | 12,539,045 |

*Accounting policy for revenue recognition*
The consolidated entity recognises revenue as follows:

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

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

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

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

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

**Note 4. Revenue (continued)**

*Government grants*
Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as revenue over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

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

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

**Note 5. Expenses**

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Profit before income tax includes the following specific expenses: | | |
| *Aggregate employee benefits expense* | | |
| Defined contribution superannuation expense | 550,515 | 446,108 |
| Other employee benefits expenses | 5,860,692 | 4,758,166 |
| | 6,411,207 | 5,204,274 |
| *Depreciation* | | |
| Leasehold improvements | 42,120 | 32,622 |
| Plant and equipment | 4,489 | - |
| Furniture, fixtures and fittings | 72 | - |
| Computer equipment | 5,482 | - |
| Right-of-use assets - property leases | 69,922 | - |
| Total depreciation | 122,085 | 32,622 |
| *Amortisation* | | |
| Web development | 229,901 | - |
| Software | 344,361 | - |
| Total amortisation | 574,262 | - |
| *Finance costs* | | |
| Interest on lease liabilities | 12,229 | - |
| Interest on other borrowings | 36,556 | 235 |
| Finance costs expensed | 48,785 | 235 |

**Note 6. Income tax expense/(benefit)**

| | 2020 $ | 2019 $ |
|---|---|---|
| *Income tax expense/(benefit)* | | |
| Current tax | - | 397,506 |
| Deferred tax - origination and reversal of temporary differences | (1,626,926) | - |
| Aggregate income tax expense/(benefit) | (1,626,926) | 397,506 |
| Deferred tax included in income tax expense/(benefit) comprises: | | |
| Increase in deferred tax assets (note 15) | (1,752,024) | - |
| Increase in deferred tax liabilities (note 22) | 125,098 | - |
| Deferred tax - origination and reversal of temporary differences | (1,626,926) | - |
| *Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate* | | |
| Profit before income tax (expense)/benefit | 999,239 | 926,449 |
| Tax at the statutory tax rate of 27.5% | 274,791 | 254,773 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Tax effect on research & development | (138,967) | - |
| Other | (33,142) | - |
| | 102,682 | 254,773 |
| Current year temporary differences not recognised | - | 142,733 |
| Prior year temporary differences not recognised now recognised | (1,729,608) | - |
| Income tax expense/(benefit) | (1,626,926) | 397,506 |

**Note 7. Cash and cash equivalents**

| | 2020 $ | 2019 $ |
|---|---|---|
| *Current assets* | | |
| Cash on hand | 100 | - |
| Cash at bank | 2,898,213 | 2,304,451 |
| PayPal | 1,000 | - |
| | 2,899,313 | 2,304,451 |

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

## Note 8. Trade and other receivables

| | 2020 $ | 2019 $ |
|---|---|---|
| *Current assets* | | |
| Trade receivables | 1,327,068 | 985,898 |
| Less: Allowance for expected credit losses | (56,849) | (156,035) |
| | 1,270,219 | 829,863 |
| | | |
| Other receivables | 10,137 | 9,877 |
| Government grants | 181,001 | - |
| | 191,138 | 9,877 |
| | | |
| Loan to associate | - | 200,000 |
| | | |
| | 1,461,357 | 1,039,740 |

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

| | 2020 $ | 2019 $ |
|---|---|---|
| Past due 60+ days | 56,849 | 156,035 |

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

| | 2020 $ | 2019 $ |
|---|---|---|
| Opening balance | 156,035 | - |
| Additional provisions recognised | 30,590 | 156,035 |
| Additions through business combinations | 9,380 | - |
| Receivables written off during the year as uncollectable | (82,500) | - |
| Unused amounts reversed | (56,656) | - |
| | | |
| Closing balance | 56,849 | 156,035 |

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

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

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

## Note 9. Inventories

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Current assets* | | |
| Stock on hand - at cost | 23,333 | - |

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

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

## Note 10. Financial assets at fair value through profit or loss

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Current assets* | | |
| Financial assets held for trading | 13,384 | 19,810 |

Financial assets held for trading consists of listed equity securities.

## Note 11. Other

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Current assets* | | |
| Prepayments | 93,658 | 4,951 |
| *Non-current assets* | | |
| Security deposits | 102,497 | 92,497 |
| | 196,155 | 97,448 |

## Note 12. Investments accounted for using the equity method

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Non-current assets* | | |
| Investment in Broadland Victoria Pty Limited | - | 95,245 |

*Reconciliation*
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Opening carrying amount | 95,245 | - |
| Profit after income tax | 53,400 | 95,245 |
| Fair value adjustment recognised in profit or loss as a result of deemed disposal | 145,968 | - |
| Deemed disposal adjustment | (294,613) | - |
| Closing carrying amount | - | 95,245 |

## Note 12. Investments accounted for using the equity method (continued)

On 21 October 2019, United Networks Limited (UNL) acquired all the shares in Broadland Victoria Pty Limited (BLV) that were not held by Broadland Solutions Pty Limited (BLS). BLV was an associate of Broadland Solutions Pty Limited (BLS) prior to the UNL acquisition. Following the acquisition, the consolidated entity's shareholding in BLV increased from 50% to 100% resulting in the consolidated entity attaining control of BLV.

Where a business combination is achieved in stages, the consolidated entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the consolidated entity attains control) and the resulting gain or loss, if any, is recognised in profit or loss. A fair value gain of $145,968 has been recognised in the statement of profit or loss following the consolidated entity attaining control of BLV.

The acquisition was settled by the issue of 21,043,771 ordinary shares in UNL. The results of BLV were equity accounted until 21 October 2019 and consolidated thereafter (refer note 31).

## Note 13. Plant and equipment

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Non-current assets* | | |
| Leasehold improvements - at cost | 77,157 | 77,157 |
| Less: Accumulated depreciation | (77,157) | (35,037) |
| | - | 42,120 |
| | | |
| Plant and equipment - at cost | 53,084 | - |
| Less: Accumulated depreciation | (25,957) | - |
| | 27,127 | - |
| | | |
| Furniture, fixtures and fittings - at cost | 167,419 | 48,550 |
| Less: Accumulated depreciation | (162,601) | (48,550) |
| | 4,818 | - |
| | | |
| Computer equipment - at cost | 86,008 | 68,233 |
| Less: Accumulated depreciation | (70,558) | (68,233) |
| | 15,450 | - |
| | | |
| Right-of-use assets - property leases | 841,721 | 448,988 |
| Less: Accumulated depreciation | (69,922) | - |
| | 771,799 | 448,988 |
| | | |
| | 819,194 | 491,108 |

**Note 13. Plant and equipment (continued)**

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

| | Leasehold improvements $ | Plant and equipment $ | Furniture, fixtures and fittings $ | Computer equipment $ | Right-of-use assets - property leases $ | Total $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2018 | 74,742 | - | - | - | 448,988 | 523,730 |
| Depreciation expense | (32,622) | - | - | - | - | (32,622) |
| Balance at 30 June 2019 | 42,120 | - | - | - | 448,988 | 491,108 |
| Additions | - | 6,766 | 4,890 | 8,272 | 424,853 | 444,781 |
| Additions through business combinations (note 31) | - | 24,850 | - | 12,660 | 51,075 | 88,585 |
| Lease modification | - | - | - | - | (32,120) | (32,120) |
| Right-of-use asset derecognised | - | - | - | - | (51,075) | (51,075) |
| Depreciation expense | (42,120) | (4,489) | (72) | (5,482) | (69,922) | (122,085) |
| Balance at 30 June 2020 | - | 27,127 | 4,818 | 15,450 | 771,799 | 819,194 |

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

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

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

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

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

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

## Note 14. Intangibles

| | 2020 $ | 2019 $ |
|---|---|---|
| *Non-current assets* | | |
| Goodwill - at cost | 1,217,203 | - |
| | | |
| Patents, trademarks and other rights - at cost | 12,643 | 6,230 |
| | | |
| Web development - at cost | 1,033,107 | - |
| Less: Accumulated amortisation | (742,432) | - |
| | 290,675 | - |
| | | |
| Customer lists - at cost | 26,406 | - |
| | | |
| Software - at cost | 2,729,801 | - |
| Less: Accumulated amortisation | (2,234,014) | - |
| | 495,787 | - |
| | | |
| | 2,042,714 | 6,230 |

*Reconciliations*

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

| | Goodwill $ | Patents, trademarks and other rights $ | Web development costs $ | Customer lists $ | Software $ | Total $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2018 | - | 6,230 | - | - | - | 6,230 |
| | | | | | | |
| Balance at 30 June 2019 | - | 6,230 | - | - | - | 6,230 |
| Additions | - | - | 21,245 | 26,406 | - | 47,651 |
| Additions through business combinations (note 31) | 1,217,203 | 6,413 | 499,331 | - | 840,148 | 2,563,095 |
| Amortisation expense | - | - | (229,901) | - | (344,361) | (574,262) |
| | | | | | | |
| Balance at 30 June 2020 | 1,217,203 | 12,643 | 290,675 | 26,406 | 495,787 | 2,042,714 |

*Impairment testing*

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit or to a group of cash-generating units that are expected to benefit, among others, from the synergies of the business combination. The consolidated entity's cash-generating units are defined on the basis of the geographical market, normally country-related. The consolidated entity operates in primarily one geographical segment - Australia, and the carrying amount of goodwill has been allocated to Australia.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

The following key assumptions were used in the discounted cash flow model:

(a) Pre-tax discount rate of 12% per annum;
(b) Revenue growth is based on management projections for 2021, and 8% increases for 2022 - 2025;
(c) Budgeted gross margin of 60%;
(d) Operating expenses is based on management projections for 2021, and 3% increases for 2022 - 2025;
(e) Long-term growth rate of 2.5%.

**Note 14. Intangibles (continued)**

The discount rate of 12% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the 2021 revenue projection and 8% increases through to 2025 is achievable and justified, based on the projected growth of new products and partners, two of which have been signed on since year-end and the roll-out is actively in place throughout Asia-Pacific.

The budgeted gross margin is based on past performance and management's expectations for the future.

Operating expenses do not vary significantly with revenue. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

The long-term growth rate is used to extrapolate cash flows beyond the 5-year forecast and is based on external forecasts.

*Sensitivity*
As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:
(a) A reduction in the revenue growth rate of 5% below management expectations for the 2021 financial year would result in impairment, with all other assumptions remaining constant.
(b) A reduction in the revenue growth rate to 4% for the 2022 - 2025 financial years would result in impairment, with all other assumptions remaining constant.
(c) A reduction in the gross margin to 50% for the 2022 - 2025 financial years would result in impairment, with all other assumptions remaining constant.
(d) The discount rate would be required to increase to 20% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

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

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

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

*Customer lists*
Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

## Note 14. Intangibles (continued)

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

## Note 15. Deferred tax

| | 2020 $ | 2019 $ |
|---|---|---|
| *Non-current assets* | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Tax losses | 1,475,097 | - |
| Employee benefits | 185,478 | - |
| Accrued expenses | 75,416 | - |
| Other | 16,033 | - |
| Deferred tax asset | 1,752,024 | - |
| *Movements:* | | |
| Opening balance | - | - |
| Credited to profit or loss (note 6) | 1,752,024 | - |
| Closing balance | 1,752,024 | - |

## Note 16. Trade and other payables

| | 2020 $ | 2019 $ |
|---|---|---|
| *Current liabilities* | | |
| Trade payables | 659,165 | 307,288 |
| Accruals | 244,264 | 324,278 |
| GST payable | 463,107 | 712,430 |
| Other payables | 481,224 | 427,644 |
| | 1,847,760 | 1,771,640 |

Refer to note 26 for further information on financial instruments.

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

## Note 17. Contract liabilities

| | 2020 $ | 2019 $ |
|---|---|---|
| *Non-current liabilities* | | |
| Contract liabilities | 20,000 | - |

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

## Note 18. Borrowings

| | 2020 $ | 2019 $ |
|---|---|---|
| *Current liabilities* | | |
| Promissory note - related party | 127,841 | - |

Refer to note 26 for further information on financial instruments.

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

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

## Note 19. Lease liabilities

| | 2020 $ | 2019 $ |
|---|---|---|
| *Current liabilities* | | |
| Lease liability | 252,653 | 106,473 |
| *Non-current liabilities* | | |
| Lease liability | 475,713 | 342,515 |
| | 728,366 | 448,988 |

Refer to note 26 for further information on financial instruments.

*Accounting policy for lease liabilities*
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

## Note 19. Lease liabilities (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## Note 20. Provisions

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Annual leave | 377,374 | 265,149 |
| Long service leave | 121,587 | - |
| Dividends | 257,143 | - |
| | 756,104 | 265,149 |
| *Non-current liabilities* | | |
| Long service leave | 101,447 | 171,611 |
| | 857,551 | 436,760 |

*Accounting policy for provisions*
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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.

*Accounting policy for employee benefits*

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

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

## Note 21. Other

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Current liabilities* | | |
| Deferred purchase consideration | 160,000 | - |

The deferred purchase consideration represents the 8 remaining instalments of $20,000 each, in connection with the acquisition of Vokal Pty Limited (formerly Symmetry Networks Pty Limited) (refer note 31).

## Note 22. Deferred tax

| | 2020 $ | 2019 $ |
|---|---|---|
| *Non-current liabilities* | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Intangibles | 125,098 | - |
| Deferred tax liability | 125,098 | - |
| *Movements:* | | |
| Opening balance | - | - |
| Charged to profit or loss (note 6) | 125,098 | - |
| Closing balance | 125,098 | - |

## Note 23. Issued capital

| | 2020 Shares | 2019 Shares | 2020 $ | 2019 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 392,379,382 | 100 | 2,333,049 | 435,000 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 30 June 2018 | 100 | | 435,000 |
| Balance | 30 June 2019 | 100 | | 435,000 |
| Elimination of existing legal acquiree shares | 21 October 2019 | (100) | $0.000 | - |
| Shares issued to acquire Broadland Solutions Pty Ltd (reverse acquisition)* | 21 October 2019 | 245,510,662 | $0.000 | - |
| Shares of legal acquirer at acquisition date (reverse acquisition)** | 21 October 2019 | 125,824,949 | $0.013 | 1,622,480 |
| Shares issued to acquire Broadland Victoria Pty Ltd*** | 21 October 2019 | 21,043,771 | $0.014 | 294,613 |
| Share issue costs | 21 October 2019 | - | $0.000 | (19,044) |
| Balance | 30 June 2020 | 392,379,382 | | 2,333,049 |

* The issue of shares to the legal acquiree (BLS) shareholders was calculated under the terms of the Sale and Purchase Agreement whereby they received shares equating to 66% of the total equity issued by the legal acquirer post transaction. As the legal acquirer (UNL) had 125,824,949 shares prior to the transaction, this equated to 245,510,662 shares being issued to the legal acquiree shareholders.

** The legal acquirer (United Networks Limited (UNL)) had 125,824,949 shares prior to the transaction. As it is the legal parent, the number of shares on issue is equivalent to the consideration as if the legal acquiree (Broadland Solutions Pty Limited (BLS)) had purchased it using the share price at the day the transaction completed.

*** As part of the acquisition of BLS, UNL also acquired an associate of BLS - Broadland Victoria Pty Limited (BLV) - on the same date it acquired BLS 21,043,771 shares were issued to acquire BLV.

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

## Note 23. Issued capital (continued)

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.

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

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

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

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

The capital risk management policy remains unchanged from the 2019 Annual Report.

The consolidated entity monitors capital on the basis of its working capital position (i.e. liquidity risk). The net working capital of the consolidated entity at 30 June 2020 was $1,346,687 (2019: $1,225,690).

*Accounting policy for issued capital*
Ordinary shares are classified as equity.

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

## Note 24. Retained profits

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Retained profits at the beginning of the financial year | 961,644 | 932,651 |
| Profit after income tax (expense)/benefit for the year | 2,626,165 | 528,943 |
| Dividends paid (note 25) | (580,000) | (499,950) |
| Retained profits at the end of the financial year | 3,007,809 | 961,644 |

## Note 25. Dividends

*Dividends*
Dividends paid/payable during the financial year were as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Dividends paid/payable to shareholders of Broadland Solutions Pty Limited (accounting acquirer) prior to its acquisition by United Networks Limited | 580,000 | 499,950 |

**Note 25. Dividends (continued)**

*Franking credits*

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 27.5% | 760,136 | 692,022 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

*Accounting policy for dividends*
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at the reporting date.

**Note 26. Financial instruments**

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

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

***Market risk***

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

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

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

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

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

| | 2020<br>Balance<br>$ | 2019<br>Balance<br>$ |
|---|---|---|
| Promissory note | 127,841 | - |
| Net exposure to cash flow interest rate risk | 127,841 | - |

**Note 26. Financial instruments (continued)**

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

An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of $1,278 per annum. The percentage change is based on the expected volatility of interest rates using market data.

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

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

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

The consolidated entity has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'Trade and other receivables' is considered to be the main source of credit risk for the consolidated entity. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

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

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

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

| **2020** | 1 year or less<br>$ | Between 1 and 2 years<br>$ | Between 2 and 5 years<br>$ | Over 5 years<br>$ | Remaining contractual maturities<br>$ |
|---|---|---|---|---|---|
| *Non-interest bearing* | | | | | |
| Trade and other payables | 1,847,760 | - | - | - | 1,847,760 |
| Contract liabilities | 20,000 | - | - | - | 20,000 |
| Deferred purchase consideration | 160,000 | - | - | - | 160,000 |
| *Interest-bearing* | | | | | |
| Promissory note | 127,841 | - | - | - | 127,841 |
| Lease liability | 284,265 | 564,946 | - | - | 849,211 |
| Total non-derivatives | 2,439,866 | 564,946 | - | - | 3,004,812 |

## Note 26. Financial instruments (continued)

| 2019 | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|
| *Non-interest bearing* | | | | | |
| Trade and other payables | 1,771,640 | - | - | - | 1,771,640 |
| *Interest-bearing* | | | | | |
| Lease liability | 130,548 | 371,961 | - | - | 502,509 |
| Total non-derivatives | 1,902,188 | 371,961 | - | - | 2,274,149 |

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

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

## Note 27. Key management personnel disclosures

The remuneration disclosures of directors and other members of Key Management Personnel (KMP) during the year are provided in the Remuneration Report of the Directors' Report. The remuneration disclosures below for 2020 are for United Networks Limited's KMP as presented in the Remuneration Report and the 2019 disclosures are for Broadland Solutions Pty Ltd's KMP only.

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

| | 2020 $ | 2019 $ |
|---|---|---|
| Short-term employee benefits | 879,323 | 414,749 |
| Post-employment benefits | 56,503 | 23,161 |
| Long-term benefits | (11,105) | 29,412 |
| | 924,721 | 467,322 |

## Note 28. Remuneration of auditors

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

| | 2020 $ | 2019 $ |
|---|---|---|
| *Audit services - Rothsay Chartered Accountants* | | |
| Audit or review of the financial statements | 55,000 | 50,000 |
| *Other services - Rothsay Chartered Accountants* | | |
| Taxation compliance services | 8,475 | 6,916 |
| Due diligence services | 17,105 | 700 |
| | 25,580 | 7,616 |
| | 80,580 | 57,616 |

## Note 29. Related party transactions

*Legal Parent entity*
United Networks Limited is the parent entity.

*Accounting parent entity*
Broadland Solutions Pty Ltd is the accounting parent of the group.

*Subsidiaries*
Interests in subsidiaries are set out in note 32.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

*Transactions with related parties*
The following transactions occurred with related parties:

| | 2020 $ | 2019 $ |
|---|---|---|
| Sale of goods and services: | | |
| Sale of services to related party | 48,565 | - |
| Payment for goods and services: | | |
| Payment for services from related party | 228,024 | - |
| Payment for other expenses: | | |
| Interest paid to related party | 11,391 | - |

*Receivable from and payable to related parties*
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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

| | 2020 $ | 2019 $ |
|---|---|---|
| Current borrowings: | | |
| Promissory note - key management personnel | 127,841 | - |

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

## Note 30. Parent entity information

Set out below is the supplementary information of the legal parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Profit/(loss) after income tax | (161,732) | 2,294 |
| Total comprehensive income | (161,732) | 2,294 |

## Note 30. Parent entity information (continued)

*Statement of financial position*

| | Parent | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Total current assets | 202,204 | 503,642 |
| Total assets | 502,204 | 503,936 |
| Total current liabilities | 160,000 | - |
| Total liabilities | 160,000 | - |
| Equity | | |
| Issued capital | 9,163,750 | 9,163,750 |
| Accumulated losses | (8,821,546) | (8,659,814) |
| Total equity | 342,204 | 503,936 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

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

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 31. Business combinations

**Summary of acquisitions**
*Acquisition of Broadland Solutions Pty Limited*
On 13 September 2019, United Networks Limited (UNL) announced it had entered into a binding agreement to acquire 100% of the issued shares of Broadland Solutions Pty Ltd and Broadland Victoria Pty Ltd. BLG has been providing telecommunications services to business customers in Australia since 2002.

The application of the reverse acquisition guidance of AASB 3 has resulted in the assets and liabilities of the legal subsidiary (the accounting acquirer), being Broadland Solutions Pty Limited (BLS), being measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (the accounting acquiree), being United Networks Limited, are measured at fair value on the date of acquisition.

The acquisition of BLS resulted in BLS obtaining 66% of the ordinary shares of United Networks Limited and therefore control of the consolidated entity. Under the principles of AASB 3 *Business Combinations*, the transaction represented a business combination and has been accounted for with reference to guidance for reverse acquisitions.

**Note 31. Business combinations (continued)**

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (BLS) in the form of equity instruments issued to the shareholders of the legal parent entity (United Networks Limited). Accordingly, the cost of the business combination has been determined below with reference to the fair value of all issued equity instruments of United Networks Limited immediately prior to the business combination. The fair value of the fully paid ordinary shares was based on the listed share price of United Networks Limited on 12 September 2019 being the day prior to the announcement of the acquisition.

The calculated goodwill represents goodwill in United Networks Limited. The goodwill is attributable mainly to the skills and technical talent of United Network's workforce and the synergies expected to be achieved from integrating the company in the group's existing business. It will not be deductible for tax purposes.

*Acquisition of Broadland Victoria Pty Limited*
On 21 October 2019, United Networks Limited acquired the remaining 50% of the ordinary shares of Broadland Victoria Pty Limited from Broadland Solutions Pty Limited for the total consideration transferred of $294,613. The fair value of the fully paid ordinary shares was based on the listed share price of United Networks on 12 September 2019 being the day prior to the announcement of the acquisition.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company in the group's existing business. It will not be deductible for tax purposes.

*Acquisition of Vokal Pty Limited*
On 4 December 2019, United Networks Limited acquired 100% of the ordinary shares of Vokal Pty Limited (formerly Symmetry Networks Pty Limited) for the total fair value consideration transferred of $300,000. This is a telecommunications service provider business. The acquisition allows United Networks Limited to achieve further efficiencies across its service provider business and will open up cross-selling opportunities for the global and mobile business units.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company in the group's existing business. It will not be deductible for tax purposes.

The consideration transferred is payable in 15 equal monthly instalments of $20,000 with the first instalment paid on completion in December 2019.

## Note 31. Business combinations (continued)

Details of the acquisition are as follows:

| | United Networks Ltd and its controlled entities Fair value $ | Broadland Victoria Pty Ltd Fair value $ | Vokal Pty Ltd Fair value $ | Total $ |
|---|---|---|---|---|
| Cash and cash equivalents | 290,421 | 593,433 | - | 883,854 |
| Trade and other receivables | 312,211 | 253,827 | - | 566,038 |
| Inventories | 59,147 | - | - | 59,147 |
| Prepayments | 77,719 | - | - | 77,719 |
| Plant and equipment | 24,850 | - | - | 24,850 |
| Computer equipment | 12,660 | - | - | 12,660 |
| Right-of-use assets | 51,075 | - | - | 51,075 |
| Web development | 499,331 | - | - | 499,331 |
| Patents and trademarks | 6,413 | - | - | 6,413 |
| Software | 840,148 | - | - | 840,148 |
| Trade other payables | (651,591) | (515,475) | - | (1,167,066) |
| Contract liabilities | (20,000) | - | - | (20,000) |
| Provision for income tax | - | (109,866) | - | (109,866) |
| Employee benefits | (180,415) | (44,630) | - | (225,045) |
| Lease liability | (49,063) | - | - | (49,063) |
| Promissory note | (155,692) | - | - | (155,692) |
| Net assets acquired | 1,117,214 | 177,289 | - | 1,294,503 |
| Goodwill | 505,266 | 411,937 | 300,000 | 1,217,203 |
| Acquisition-date fair value of the total consideration transferred | 1,622,480 | 589,226 | 300,000 | 2,511,706 |
| Representing: | | | | |
| Cash paid or payable to vendor | - | - | 300,000 | 300,000 |
| United Networks Limited shares issued to vendor | 1,622,480 | 294,613 | - | 1,917,093 |
| Fair value of equity interest held in BLV by BLS at the acquisition date | - | 294,613 | - | 294,613 |
| | 1,622,480 | 589,226 | 300,000 | 2,511,706 |
| Cash used to acquire business, net of cash acquired: | | | | |
| Acquisition-date fair value of the total consideration transferred | 1,622,480 | 589,226 | 300,000 | 2,511,706 |
| Less: cash and cash equivalents | (290,421) | (593,433) | - | (883,854) |
| Less: deferred consideration | - | - | (280,000) | (280,000) |
| Less: shares issued by company as part of consideration | (1,622,480) | (294,613) | - | (1,917,093) |
| Less: fair value of equity interest held by in BLV by BLS at the acquisition date | - | (294,613) | - | (294,613) |
| Net cash used/(received) | (290,421) | (593,433) | 20,000 | (863,854) |

**Note 31. Business combinations (continued)**

**Revenue and profit contribution**
If the acquisitions had occurred on 1 July 2019, the consolidated pro-forma revenue and profit for the year ended 30 June 2020 would have been as follows:

| | United Networks Ltd and its controlled entities $ | Broadland Victoria Pty Ltd $ | Vokal Pty Ltd $ | Broadland Solutions Pty Ltd $ | Total $ |
|---|---|---|---|---|---|
| Revenue | 3,029,390 | 2,961,229 | 892,390 | 11,332,964 | 18,215,973 |
| Net profit/(loss) for the period after tax | (1,902,654) | (223,023) | 79,705 | 1,686,479 | (359,493) |

The amounts in the above table have been calculated using the results of each subsidiary and adjusting them for:
- differences in the accounting policies between the consolidated entity and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2019, together with the consequential tax effects.

The acquired businesses contributed the following revenues and net profit to the consolidated entity from the dates of their respective acquisitions to 30 June 2020:

| | United Networks Ltd and its controlled entities $ | Broadland Victoria Pty Ltd $ | Vokal Pty Ltd $ | Total $ |
|---|---|---|---|---|
| Revenue | 1,974,072 | 2,318,597 | 631,146 | 4,923,815 |
| Net profit/(loss) for the period after tax | 395,037 | 192,096 | 171,646 | 758,779 |

**Acquired receivables**

| | United Networks Ltd and its controlled entities $ | Broadland Victoria Pty Ltd $ | Total $ |
|---|---|---|---|
| Fair value of acquired receivables | 312,211 | 253,827 | 566,038 |
| Gross contractual amount due | (312,211) | (253,827) | (566,038) |
| Loss allowance recognised on acquisition | - | - | - |

**Acquisition related costs**
Acquisition related costs amounting to $244,199 are not included as part of consideration for the acquisition. $63,782 was incurred prior to the acquisition and not accounted for in the statement of profit or loss as a result of the reverse acquisition, and $180,417 incurred after the reverse acquisition and recognised separately in the statement of profit or loss as acquisition costs.

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

**Note 31. Business combinations (continued)**

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

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

Where the business combination is achieved in stages, the consolidated entity 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 the 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 acquirer.

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

*Reverse acquisition*
A reverse acquisition occurs when the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree. This might be the case when a private entity arranges to have itself 'acquired' by a smaller public entity as a means of obtaining a stock exchange listing. Although legally the issuing entity is regarded as the parent and the private entity is regarded as the subsidiary, the legal subsidiary is the acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

In a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. The published price of the equity instruments of the acquirer is used to determine the cost of the combination, or where this is not available, the deemed fair value of its shares, and a calculation shall be made to determine the number of equity instruments the acquirer would have to issue to provide the same percentage ownership interest of the combined entity to the owners/shareholders of the acquirer as they have in the combined entity as a result of the reverse acquisition. The fair value of the number of equity instruments so calculated shall be used as the cost of the combination.

## Note 32. Interests in subsidiaries

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

| Legal subsidiaries: Name of entity | Principal place of business / Country of incorporation | Ownership interest 2020 % | Ownership interest 2019 % |
|---|---|---|---|
| United Lifestyle Group Networks Pty Ltd | Australia | 100% | 100% |
| United Networks Limited (deregistered on 23 August 2019) | Hong Kong | - | 100% |
| United Networks Operations Limited (deregistered on 6 September 2019) | Hong Kong | - | 100% |
| United Global Sim Limited* | Hong Kong | - | 100% |
| Broadland Victoria Pty Limited | Australia | 100% | - |
| Broadland Solutions Pty Limited | Australia | 100% | - |
| Vokal Pty Limited (formerly Symmetry Networks Pty Limited) | Australia | 100% | - |

* Subsidiary of United Lifestyle Group Networks Pty Ltd

## Note 33. Events after the reporting period

On 4 August 2020, the company announced the acquisition of the business assets of C3 Innovations Pty Limited (C3 Innovations). C3 Innovations is a specialised service provider of unified communications, and hosted and managed data solutions to companies. The acquisition consideration paid by UNL for the business assets of C3 Innovations consists of a $250,000 cash payment, issue of 3,750,000 shares in UNL and a 12-month EBIT performance bonus payment of $250,000 if the forecast is achieved.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 34. Cash flow information

*Reconciliation of profit after income tax to net cash from operating activities*

| | 2020 $ | 2019 $ |
|---|---|---|
| Profit after income tax (expense)/benefit for the year | 2,626,165 | 528,943 |
| Adjustments for: | | |
| Depreciation and amortisation | 696,347 | 1,929 |
| Net gain on disposal of non-current assets | (1,369) | - |
| Share of profit - associates | (53,400) | (95,245) |
| Gain from deemed disposal of associate shareholding | (145,968) | - |
| Other expenses classified as investing and financing cash flows | 55,944 | - |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (55,579) | 25,190 |
| Decrease in inventories | 35,814 | - |
| Increase in deferred tax assets | (1,752,024) | - |
| Decrease/(increase) in prepayments | (10,988) | 4,155 |
| Increase/(decrease) in trade and other payables | (1,090,946) | 677,640 |
| Decrease in provision for income tax | (109,866) | - |
| Increase in deferred tax liabilities | 125,098 | - |
| Increase/(decrease) in employee benefits | (61,397) | 101,379 |
| Net cash from operating activities | 257,831 | 1,243,991 |

*Non-cash investing and financing activities*

| | 2020 $ | 2019 $ |
|---|---|---|
| Shares issued to acquire Broadland Solutions Pty Ltd and Broadland Victoria Pty Ltd | 1,917,093 | - |

*Changes in liabilities arising from financing activities*

| | Promissory note $ | Lease liability $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2018 | - | - | - |
| Net cash from financing activities | - | - | - |
| Acquisition of leases | - | 448,988 | 448,988 |
| Balance at 30 June 2019 | - | 448,988 | 448,988 |
| Net cash used in financing activities | (27,851) | (111,343) | (139,194) |
| Acquisition of leases | - | 424,853 | 424,853 |
| Changes through business combinations (note 31) | 155,692 | 49,063 | 204,755 |
| Derecognition of right-of-use assets | - | (51,075) | (51,075) |
| Other changes | - | (32,120) | (32,120) |
| Balance at 30 June 2020 | 127,841 | 728,366 | 856,207 |

## Note 35. Earnings per share

| | 2020 $ | 2019 $ |
|---|---|---|
| Profit after income tax attributable to the owners of United Networks Limited | 2,626,165 | 528,943 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 347,435,949 | 245,510,662 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 347,435,949 | 245,510,662 |
| | **Cents** | **Cents** |
| Basic earnings per share | 0.76 | 0.22 |
| Diluted earnings per share | 0.76 | 0.22 |

Under the principles of reverse acquisition accounting, the weighted average number of shares used in the calculation of basic and diluted earnings/(loss) per share for the comparative period is the number of shares issued by the legal parent to acquire the results of the legal subsidiary for that period, even though the issue of the shares did not occur until the time of the reverse acquisition in the current period.

*Accounting policy for earnings per share*

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

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

## Note 36. Share-based payments

*Employee Share Option Plan*

On 17 November 2015 the company established an employee share option plan to provide eligible employees with a means of receiving options to subscribe for shares and a means of receiving rights to receive shares. Eligible employees includes:
(a) an employee, director or secretary of the company or any subsidiary of the company;
(b) and a contractor, consultant, agent, advisor other person retained, engaged or nominated by company or any subsidiary of the company.

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

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

**Note 36. Share-based payments (continued)**

*Other share-based payments*

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

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

There were no options or rights issued under the plan during the 2020 financial year.

Set out below are summaries of options granted:

2020

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

2019

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

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.37 years (2019: 2.37 years).

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

The total share based payments expense for the year was $nil (2019: $nil).

*Accounting policy for share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

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

**Note 36. Share-based payments (continued)**

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

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

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

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

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

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

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

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

**United Networks Limited**
**Directors' declaration**
**30 June 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

DocuSigned by:

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Victor Tsaccounis
Director

30 September 2020
Sydney

ROTHSAY
CHARTERED ACCOUNTANTS

## UNITED NETWORKS LIMITED

## INDEPENDENT AUDITOR'S REPORT

To the members of United Networks Limited

### Opinion

We have audited the financial report of United Networks Limited ("United") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Key Audit Matters

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

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| Key Audit Matter – Reverse Acquisition | How our Audit Addressed the Key Audit Matter |
|---|---|
| As described in Note 1, during the year the Group completed the acquisition of Broadlands Solutions Pty Ltd ("BLS").<br>The Group determined that BLS is the accounting acquirer and therefore the transaction has been accounted for as a reverse acquisition.<br>The accounting for the Group's reverse acquisition of BLS is a key audit matter due to the complexity of the transaction and judgement required to be applied by Management.<br>Additionally, Management applied judgement to conclude that the basis of preparation of the financial statements, including comparative information, should be analogised to that of a 'reverse acquisition'. | We read the sale and purchase agreements between the entities involved and challenged the conclusions reached by Management. We also employed an Auditor's Expert to assess the Group's conclusions against the requirements of the relevant accounting standards, including interpretation guidance and authoritative support. |
| **Key Audit Matter - Income Taxes** | **How our Audit Addressed the Key Audit Matter** |
| The Group incurred tax losses in prior financial years. These have been recognised as a deferred tax asset.<br><br>This was considered a key audit matter given the significant judgement in determining the appropriateness of recording these carry forward losses as a deferred tax asset. | We considered the Group's current profitability, forecast profitability and results subsequent to year end to determine the probability that deferred taxes will be utilised. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

## Responsibility of Directors for the Financial Report

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

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

## Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the Directors' Report for the year ended 30 June 2020. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion on the Remuneration Report*

In our opinion, the Remuneration Report of United Networks Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

**Rothsay Chartered Accountants**

**Frank Vrachas**
Partner
Sydney, 30 September 2020

**United Networks Limited**
**Shareholder information**
**30 June 2020**

The shareholder information set out below was applicable as at 25 September 2020.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares |
|---|---|
| 1 to 1,000 | 14 |
| 1,001 to 5,000 | 17 |
| 5,001 to 10,000 | 80 |
| 10,001 to 100,000 | 175 |
| 100,001 and over | 96 |
| | 382 |
| Holding less than a marketable parcel | 113 |

**Equity security holders**

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

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Jonathan David Perrin | 72,806,611 | 18.38 |
| Tsaccounis Holdings Pty Limited | 72,383,316 | 18.27 |
| Shannah Avon | 66,457,196 | 16.78 |
| Autopilot Consulting Pty Ltd | 38,208,124 | 9.65 |
| Temont Pty Ltd | 38,208,124 | 9.65 |
| Vic Spadavecchia | 21,043,771 | 5.31 |
| Arizak Investments Pty Ltd | 9,312,473 | 2.35 |
| Stefano Vincenzo Lorenzo Cagliostro & Alana Eloise Cagliostro | 8,889,179 | 2.24 |
| William James Willmot and Tracey Willmot | 8,889,179 | 2.24 |
| Chao Wang | 6,772,708 | 1.71 |
| HSBC Custody Nominees (Australia) Limited | 5,673,554 | 1.43 |
| Australian Executor Trustees Limited < No 1 Account > | 2,299,404 | 0.58 |
| Mrs Anita Ikstina < Jones Family A/C > | 2,215,833 | 0.56 |
| Arizanov Investments Pty Ltd < Arizanov Investment A/C > | 1,703,000 | 0.43 |
| Mr Humberto Vieira | 1,666,667 | 0.42 |
| Treasure Island Hire Boat Company Pty Ltd < Staff Super Fund Account > | 1,534,167 | 0.39 |
| Richard Albarran < Albarran Family No 2 A/C > | 1,333,334 | 0.34 |
| Rolay Pty Ltd | 1,333,334 | 0.34 |
| Mrs Carmelina Josepina Bianca Farrugia | 1,053,081 | 0.27 |
| Sharley Investments Pty Ltd < Sharley Super Fund A/C > | 1,010,021 | 0.25 |
| | 362,793,076 | 91.59 |

*Unquoted equity securities*

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

**United Networks Limited**
**Shareholder information**
**30 June 2020**

## Substantial holders
Substantial holders in the company are set out below:

| | Ordinary shares Number held | % of total shares issued |
|---|---|---|
| Jonathan David Perrin | 72,806,611 | 18.38 |
| Tsaccounis Holdings Pty Limited | 72,383,316 | 18.27 |
| Shannah Avon | 66,457,196 | 16.78 |
| Autopilot Consulting Pty Ltd | 38,208,124 | 9.65 |
| Temont Pty Ltd | 38,208,124 | 9.65 |
| Vic Spadavecchia | 21,043,771 | 5.31 |

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

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

There are no other classes of equity securities.