**Superloop Limited**
**ABN 96 169 263 094**
**Appendix 4E**
**Preliminary Final Report**

# Results for announcement to the market

For the year 1 July 2017 to 30 June 2018
(previous corresponding period to 30 June 2017)

## Summary of Financial Information

| | 30 June 2018 $ | 30 June 2017 $ | Change $ | Change % |
|---|---|---|---|---|
| Revenue from ordinary activities | $125,171,014 | $59,805,182 | +$65,365,832 | +109.3% |
| Profit / (loss) from ordinary activities after income tax for the year attributable to members | $7,123,028 | ($1,239,792) | +$8,362,820 | n/a |
| Profit / (loss) after income tax attributable to members | $7,123,028 | ($1,239,792) | +$8,362,820 | n/a |

## Explanation of profit/(loss) from ordinary activities after tax

The Group achieved its first positive full year Net Profit after Tax, with a $7.1 million after-tax profit generated in FY18 (compared to a loss of $1.2 million in FY17). During the year, the Group recognised tax credits for temporary timing differences associated with acquisitions which had not been previously recognised. Net profit before tax was positive $4.2 million (compared to a loss of $5.7 million in FY17). Also included in the result was non-cash amortisation for acquired customer relationships and brand names of $5.5 million and non-cash share-based payments of $0.4 million.

Revenue and earnings in FY18 include contributions from NuSkope (acquired in October 2017) and GX2 Technology (acquired in November 2017). Revenue and earnings for FY18 also reflect the full year contribution from BigAir Group acquired in the previous corresponding period in December 2016 and SubPartners acquired in April 2017.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 536.5% to $29.1 million on the previous corresponding period, with Australia, Singapore and Hong Kong networks all contributing positive EBITDA before allocation of corporate overheads.

Operating expenses for the year were $96.1 million including $1.5 million in costs associated with the acquisitions of NuSkope and GX2. The Group continues to invest in its workforce including sales and business development resources to leverage the Group's investment in its products and networks.

## Explanation of revenue

Superloop's revenue from ordinary activities for the year was $125.2 million, up $65.4 million from the previous corresponding period. Revenue included $6.7 million from NuSkope (acquired in October 2017) and $7.1 million from GX2 Technology (acquired in November 2017).

The Group's Superloop operating segment, which includes the Superloop fibre infrastructure and high performance network solution businesses, fixed wireless wholesale and corporate products as well as revenue associated with SubPartners' undersea cable activities, contributed revenue of $61.2 million.

Superloop+, the Group's managed services and cyber security operating segment, contributed revenue of $36.6 million.

Superbb, the Group's subscriber based operating segment, including NuSkope's retail wireless broadband services, GX2 Technology, campus broadband solutions and the fixed line nbn subscriber base acquired in June 2018, contributed revenue of $26.7 million.

## Net Tangible Assets

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Net tangible assets per ordinary share | $0.48 | $0.45 |

The number of Superloop ordinary shares on issue at 30 June 2018 was 228,499,540 (30 June 2017: 208,795,883)

### Addition Information

Additional Appendix 4E Disclosures can be found in the attached audited Financial Report.

# SUPERLOOP LIMITED

ABN 96 169 263 094

## CONSOLIDATED FINANCIAL REPORT

**For the year ended 30 June 2018**

# Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as 'Superloop' or 'the Group') consisting of Superloop Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

## DIRECTORS

The following persons were directors of the Group during the year:

- Michael Malone (Chairman)
- Bevan Slattery
- Greg Baynton
- Louise Bolger
- Richard (Tony) Clark
- Jason Ashton
- Vivian Stewart
- Matthew Hollis

## PRINCIPAL ACTIVITIES

Superloop's vision is to be the most trusted enabler of connectivity and managed services in Asia Pacific.

The principal activities of the Group includes:

- the construction and operation of independent telecommunications infrastructure throughout the Asia Pacific region including the provision of complete high-performance network solutions for wholesale, enterprise and channel customers;
- the operation of an advanced, large scale fixed wireless broadband network;
- the provision of cloud and managed IT services for corporate customers;
- cyber safety and security services;
- the management and delivery of broadband solutions for campus environments including student accommodation, hotels and schools; and
- residential broadband services via fixed wireless or fixed line nbn services.

## REVIEW OF OPERATIONS

During the year, the Group experienced further transformation with the acquisitions of NuSkope and GX2 Technology and the ongoing integration of BigAir Group, acquired in December 2016.

NuSkope adds a portfolio of strategic assets including wireless network infrastructure and sophisticated service qualification tools and customer database.

GX2 Holdings accelerates the Group's existing community broadband campus solution and brings technology, software and systems with significant value for the combined Group.

Superloop continued the expansion of physical and active networks in each market with the progression of roll out of an Australian national backbone, long-term capacity arrangements with carriers in Singapore and Hong Kong, and long-term agreement with Southern Cross to expand international capacity.

Significant construction progress for the development of the INDIGO subsea telecommunications cable systems connecting Singapore, Jakarta, Perth and Sydney will provide strategic international capacity and the basis of connectivity between Superloop's metropolitan networks.

Superloop has established the platform for the delivery of scalable services across the Asia Pacific region.

Specifically, during the year, Superloop:

- Increased recurring revenue base for ongoing sustainable earnings through sales activities;
- Completed long term strategic sales arrangements for each network;
- Expanded physical and active networks in each market including the roll out of an Australian national backbone connecting all of the nbn's 121 Points of Interconnect (excluding Hobart and Launceston);
- Continued the ongoing integration of networks, services and systems associated with acquired businesses;
- Progressed the development of the INDIGO subsea telecommunications cable systems;
- Expanded the Group's Singapore and Hong Kong metropolitan networks through construction, adding strategic sites and buildings to each network and by signing long term capacity arrangements with carriers in each country;
- Expanded the Group's international capacity through a long term agreement with Southern Cross;
- Completed the acquisition of NuSkope Pty Ltd and associated entities;
- Completed the acquisition of GX2 Holdings Pty Ltd;
- Established Superloop's retail internet service provider, Superbb, and acquired 10,000 fixed line broadband subscribers; and
- Developed the nbn co Business to Business interface allowing wholesale customers to access the nbn platform via the Superloop 360 portal.

## FINANCIAL AND OPERATING PERFORMANCE

The Group achieved its first positive full year Net Profit after Tax, with a $7.1 million after-tax profit generated in FY18 (compared to a loss of $1.2 million in FY17). During the year, the Group recognised tax credits for temporary timing differences associated with acquisitions which had not been previously recognised. Net profit before tax was positive $4.2 million (compared to a loss of $5.7 million in FY17). Also included in the result was non-cash amortisation for acquired customer relationships and brand names of $5.5 million and non-cash share-based payments of $0.4 million.

The Group generated earnings before interest, tax, depreciation and amortisation (EBITDA) of $29.1 million. Adjusting for costs associated with the acquisitions of NuSkope and GX2 Holdings, as well as integration costs, results in underlying EBITDA of $30.6 million.

Revenue from continuing operations grew $65.4 million compared to the previous corresponding period, including $6.7 million from NuSkope Pty Ltd for the period from 13 October 2017 and $7.1 million from GX2 Holdings Pty Ltd which was acquired on 17 November 2017.

The Group's Superloop operating segment, which includes the Superloop fibre infrastructure and high performance network solution businesses, as well as SubPartners and the wholesale and enterprise fixed wireless business, contributed revenue of $61.2 million.

The Superloop+ segment, which includes the cloud and managed services business and cyber safety business, contributed revenue of $36.6 million.

The Superbb operating segment, which includes NuSkope, GX2, campus broadband solutions and fixed line residential nbn services, contributed revenue of $26.7 million.

On a geographic basis, the Australian component of the Superloop operating segment, contributed revenue of $47.2 million, an increase of $21.5 million over the previous corresponding period. Singapore contributed revenue of $7.2 million, an increase of $3.3 million over the previous corresponding period. Hong Kong contributed $6.8 million in revenue, an increase of $5.8 million over the previous corresponding period.

Operating expenses for the period were $96.1 million and include $1.5 million of one-off costs associated with the acquisitions of NuSkope and GX2. Employee costs were $29.9 million reflecting the significant increase in staff through acquisitions.

At 30 June 2018, the Group held $15.4 million in cash and cash equivalents and available debt facility headroom of $14.7 million, providing funding flexibility for committed projects.

The Group invested $46.6 million in network assets (excluding acquisitions) in the year, and at 30 June 2018 held property, plant and equipment of $182.1 million.

At 30 June 2018, the Group held intangible assets of $280.5 million including rights to access (via Indefeasible Rights to Use (IRU) agreements) network capacity in Australia, Singapore and Hong Kong as well as intangible assets arising from business combinations.

Cash flows from operations contributed $37.9 million.

## BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

Superloop's networks are strategically positioned to capitalise on market dynamics, driven by strong data growth, growth in data centre demand and the need for connectivity services with a focus on the Asia Pacific region.

The Group's operating networks in Australia, Singapore and Hong Kong uniquely positions Superloop as a true Pan Asian telecommunications network owner and operator.

Network coverage across the Asia Pacific region, combined with the INDIGO subsea cable system currently being constructed, along with a standardised and scalable suite of connectivity solutions and managed services will provide trusted and reliable services to a broad range of customer segments.

Superloop intends to continue to invest in connectivity solutions and managed products and services in markets where the Board and management believe the demand for services will deliver an attractive return for Shareholders.

## MATERIAL BUSINESS RISKS

The material business risks faced by the Group that are likely to have an effect on its financial prospects include:

***Competition and disruption:*** Superloop prides itself on being an industry disruptor, but new technologies have reduced barriers to entry and opened up opportunities for new entrants with different operating models. Failure to appropriately respond to these increasingly competitive market conditions could result in a decline in the revenue and margin of our products and services and ultimately our forecasted earnings and asset positions. Superloop attempts to mitigate this risk by the following key activities:

- Considering emerging technologies and competitive environment as part of it strategic planning and review processes
- Selecting and deploying technologies with future developments and growth in mind
- Periodically reviewing its customer offerings in the context of the market and customer needs.

***Regulatory risk:*** Regulatory or policy changes may directly impact our strategy and business model as well as increase complexity and the cost of doing business, particularly in markets where the Government has significant investment in telecommunications assets. Furthermore, Superloop requires certain licences to operate in its various jurisdictions and any modifications or cancellation of any of these licences may impact its ability to operate in that jurisdiction. Superloop attempts to mitigate this risk through:

- Monitoring and impact assessment of regulatory developments, engaging where necessary with the relevant regulatory bodies, and monitoring its own compliance with existing regulations
- Proactively develop and maintain relationships and seek to influence outcomes through engagement with relevant regulatory stakeholders and policy makers though our membership to key industry groups.

***Business resilience***: A significant network, systems failure or interruption could cause both tangible and intangible losses of shareholder value for Superloop through its inability to honour customer contracts, resultant customer churn and reputational damage.

Superloop's key risk mitigations regarding business resilience related risks include:

- Designing and investing in the network to provide in-built resilience
- Implementing advanced security measures to both prevent and monitor for cyber security threats
- Implementation of sophisticated monitoring tools to provide early warning of any developing issues
- Formalising our approach to business resilience which includes the ongoing development of a formal business continuity framework to complement existing disaster recovery plans
- provision in customer contracts protecting Superloop from claims in relation failure to provide contracted services due to specific events outside of Superloops control
- Maintenance of business interruption insurance.

***Data governance:*** Superloop considers the protection of customer, employee and third party data as critically important. However, the recent evolution of the regulatory environment and heighted community awareness of the issue following a number of high profile and highly publicised breaches, the management of data represents a key legal and reputational risk for Superloop that if realised could impact shareholder value. To mitigate this risk, Superloop has:

- Developed a Privacy Policy and appointed a designated Privacy Officer
- Undertaken audits to understand and classify the data it holds and to qualify the exposure to this risk.
- Restricted access to company premises, systems, network devices and implemented strict change control measures and anti-virus software and firewall protections
- Developed mandatory training in relation to data security and privacy awareness for its employees including development of a policies and procedures to guide staff in the management of privacy related issues.

***Post merger integration:*** The various acquisitions Superloop has made have not only expanded its offering, but also offer further value creation through synergies. A key risk in realising this value is the success of the post acquisition integration of systems and processes. In recognition of this, Superloop implements an integration plan to ensure maximum value from the acquisitions are realised.

***Funding*** - The continued growth of Superloop's business relies on the acquisition, development and ongoing maintenance of telecommunications and IT infrastructure.

Superloop requires sufficient access to capital to fund this expenditure. Failure to obtain capital on favourable terms may hinder Superloop's ability to expand and pursue growth opportunities. There is no assurance that additional funds will be available in the future and/or be secured on reasonable commercial terms. Superloop believes the risk is adequately controlled through the generation of operating cash flows, negotiation and maintenance of lines of credit at favourable rates and access to other forms of capital.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of Superloop other than those listed in the Review of Operations above.

## MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

There are no matters or circumstances that occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The continued growth in transmission and storage of data should underpin a likely demand for services provided by the Company across the Asia Pacific region.

The Board continues to evaluate further investment in expansion opportunities in the region, based on underlying market dynamics and demand for connectivity and managed services.

## DIVIDENDS

A final dividend of $0.005 per share, fully franked, was paid in respect of the 2017 financial year. No dividend has been declared in respect of the 2018 financial year.

## ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental laws.

## INDEMNIFICATION OF OFFICERS

The Group has entered into standard deeds of indemnity and insurance with the Directors. Pursuant to those deeds, the Group has undertaken, consistent with the Corporations Act 2001, to indemnify each Director in certain circumstances and to maintain directors and officers insurance cover in favor of the Director for seven years after the Director has ceased to be a Director.

During the year, the Group paid premiums of $327,793 (2017: $156,956) to insure the directors and officers of the Group against a liability incurred as a director or officer, to the extent permitted by the Corporations Act 2001.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor (Deloitte) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of the amounts paid during the year to the Group's external auditor, Deloitte Australia, for non-audit services are set out in Note 26 to the financial statements.

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

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

## PROCEEDINGS ON BEHALF OF THE GROUP

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

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

## ROUNDING OF AMOUNTS

The Group is of a kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and issued pursuant to section 341(1) of the Corporations Act 2001. In accordance with that Instrument, amounts in the Directors' Report and the financial report have been rounded to the nearest dollar.

## 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 on page 30.

# Information on directors

## MICHAEL MALONE

Independent Non-Executive Chairman

Appointed Non-executive Director: 27 April 2015
Appointed Chairman: 22 June 2017

### Experience and expertise

Michael Malone is the former CEO of iiNet Limited, having founded the company in 1993. During his tenure, iiNet became the second largest broadband DSL ISP in Australia.

In 2009, Michael was CEO of the Year in the Australian Telecom Awards and National Customer Service CEO of the Year in the CSIA's Australian Service Excellence Awards. Michael was named a finalist for WA Citizen of the Year and in 2011, he won the Ernst & Young Entrepreneur of the
Year Award.

In April 2016, Michael was appointed to the Board of NBN Co Limited.

Michael holds a Bachelor of Science (Mathematics) and a Postgraduate Diploma in Education from UWA. He is a Fellow of the Australian Computing Society, a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

### Other current directorships of listed entities

Seven West Media Limited (ASX: SWM) - appointed 24 June 2015
SpeedCast Ltd (ASX: SDA) – appointed 14 July 2014
Dreamscape Networks Limited (ASX: DN8) - appointed 16 September 2016

### Former Directorships of listed entities in last 3 years

Nil

### Special responsibilities

- Chairman
- Member of the Audit Committee
- Member of the Risk Management Committee

### Interests in shares and options

636,293 fully paid ordinary shares

## BEVAN SLATTERY

Executive Director

Appointed: 28 April 2014
Chief Executive Officer: 23 February 2016 to 30 June 2018

### Experience and expertise

Bevan Slattery is the founder and an Executive Director of Superloop. He served as Executive Chairman until June 2017 and Chief Executive Officer until 30 June 2018.

Bevan has a background in building successful Australian IT and telecommunications companies and an earlier career in administration in local and state government.

Prior to establishing Superloop, Bevan founded Megaport in 2013 with the aim of becoming a global leader in the fast growing elastic interconnection services market. The Company successfully listed on the ASX in December 2015.

In 2010, Bevan founded NEXTDC, with a vision to become Australia's largest independent data centre provider. As the founding CEO of NEXTDC, Bevan oversaw its listing on the ASX, overall design of its initial facilities and their development.

In 2002, Bevan co-founded PIPE Networks which grew to become Australia's largest Internet Exchange and Australia's third largest metropolitan fibre network provider with over 1,500km of fibre in 5 cities connecting 80 data centres, 250 Telstra exchanges and over 1000 buildings. In 2009, PIPE Networks completed construction of Pipe Pacific Cable 1 (PPC-1), a $200 million submarine cable system linking Sydney to Guam. PIPE Networks was sold to TPG for an enterprise value of $420 million in May 2010.

Bevan holds a Bachelor of Business (Accountancy) and has been awarded an honorary Master of Business Administration from Central Queensland University

### Other current directorships of listed entities

Bevan is a director of Megaport Limited (ASX: MP1) - appointed 27 July 2015

### Former directorships of listed entities in last 3 years

Nil

### Special responsibilities

Nil

### Interests in shares and options

61,169,389 fully paid ordinary shares

## GREG BAYNTON

Independent Non-Executive Director

Appointed: 28 April 2014

### Experience and expertise

Greg Baynton is the founder and Managing Director of Orbit Capital, an investment and advisory company and holder of an Australian Financial Services Licence. He has a background in investment banking, infrastructure investment, and new projects and has experience in IPOs and other capital raisings, mergers and acquisitions, investor relations and corporate governance.

He has considerable experience as a director of ASX-listed companies. Among those, Greg is a former Director of Asia Pacific Data Centre Limited, NEXTDC and of PIPE Networks. Greg is also a director of State Gas Limited.

Greg holds a Master of Business Administration (QUT), a Master of Economic Studies (UQ), a Postgraduate Diploma in Applied Finance & Investment (SIA), and a Bachelor of Business (Accountancy). He has completed a Certificate course in Risk Management and Corporate Governance and is a Fellow of the Governance Institute of Australia.

### Other current directorships of listed entities

NOVONIX Limited (ASX: GRA) – appointed 5 April 2012
State Gas Limited (ASX: GAS) - appointed 7 June 2017
intelliHR Holdings Limited (ASX: IHR) - appointed 16 December 2016

### Former Directorship of listed entities in last 3 years

Asia Pacific Data Centre Group Limited (ASX: AJD) – resigned 4 February 2015

### Special responsibilities

- ➢ Chair of the Audit Committee
- ➢ Member of the Risk Management Committee
- ➢ Member of the Remuneration and Nomination Committee

### Interests in shares and options

812,331 fully paid ordinary shares

## LOUISE BOLGER

Independent Non-Executive Director

Appointed: 27 April 2015

### Experience and expertise

Louise Bolger is an experienced in-house telecommunications, media and technology lawyer and company secretary.

Louise commenced her career in private legal practice before continuing on to in-house roles which included acting as General Counsel and Company Secretary for ASX listed companies EML Payments Limited, Southern Cross Media Group Limited and PIPE Networks Limited.

Louise holds a Bachelor of Laws (Hons), a Bachelor of Arts (Modern Asian Studies) from Griffith University and a Bachelor of Education Studies from the University of Queensland. She is a member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

### Other current directorships of listed entities

Nil

### Former Directorship of listed entities in last 3 years

Nil

### Special responsibilities

- ➢ Chair of the Remuneration and Nomination Committee

### Interests in shares and options

69,563 fully paid ordinary shares

## RICHARD ANTHONY (TONY) CLARK

Independent Non-Executive Director

Appointed: 23 December 2015

### Experience and expertise

Tony is an Emmy Award-winning Cinematographer as well as co-founder and Managing Director of Rising Sun Pictures (RSP) and Cospective, and co-founder of CINENET Systems Pty Ltd.

Tony has a wealth of industry knowledge and experience in digital media. His credits as a VFX Supervisor for RSP include Alfonso Cuarón's Gravity, Pirates of the Caribbean: On Stranger Tides, The Sorcerer's Apprentice, The Last Mimzy, The Core and Harry Potter & the Goblet of Fire.

Tony is a 2010 recipient of an Academy Award for Scientific & Technical Achievement as creator of the remote collaboration tool cineSync. His deep understanding of digital film became the foundation for the technology spin-off Rising Sun Research (now Cospective).

Tony has served as a board member on the South Australian Film Corporation, is currently on the board of Ausfilm and is an active member of both AMPAS, the Academy of Motion Picture Arts, and Sciences and the Visual Effects Society. He is a Graduate of the Australian Institute of Company Directors.

### Other current directorships of listed entities

Nil

### Former Directorships of listed entities in last 3 years

Nil

### Special responsibilities

Nil

### Interests in shares and options

399,741 fully paid ordinary shares

## VIVIAN STEWART

Independent Non-Executive Director

Appointed: 21 December 2016

### Experience and expertise

Vivian Stewart served on the BigAir Board from June 2008 and was its Chairman at the time of BigAir's acquisition by Superloop in December 2016.

Vivian is the CEO of VentureCrowd – an alternative assets crowdfunding platform.

He has extensive background in the IT&T industry, venture capital and corporate advisory services. He co-founded ISP Magna Data, venture firm Tinshed, corporate advisory firm Callafin and angel investment group Sydney Angels. He has spent 10 years as an independent corporate advisor specialising in sale, merger and acquisition transactions and related capital strategy for public and private companies.

He serves on the management committee of Sydney Angels, the investment committee of the Sydney Angels Sidecar Fund and on the Board of Hey You.

Vivian has a Bachelor of Arts (Honours) from The University of Sydney and an eMBA from the Australian Graduate School of Management. He is a Graduate of the Australian Institute of Company Directors.

### Other current directorships of listed entities

Nil

### Former Directorships of listed entities in last 3 years

BigAir Group Limited - June 2008 to December 2016

### Special responsibilities

Chair of the Risk Management Committee
Member of the Audit Committee
Member of the Remuneration and Nomination Committee

### Interests in shares and options

577,738 fully paid ordinary shares

## JASON ASHTON

Executive Director

Appointed: 21 December 2016

### Experience and expertise

Jason Ashton is an Executive Director of Superloop and was the co-founder and Chief Executive Officer of BigAir Group Limited prior to its acquisition by Superloop in December 2016. He will step down from his executive position in September 2018.

Jason was previously Managing Director of business ISP Magna Data which he co-founded in 1993 and subsequently sold in 1999.

Jason has extensive experience with high speed microwave and fixed wireless access networks and is a regular speaker at industry conferences.

Jason has a Bachelor of Science from the University of Sydney and a Master of Commerce from the University of NSW.

### Other current directorships of listed entities

Nil

### Former Directorship of listed entities in last 3 years

BigAir Group Limited: 2002 to December 2016

### Special responsibilities

Nil

### Interests in shares and options

1,347,447 fully paid ordinary shares

## MATTHEW HOLLIS

Executive Director

Appointed: 1 March 2017

### Experience and expertise

Matthew Hollis is Superloop's Group GM Sales and Marketing. He will step down from his executive position in September 2018.

Prior to joining Superloop, Matt was the Director of Corporate & Wholesale at Vocus Communications for over 6 years. Prior to joining Vocus, Matt served in various sales and corporate roles with Pipe Networks and other ISPs and System Integrators.

Matt is a member of the Australian Institute of Company Directors and has attended the Company Directors course.

### Other current directorships of listed entities

Nil

### Former Directorship of listed entities in last 3 years

Nil

### Special responsibilities

Nil

### Interests in shares and options

30,408 fully paid ordinary shares
336,094 share options

## COMPANY SECRETARY

The company secretary at the end of the financial year was Paul Jobbins.

Paul is Superloop's Group Chief Financial Officer and has responsibility for corporate functions including Finance and Investor Relations.

Paul has previously worked in senior executive roles with several ASX listed companies including NEXTDC Limited, Reverse Corp Limited and Sunshine Gas Limited.

Paul holds a Bachelor of Business (Accountancy) from QUT, a Graduate Diploma in Applied Finance and Investment from Finsia, a Master of Applied Finance from Macquarie University, is a Chartered Accountant and a graduate of the Australian Institute of Company Directors.

## MEETINGS OF DIRECTORS

The number of meetings of the Group's Board of Directors and of each board committee held during the year, and the number of meetings attended by each Director are as follows:

| | Meetings of Directors | | Meeting of Committees | | | |
|---|---|---|---|---|---|---|
| | | | Audit and Risk Management | | Remuneration and Nomination | |
| | A | B | A | B | A | B |
| Michael Malone | 8 | 11 | 4 | 4 | N/A | N/A |
| Bevan Slattery | 11 | 11 | N/A | N/A | N/A | N/A |
| Greg Baynton | 11 | 11 | 4 | 4 | 4 | 4 |
| Louise Bolger | 11 | 11 | N/A | N/A | 4 | 4 |
| Tony Clark | 11 | 11 | N/A | N/A | N/A | N/A |
| Vivian Stewart | 10 | 11 | 4 | 4 | 4 | 4 |
| Jason Ashton | 11 | 11 | N/A | N/A | N/A | N/A |
| Matthew Hollis | 10 | 11 | N/A | N/A | N/A | N/A |

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

N/A = Not applicable. Not a member of the relevant committee

The Board established the Risk Management Committee in June 2018.

# Remuneration Report

## LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholders,

We are pleased to present Superloop's Remuneration Report for 2018, for which we seek your support.

Superloop's updated vision, "to be the most trusted enabler of connectivity and managed services in Asia Pacific", is designed to support the creation of long term shareholder value. Throughout the 2018 financial year, the Company underwent significant transformation in pursuit of this vision with growth in revenue, earnings and assets, and number of customers and employees.

In FY18 Superloop achieved a number of key performance milestones:

- Year on year revenue growth of 109%, to $125.2 million;
- Year on year growth in reported EBITDA of 536%, to $29.1 million; and
- Net profit after tax of $7.1 million.

The acquisitions of NuSkope in October 2017 and GX2 Technology in November 2017 saw the size of the Group increase to over 415 employees by 30 June 2018.

The Company has been able to recruit high calibre candidates over the past year including recent appointees CEO, Drew Kelton, Ashleigh Loughnan as Group Head of People and Culture and David Thomas as Chief Commercial Officer. We also remain conscious that it is critical to the success of the organisation that it is able to continue to attract and retain appropriate people to lead the Company through its next phase of growth.

The role of the Remuneration and Nomination Committee is to assist the Board, and make recommendations on remuneration, related policies and practices including the remuneration of senior management and Non-executive Directors. A key principle by which the Committee operates is to ensure that the remuneration framework is transparent, competitive and reasonable.

The Committee oversees the development and implementation of a remuneration policy and remuneration structure that ensures there is a direct link between remuneration and performance, both Company and individual, that is ultimately aligned to shareholder interest.

The Committee continues to undertake reviews of best practice remuneration frameworks and considers structures implemented in organisations of a similar size and in similar industries. Given the rapid growth of the Group since listing on the ASX in 2015, the Board will conduct a further review of its remuneration framework in FY19 to ensure an ongoing alignment and a clearer link between meeting short and long term operational and financial targets and the generation of long-term shareholder value.

We welcome your feedback on the ongoing development of our remuneration practices and reporting. We thank you for your continued support and hope that you find this report useful.

Yours sincerely,

L. Bolger

Louise Bolger
Chair, Remuneration and Nomination Committee
Superloop Limited

## Remuneration Report - Audited

The Remuneration Report, which forms part of the Directors' Report, sets out the remuneration arrangements for the Directors and other Key Management Personnel of Superloop for the year ended 30 June 2018 (FY18), and is prepared in accordance with section 300A of the Corporations Act 2001 (Corporations Act). The information in this report has been audited as required by section 308(3C) of the Corporations Act.

## 1. THE PERSONS COVERED BY THIS REPORT

Key Management Personnel ("KMP") include the Directors of the Group and Senior Executives. The term "Senior Executives" refers to the Chief Executive Officer and those executives with responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

### NON-EXECUTIVE DIRECTORS

| Name | Position |
|---|---|
| Michael Malone | Independent Non-Executive Chairman<br>Member of the Audit and Risk Management Committee |
| Greg Baynton | Independent Non-Executive Director<br>Chair of the Audit and Risk Management Committee<br>Member of the Remuneration and Nomination Committee |
| Louise Bolger | Independent Non-Executive Director<br>Chair of the Remuneration and Nomination Committee |
| Tony Clark | Independent Non-Executive Director |
| Vivian Stewart | Independent Non-Executive Director<br>Member of the Audit and Risk Management Committee<br>Member of the Remuneration and Nomination Committee |

### SENIOR EXECUTIVES

| Name | Position |
|---|---|
| Bevan Slattery | Chief Executive Officer (CEO) until 30 June 2018<br>(Executive Director from 1 July 2018) |
| Matthew Hollis | Executive Director<br>Group GM Sales and Marketing |
| Jason Ashton | Executive Director<br>GM Cloud and Managed Services |
| Paul Jobbins | Group Chief Financial Officer<br>Company Secretary |
| Ryan Crouch | Chief Operating Officer - Networks |
| Matthew Whitlock | Chief Operating Officer - Infrastructure |
| Alex West | Group Chief Operating Officer (appointed 18 June 2018)<br>(Head of Transformation and Integration until 18 June 2018) |

Except as noted above or elsewhere in this report, the named persons held their position for the whole financial year.

### CHANGES SINCE THE END OF THE REPORTING PERIOD

Drew Kelton commenced as Chief Executive Officer from 1 July 2018.

In July 2018, Matthew Hollis and Jason Ashton announced their intention to step down from their executive roles.

From 1 July 2018, Matthew Whitlock and Ryan Crouch will report to Group Chief Operating Officer, Alex West, and, for the purposes of reporting, will no longer be considered Key Management Personnel.

On 15 August 2018, David Thomas was appointed Chief Commercial Officer.

## 2. OVERVIEW OF REMUNERATION GOVERNANCE FRAMEWORK

### 2.1 REMUNERATION AND NOMINATION COMMITTEE

The role of the Remuneration and Nomination Committee ("the Committee") is to review and make recommendations to the Board on matters relating to:

- Board and Senior Executive succession planning;
- Non-executive Director fees and the aggregate fee pool;
- The Company's remuneration policy and procedures and other relevant policies including recruitment, retention and termination policies;
- Senior Executive remuneration arrangements, including the Company's equity-based incentives;
- The annual assessment of Board and Senior Executive performance;
- The assessment of the Board's skills, size and composition;
- The Group's reporting and disclosure practices in relation to the remuneration of Directors and Senior Executives; and
- Market practices and trends on remuneration matters.

Further information regarding the Committee's role, responsibilities and membership can be found in the Committee's Charter, which forms part of the Corporate Governance Charter, a copy of which is available on Superloop's website at www.superloop.com/investor.

### 2.2 SECURITIES TRADING POLICY

A Securities Trading Policy ("Trading Policy") has been adopted by the Board to provide guidance to Directors, employees of Superloop, and other parties who may have access to price sensitive information and who may be contemplating dealing in Superloop's securities or the securities of entities with whom Superloop may have dealings.

The Trading Policy is designed to ensure that any trading in Superloop's securities is in accordance with the law and accordingly it prohibits all Directors and Senior Executives from engaging in hedging arrangements, dealing in derivatives or entering into similar arrangements. Any non-compliance with the Trading Policy will be regarded as an act of serious misconduct.

The Trading Policy is available on Superloop's website at www.superloop.com/investor.

## 3. DIRECTOR REMUNERATION

### 3.1 DIRECTOR REMUNERATION POLICY

Superloop's Director remuneration policy is to provide fair remuneration that is sufficient to attract and retain Non-executive Directors with appropriate experience, knowledge, skills and judgment.

The Directors determine the total amount paid to each Director as remuneration for their services. Under the Listing Rules, the total amount paid to all Non-executive Directors must not exceed in any financial year the amount fixed in a general meeting of Superloop. This amount is currently $750,000. Non-executive Directors fees include base fees and fees for membership of board committees, and where relevant are inclusive of superannuation contributions.

Non-executive Directors may be paid such additional or special remuneration where a Director performs extra work or services which are not conducted in their capacity as a Director of Superloop.

Fees paid to Non-executive Directors in FY18 were $400,000 (FY17 $322,375).

There are no retirement benefit schemes for Directors other than statutory superannuation contributions.

### 3.2 NON-EXECUTIVE DIRECTOR FEES

The current base Director fees per annum, including statutory superannuation, are:

| | |
|---|---|
| - Chairman | $110,000 |
| - Non-executive Director | $60,000 |
| - Committee member | $10,000 (per committee) |

To preserve independence, Non-executive Directors do not receive incentive or performance based remuneration. Non-executive Directors are entitled to be reimbursed for travel and other expenses incurred while carrying out their duties as a Director.

## 4. EXECUTIVE REMUNERATION

### 4.1 SENIOR EXECUTIVE REMUNERATION POLICY

Superloop's Senior Executive remuneration policy is designed to be transparent, competitive and reasonable while strengthening the alignment between performance related remuneration and shareholder returns. Its goal is to ensure the Group can attract and retain key talent while being linked to the achievement of the Group's strategic and business objectives.

The policy includes at-risk short term and long term incentives with direct links between remuneration and performance (both Company and individual) that is ultimately aligned to shareholder interest.

Senior Executive remuneration packages consist of three key components:

- Fixed remuneration being base salary inclusive of superannuation, non-monetary benefits and any applicable fringe benefits tax;
- Short term incentives that provide a reward for performance against annual performance targets; and
- Long term incentives that provide a securities-based reward for performance against indicators of long-term shareholder value creation, usually over a three year period.

The following considerations are taken into account when formulating Senior Executive remuneration packages:

- Fixed remuneration is set with reference to the median of relevant market practice;
- Financial targets on which incentives are based are suitably challenging, and must meet a budget and business plan to exceed market expectations and guidance at the time they are set; and
- Remuneration will be managed within a range so as to allow for the recognition of individual differences such as the calibre of the executive and competency with which they fulfil a role.

### 4.2 SHORT TERM INCENTIVE (STI) POLICY AND PROCEDURE

The STI policy provides incentives for Senior Executives to achieve the Group's strategic objectives by delivering or exceeding annual performance targets.

**Measurement period and award**

The measurement period for achieving annual performance targets is the financial year to 30 June, with an assessment of performance to be conducted following the end of the measurement period upon finalisation of the full year audited results.

Short term incentives will be paid in cash following a successful assessment.

The CEO can earn up to 50% of his annual fixed remuneration in short term incentives. Other Senior Executives have a target award of 20% but can earn up to 30% of their annual fixed remuneration for a superior outcome.

**Performance metrics and weightings**

The performance metrics for the CEO include:

- Financial performance: Group EBITDA (60%)
- Operational performance (40%)

The performance metrics for other Senior Executives include:

- Financial performance: Group EBITDA (40%)
- Operational performance (30%)
- Specific individual performance incentives linked to specific strategic projects or objectives (30%).

The short term incentive structure is considered appropriate during the Company's current phase of growth. Senior Executives are motivated to generate operating profits and cash flow while meeting required outcomes in service delivery and operating efficiency and delivering on strategic projects which will generate long term shareholder value.

The policy also allows for incentives to be paid for achieving specific strategic objectives or for specific outstanding performance.

**Cessation of employment**

If a Senior Executive's employment terminates prior to the end of the measurement period, all entitlements will be forfeited unless otherwise determined by the Board.

**Short term incentive outcomes for FY18**
During the year, short term incentives were awarded as follows:

- Executive Director Matthew Hollis was awarded $140,000 as quarterly sales commission based on achieving specific group sales targets. Refer section 6.2 below.
- Chief Operating Officer - Networks, Ryan Crouch, was awarded $150,000 based on achieving specific strategic objectives in relation to active network deployment and integration which drives product development, operating efficiency and customer revenue.
- Chief Operating Officer - Infrastructure, Matthew Whitlock, was awarded $22,831 based on achieving specific short term infrastructure objectives.
- Group Chief Operating Officer, Alex West, was awarded $50,000 as a contractual sign on bonus.

After year end, short term incentives were awarded in line with the short term incentive policy set out above, as follows:

- The Chief Executive Officer for the period to 30 June 2018, Bevan Slattery, was awarded $200,000 representing 80% of his target short term incentive based on achieving Group EBITDA target (60%) and achieving half of his operational targets (20%). Mr Slattery has declined to accept the award.
- Executive Director, Jason Ashton, was awarded $52,920 representing 80% of his target short term incentive for the 2018 financial year of $66,149.
- Group Chief Financial Officer, Paul Jobbins, was awarded $52,560 representing 80% of his target short term incentive for the 2018 financial year of $65,700.
- Chief Operating Officer - Networks, Ryan Crouch, was awarded $40,000 representing 80% of his target short term incentive for the 2018 financial year of $50,000. Mr Crouch was awarded a further $20,000 in relation to his performance for the 2018 financial year.
- Chief Operating Officer - Infrastructure, Matthew Whitlock, was awarded $40,000 representing 80% of his target short term incentive for the 2018 financial year of $50,000. Mr Whitlock was awarded a further $20,000 in relation to his performance for the 2018 financial year
- Group Chief Operating Officer, Alex West, was awarded $48,000 representing 80% of his target short term incentive for the 2018 financial year of $60,000.

For further detail refer to Section 8 below.

## 4.3 LONG TERM INCENTIVE (LTI) POLICY AND PROCEDURE

The purpose of the LTI policy is to align Senior Executive rewards with sustainable growth in shareholder value over time. It also acts as a retention mechanism for key executives.

Further, the policy acts to establish a method by which eligible employees can participate in the future growth and profitability of the Company.

Shareholders have approved the Company's two LTI plans being the Employee Rights Plan and the Executive Option Plan.

The Company's Securities Trading Policy prohibits executives from entering into transactions which limit the economic risk related to equity-based remuneration schemes without written clearance.

**Measurement period and award**
The measurement period for long term incentives is three financial years, unless the Board determines otherwise. The policy intends for grants to be issued annually with overlapping cycles.

Incentives will be issued in the form of options or performance rights, subject to shareholder approval for Executive Directors. Where shareholder approval is not received for the issue of options to Directors, incentives will be awarded in cash.

The CEO will be issued long term incentives in the form of 3,000,000 options which vest in equal tranches over 3 years with exercise prices of $2.00, $2.50 and $3.00 for each respective tranche. The minimum vesting period for the options is two years.

Other Senior Executives can be awarded LTIs of up to 20% of their annual fixed remuneration.

**Performance metrics and weightings**
The long term performance metrics for the CEO include:

- Financial performance: Annual achievement of yearly revenue, EBITDA and earnings per share targets.
- Operational performance: Long term strategic objectives determined by the Board to support the long term growth of the Company.

The performance metrics for other Senior Executives are aligned to the CEO's performance metrics.

The long term incentive structure is considered appropriate as it aligns Senior Executives with generating long term shareholder value and acts as an inducement to retain executives. Earnings per share targets over the measurement period are considered appropriate as they reflect returns to shareholders. Operational performance objectives relate to the establishment of sustainable recurring revenue and earnings.

The achievement of long term objectives is subject to the satisfaction of the Board as assessed and declared on an annual basis.

**Cessation of employment**
If a Senior Executive's employment terminates prior to the end of the measurement period, all entitlements will be forfeited unless otherwise determined by the Board.

**Employee Rights Plan**
At the 2015 Annual General Meeting held on 24 November 2015, shareholders approved an Employee Rights Plan. The Directors are empowered to operate the Employee Rights Plan ("Plan") and grant Performance Rights to Eligible Participants in accordance with the Listing Rules and on the terms and conditions summarised in the Plan.

The Board may offer any number of Performance Rights to an Eligible Participant on the terms the Board decides, subject to the Plan rules and any applicable law or the Listing Rules. An Offer is required to set out details such as the total number of Performance Rights being offered, the vesting date and vesting conditions, any disposal restrictions, and other terms attached to the Performance Rights.

A Participant is not required to pay for the grant of any Performance Rights or the issue of Superloop Shares on vesting. Once the Performance Rights vest, the Participant will be issued Superloop Shares, unless the Company decides to provide a cash payment in lieu of Superloop Shares. A Participant does not have the right to participate in dividends on Superloop Shares until Superloop Shares are issued after vesting of the Performance Rights. A Participant does not have the right to vote in respect of a Performance Right.

The Company shall not grant Performance Rights if the number of shares to be issued on exercise of the Rights exceeds 5% of the issued shares at the time the offer is made.

At 30 June 2018, 101,903 Performance Rights were on issue.

**Executive Option Plan**
At a General Meeting of shareholders held on 21 June 2016, shareholders approved an Executive Option Plan.

The Executive Option Plan is open for participation by Directors, executives and senior management. The Directors of Superloop believe an Executive Option Plan is an important part of a comprehensive remuneration strategy. The grant of options to participants under the Executive Option Plan further aligns the interests of the Company's senior management and shareholders and helps preserve the Company's cash funds.

The Directors are empowered to operate the Executive Option Plan and grant options to Eligible Participants in accordance with the Listing Rules and on the terms and conditions set out in the Executive Option Plan. The Board has an absolute discretion to determine appropriate procedures for the administration of the Executive Option Plan and resolve questions of fact or interpretation and formulate special terms and conditions in addition to those set out in the plan.

All options are to be offered to Participants for no consideration. The offer must be in writing and specify, amongst other things, the number of options for which the Participants may accept, the year within which the options may be exercised and any conditions to be satisfied before exercise, the option expiry date (as determined by the Board) and the exercise year for the options.

The options shall lapse upon the earlier of the date specified by the Board or events contained in the Executive Option Plan rules, including termination of employment or resignation, redundancy, death or disablement.

The Company shall not grant options if the number of shares to be issued on exercise of the options exceeds 5% of the issued shares at the time the offer is made.

During the year to 30 June 2018, 336,094 options were issued under the Executive Option Plan and at the date of this report there were 336,094 options on issue.

**Long term incentive outcomes for FY18**

During the year, long term incentives awarded either during the year or previous years had the following outcomes:

- On 11 August 2017, Mr Hollis was issued 336,094 options with an exercise price of $2.50 vesting over 2 years under the Executive Option Plan and in accordance with his Employment Agreement. The value of the options was $250,000.
- Group Chief Financial Officer, Paul Jobbins, had Performance Rights vest over the period with a value of $41,513.
- Chief Operating Officer - Networks, Ryan Crouch, had Performance Rights vest over the period with a value of $6,518.
- Chief Operating Officer - Infrastructure, Matthew Whitlock, had Performance Rights vest over the period with a value of $7,163, including 10,110 Performance Rights issued on 29 June 2018 and due to vest on 15 September 2018.

## 5. LOANS TO KEY MANAGEMENT PERSONNEL

Certain key management personnel were eligible to participate in a loan scheme provided by a related party to enable them to acquire shares as part of a private capital raising undertaken by the Group in FY15, prior to listing on the Australian Securities Exchange ("ASX"). The terms and conditions of the loan agreement are commercial in nature, including a market based interest rate. Under the terms and conditions of the loan agreement, if an employee resigns or leaves the Group before the end of the original loan term, the loan plus any accrued interest is repayable immediately. The loans are unsecured. The Group does not guarantee or have any obligations with respect to the loan agreement between the employee and the related party. At 30 June 2018, Matthew Whitlock owed $80,000 to the related party.

## 6. EMPLOYMENT TERMS FOR KEY MANAGEMENT PERSONNEL

### 6.1 DIRECTORS

On appointment to the Board, all Non-executive Directors enter into agreements with the Company in the form of a letter of appointment. The agreements summarise the key terms of engagement including compensation relevant to the office of director.

Each appointment has no initial term, has no notice period and is not subject to any termination benefits.

Subject to ASX Listing Rules, Directors must retire from office at the conclusion of the third annual general meeting after the Director was last elected and will be eligible for re-election at that annual general meeting.
Upon cessation of a Director's appointment, the Director will be paid his or her Director's fees on a pro-rata basis, to the extent that they are unpaid, up to the date of cessation.

### 6.2 EXECUTIVE DIRECTORS

**CHIEF EXECUTIVE OFFICER (until 30 June 2018)**

During the reporting period Bevan Slattery, the founder of the Company, was the Chief Executive Officer (CEO) of the Group. Mr Slattery stepped down as CEO on 30 June 2018 and Drew Kelton assumed the role from 1 July 2018. Refer Section 6.3.

Mr Slattery's Employment Agreement with the Company provided that his remuneration package for FY18 consisted of:

- Fixed salary of $500,000, including superannuation;
- Short term incentives of up to $250,000 per annum in the form of an annual cash bonus based on achieving yearly objectives including budgeted EBITDA targets and operational targets as approved by the Board from time to time; and
- Long term incentives of up to $250,000 per annum over 3 years based on achieving yearly objectives including annual budget and earnings per share targets and other long term strategic objectives determined by the Board to support the long term growth of the Company.

The Employment Agreement stipulates a notice period of six months, a restraint period of twelve months and payments on termination equal to one month's salary including superannuation for each month during the restraint period.

From 1 July 2018, as an Executive Director, Mr Slattery will receive Director fees in accordance with section 3.2 above.

## GROUP GM SALES & MARKETING

Matthew Hollis was appointed as an Executive Director on 1 March 2017 and is the Group GM Sales and Marketing. Mr Hollis resigned from his executive role with the Group on 2 July 2018. Mr Hollis will remain as a Director of the Company after the expiry of his notice period in September 2018.

Under his Employment Agreement Mr Hollis' remuneration package consists of:
- Fixed salary of $350,000 including superannuation;
- Short term incentives of up to $100,000 per annum in the form of an annual discretionary cash bonus; and
- Quarterly sales commissions based on meeting sales targets.

The Employment Agreement stipulates a notice period of three months, a restraint period of six months and payments on termination equal to one month's salary including superannuation for each month during the restraint period.

On 11 August 2017, Mr Hollis was issued 336,094 options with an exercise price of $2.50 vesting over 2 years under the Executive Option Plan and in accordance with his Employment Agreement. The value of the options was $250,000.

On 17 November 2017, shareholders approved the issue of 94,413 options to Mr Hollis under the Executive Option Plan and in accordance with the Executive Employment Agreement with a value of $70,000. At the date of this report, these options have not yet been issued.

## GM CLOUD AND MANAGED SERVICES

Jason Ashton was appointed as an Executive Director on 21 December 2016 and is the GM Cloud and Managed Services. Mr Ashton has a service agreement in place with no fixed term and a notice period of three months. His remuneration package includes a fixed salary of $330,747 including superannuation.

On 17 November 2017, shareholders approved the issue of 89,219 options to Mr Ashton under the Executive Option Plan and in accordance with the Executive Employment Agreement with a value of $66,149. At the date of this report, these options have not yet been issued.

In July 2018, Mr Ashton announced his intention to step down from his executive role.

## 6.3 SENIOR EXECUTIVES

### CHIEF EXECUTIVE OFFICER (1 July 2018 onwards)

Mr Drew Kelton assumed the role of Chief Executive Officer effective 1 July 2018. Mr Kelton's Employment Agreement with the Company provides that his remuneration package for FY19 consists of:

- Fixed salary of $500,000, including superannuation;
- Short term incentives of up to $250,000 per annum in the form of an annual cash bonus based on achieving yearly objectives including budgeted EBITDA targets and operational targets as approved by the Board from time to time; and
- Long term incentives in the form of 3,000,000 options which vest in equal tranches over 3 years based on achieving yearly objectives including annual EBITDA, revenue and earnings per share targets and other long term strategic objectives determined by the Board to support the long term growth of the Company. The minimum vesting period for the options is 2 years provided the Board is of the opinion that the Executive is eligible to receive the options and has met the yearly objectives for the applicable tranches. At the date of this report, these options have not yet been issued.

The Employment Agreement stipulates a notice period of three month's within the first 12 months and six months thereafter, a restraint period of six months and payments on termination equal to one month's salary including superannuation for each month during the restraint period.

**OTHER SENIOR EXECUTIVES**

Remuneration and other terms of employment for other Senior Executives are formalised in employment agreements. Key terms of those employment agreements are as follows:

| Name | Duration of Contract | Notice Period | Termination Payments[1] |
|---|---|---|---|
| Paul Jobbins | No fixed term | 3 months | 3 months |
| Alex West | No fixed term | 3 months | 3 months |
| David Thomas | No fixed term | 3 months | 3 months |
| Ryan Crouch | No fixed term | 3 months | 3 months |
| Matthew Whitlock | No fixed term | 3 months | 3 months |

(1) Base salary payable if the Company terminates the executive without notice or without cause.

## 7. REMUNERATION FOR FY18

The tables below outline the remuneration received by KMP during the year. This information is disclosed in accordance with the Corporations Act 2001 and the Australian Accounting Standards.

### DIRECTORS

Fees and remuneration received by the Directors:

| | | Short-term employee benefits | | | | Post employment benefits | Long-term employee benefits | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary / Fees $ | STI $ | Other benefits $ | Total $ | Super-annuation $ | LTI $ | Long Service Leave $ | Total Remuner-ation Package (TRP) $ | % of TRP linked to performance % |
| **Executive Directors** | | | | | | | | | | |
| Bevan Slattery (1) | 2018 | 475,000 | - | - | 475,000 | 25,000 | - | - | 500,000 | 0.00% |
| | 2017 | 178,082 | | 315,135 | 493,217 | 16,918 | - | - | 510,135 | 0.00% |
| Jason Ashton (2) | 2018 | 302,055 | 52,920 | - | 354,975 | 28,695 | - | 4,606 | 388,276 | 13.63% |
| | 2017 | 160,321 | 30,984 | - | 191,305 | 18,174 | - | 2,672 | 212,151 | 14.60% |
| Matthew Hollis (3) | 2018 | 325,000 | 140,000 | - | 465,000 | 25,000 | 198,756 | - | 688,756 | 49.18% |
| | 2017 | 106,547 | - | 250,000 | 356,547 | 10,122 | - | - | 366,669 | 0.00% |
| Daniel Abrahams (4) | 2018 | - | - | - | - | - | - | - | - | - |
| | 2017 | 202,470 | | 64,280 | 266,750 | 17,669 | 8,030 | - | 292,449 | 2.75% |
| **Non-Executive Directors** | | | | | | | | | | |
| Michael Malone | 2018 | 110,000 | - | - | 110,000 | - | - | - | 110,000 | - |
| | 2017 | 70,000 | - | - | 70,000 | - | - | - | 70,000 | - |
| Louise Bolger(5) | 2018 | 63,927 | - | - | 63,927 | 6,073 | - | - | 70,000 | - |
| | 2017 | 63,927 | - | - | 63,927 | 6,073 | - | - | 70,000 | - |
| Greg Baynton | 2018 | 80,000 | - | - | 80,000 | - | - | - | 80,000 | - |
| | 2017 | 80,000 | - | - | 80,000 | - | - | - | 80,000 | - |
| Tony Clark | 2018 | 54,795 | - | - | 54,795 | 5,205 | - | - | 60,000 | - |
| | 2017 | 54,795 | - | - | 54,795 | 5,205 | - | - | 60,000 | - |
| Vivian Stewart (6) | 2018 | 73,060 | - | - | 73,060 | 6,940 | - | - | 80,000 | |
| | 2017 | 38,699 | - | - | 38,699 | 3,676 | - | - | 42,375 | - |
| **TOTAL - 2018** | 2018 | 1,483,837 | 192,920 | - | 1,676,757 | 96,913 | 198,756 | 4,606 | 1,977,032 | 19.81% |
| **TOTAL - 2017** | 2017 | 954,841 | 30,984 | 629,415 | 1,615,240 | 77,837 | 8,030 | 2,672 | 1,703,779 | 2.29% |

(1) Other benefits includes the value of options issued to Mr Slattery which vested during the 2017 financial year.
(2) Mr Ashton was appointed on 21 December 2016.
(3) Mr Hollis was appointed on 1 March 2017.
(4) Mr Abrahams resigned as an Executive Director on 18 November 2016 but continued to serve as a senior executive as Chief Infrastructure Officer until 28 February 2017. The information above includes remuneration until cessation of employment on 28 February 2017. Mr Abrahams received termination benefits of $64,280, shown above in Other benefits.
(5) During the year, Ms Bolger provided legal consulting services to the Company not conducted in her capacity as a Non-executive Director.
(6) Mr Stewart was appointed on 21 December 2016.

## SENIOR EXECUTIVES

Fees and remuneration received by Senior Executives:

| | | Short-term employee benefits | | | | Post employment benefits | Long-term employee benefits | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary $ | STI $ | Other $ | Total $ | Super-Annuation $ | LTI $ | Long Service Leave $ | Total Remuner-ation Package (TRP) $ | % of TRP linked to performance % |
| **Senior Executives** | | | | | | | | | | |
| Paul Jobbins | 2018 | 303,506 | 52,560 | - | 356,066 | 24,978 | 41,513 | - | 422,557 | 22.26% |
| | 2017 | 245,420 | 75,000 | - | 320,420 | 19,580 | 82,153 | - | 422,153 | 37.23% |
| Ryan Crouch | 2018 | 228,312 | 210,000 | - | 438,312 | 21,352 | 6,518 | 22,457 | 488,639 | 44.31% |
| | 2017 | 182,650 | - | - | 182,650 | 17,350 | 12,749 | 3,044 | 215,793 | 5.91% |
| Matthew Whitlock (1) | 2018 | 240,241 | 82,831 | - | 323,072 | 25,083 | 7,163 | - | 355,318 | 25.33% |
| | 2017 | 194,489 | 70,000 | - | 264,489 | 18,475 | 12,749 | - | 295,713 | 27.98% |
| Alex West | 2018 | 257,578 | 98,000 | - | 355,578 | 23,488 | - | - | 379,066 | 25.85% |
| | 2017 | - | - | - | - | - | - | - | - | - |
| **Former Senior Executives** | | | | | | | | | | |
| Steven Bond (2) | 2018 | - | - | - | - | - | - | - | - | - |
| | 2017 | 153,774 | - | - | 153,774 | 12,896 | 8,341 | - | 175,011 | 4.77% |
| Matthew Gregg (3) | 2018 | - | - | - | - | - | - | - | - | - |
| | 2017 | 167,431 | - | - | 167,431 | 15,906 | 11,110 | 2,790 | 197,237 | 5.63% |
| **TOTAL - 2018** | **2018** | 1,029,637 | 443,391 | - | 1,473,028 | 94,901 | 55,194 | 22,457 | 1,645,580 | 30.30% |
| TOTAL - 2017 | 2017 | 943,764 | 145,000 | - | 1,088,764 | 84,207 | 127,102 | 5,834 | 1,305,907 | 20.84% |

(1) Mr Whitlock commenced employment with Superloop on 10 April 2015 as Chief Operating Officer. From 12 April 2016 until 28 February 2017 he reported to Chief Infrastructure Officer, Mr Daniel Abrahams, and was not considered Key Management Personnel for that period. The information above includes remuneration for each financial year as if he was considered Key Management Personnel for the whole period.

(2) Mr Bond commenced employment as General Manager, Sales and Marketing on 30 May 2016 and was considered Key Management Personnel until 1 March 2017 when he reported to Matthew Hollis.

(3) Following an internal management reorganisation on 16 May 2017, Mr Gregg, General Manager, Customer Experience, reported to Ryan Crouch and for the purposes of this report was no longer considered Key Management Personnel.

## 8. PERFORMANCE OUTCOMES FOR FY18

The following table outlines the performance of the Company over the 2018 financial year and the previous periods since the company was incorporated. Since listing on the Australian Securities Exchange with an initial share price of $1.00 in June 2015, Superloop Limited's share price has risen to $2.52 at 30 June 2018.

| Year ended 30 June | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Net profit / (loss) | $7,123,028 | ($1,239,792) | ($7,164,110) | ($1,193,442) |
| Dividends paid or declared | - | $0.005 | - | - |
| Share price at start of year | $2.56 | $2.35 | $1.94 | $1.00 |
| Share price at end of year | $2.52 | $2.56 | $2.35 | $1.94 |

*2015 includes the period from 28 April 2014 to 30 June 2015. The share price at the start of the 2015 period refers to the issue price of shares in the Company's Initial Public Offering in June 2015.

The 2018 financial year was the Company's third full financial year since listing and a year when the Company underwent further significant transformation. Throughout the year, the strategic objectives for the Group related to the expansion of core infrastructure assets, the continued development of operating systems, the addition of capability in people, products, systems and software, and the integration of acquired business.

Key achievements included:

- Increasing recurring revenue base for ongoing sustainable earnings through sales activities;
- Completion of long term strategic sales arrangements for each network;
- Expansion of physical and active networks in each market including the roll out of an Australian national backbone connecting all of the nbn's 121 Points of Interconnect, excluding Hobart and Launceston;
- Ongoing integration of networks, services and systems associated with acquired businesses;
- Progression of the development of the INDIGO subsea telecommunications cable systems which will provide strategic international capacity and the basis of connectivity between Superloop's metropolitan networks;
- Expansion of the Group's Singapore and Hong Kong metropolitan networks through long term capacity arrangements with carriers in those countries;
- Expansion of the Group's international capacity through a long term agreement with Southern Cross;
- The acquisition of NuSkope Pty Ltd and associated entities which adds a portfolio of strategic assets including wireless network infrastructure and sophisticated service qualification tools and customer database;
- The acquisition of GX2 Holdings Pty Ltd which accelerates the Group's existing community broadband campus solution and brings technology, software and systems with significant value for the combined Group;
- Establishment of Superloop's retail internet service provider, Superbb, and the acquisition of 10,000 fixed line broadband subscribers to kickstart the Group's position in the retail nbn marketplace; and
- Developed the nbn co Business to Business interface allowing wholesale customers to access the nbn platform via the Superloop 360 portal.

The incentive arrangements in place throughout the year were aligned to the achievement of these strategic objectives.

The future strategic objectives for the Group continue to relate to the expansion of core infrastructure assets in Singapore, Hong Kong and Australia and the utilisation of these networks by generating sales to key industry segments of financial services, digital media and telecommunications providers. The integration of networks and systems of acquired businesses is also considered strategically important. Achieving these objectives will deliver an increasing return on the Group's investment. The Company's remuneration framework will support these performance outcomes for future financial years, leading to the continued creation of shareholder value.

After year end, short term incentives were awarded as follows in accordance with the short term incentive policy in place during the year (refer section 4.2):

- The Chief Executive Officer for the period to 30 June 2018, Bevan Slattery, was awarded $200,000 representing 80% of his target short term incentive based on achieving Group EBITDA target (60%) and achieving half of his operational targets (20%). Mr Slattery has declined to accept the award.
- Executive Director, Jason Ashton, was awarded $52,920 representing 80% of his target short term incentive for the 2018 financial year of $66,149.
- Group Chief Financial Officer, Paul Jobbins, was awarded $52,560 representing 80% of his target short term incentive for the 2018 financial year of $65,700.
- Chief Operating Officer - Networks, Ryan Crouch, was awarded $40,000 representing 80% of his target short term incentive for the 2018 financial year of $50,000. Mr Crouch was awarded a further $20,000 in relation to his performance for the 2018 financial year.
- Chief Operating Officer - Infrastructure, Matthew Whitlock, was awarded $40,000 representing 80% of his target short term incentive for the 2018 financial year of $50,000. Mr Whitlock was awarded a further $20,000 in relation to his performance for the 2018 financial year
- Group Chief Operating Officer, Alex West, was awarded $48,000 representing 80% of his target short term incentive for the 2018 financial year of $60,000.

In addition to the incentive arrangements described above for Executive Directors (refer section 6.2), and the short term incentive policy in place (refer section 4.2) the following short term incentives arrangements were in place:

| Name | Grant date | Performance criteria | Contribution to strategic objectives | Measurement | Form of incentive | Amount | Percentage of grant paid |
|---|---|---|---|---|---|---|---|
| Alex West | 24 July 2017 | Completion of integration of BigAir wireless and backhaul network | Integration of networks optimises performance and drives operational cost savings | Successful integration of networks | Cash bonus | $100,000 | 0% Ongoing |
| Ryan Crouch | 9 May 2018 | Deployment and renewal of active network and network integration | Integration of networks optimises performance, improves customer satisfaction and drives operational cost savings | Successful integration of networks | Cash bonus | $150,000 | 100% |
| Matthew Whitlock | 1 January 2018 | Expansion of Singapore and Hong Kong networks including addition of new strategic sites | Expansion of revenue generating asset base | Successful provisioning of strategic sites for customer access | Cash bonus | $22,831 | 100% |

Group Chief Operating Officer, Alex West, was also awarded $50,000 as a contractual sign on bonus.

There have been no alterations to any of the terms or conditions of the grants since grant date.

In addition to the incentive arrangements described above for Executive Director Mr Hollis (refer section 6.2) and Mr Kelton (refer section 6.3), and the short term incentive policy in place (refer section 4.2), there are no further specific short term incentive arrangements in place for senior executives for the 2019 financial year.

During the year, Performance Rights were issued to senior executives in accordance with the Employee Rights Plan. The Performance Rights outlined in the table below are considered long term incentive arrangements provided as part of the senior executive's remuneration for the 2018 financial year and beyond:

| Name | Date of issue | Number of Rights granted / to be issued | Number of Rights vested | Issue price of shares | Fair value of Right at grant date ($) | Vesting date | Expiry date of Rights |
|---|---|---|---|---|---|---|---|
| Paul Jobbins | 13 July 2016 | 4,150 | 4,150 | 2.57 | 2.44 | 15 September 2017 | 15 September 2017 |
| | 13 July 2016 | 4,149 | - | - | 2.44 | 15 September 2018 | 15 September 2018 |
| | 13 July 2016 | 13,228 | 13,228 | 2.52 | 2.44 | 15 April 2018 | 15 April 2018 |
| | 13 July 2016 | 13,227 | - | - | 2.44 | 15 April 2019 | 15 April 2019 |
| | 13 July 2016 | 13,228 | - | - | 2.44 | 15 April 2020 | 15 April 2020 |
| Ryan Crouch | 13 July 2016 | 4,150 | 4,150 | 2.57 | 2.44 | 15 September 2017 | 15 September 2017 |
| | 13 July 2016 | 4,149 | - | - | 2.44 | 15 September 2018 | 15 September 2018 |
| Matthew Whitlock | 13 July 2016 | 4,150 | 4,150 | 2.57 | 2.44 | 15 September 2017 | 15 September 2017 |
| | 13 July 2016 | 4,149 | - | - | 2.44 | 15 September 2018 | 15 September 2018 |
| | 29 June 2018 | 10,110 | - | - | 2.52 | 15 September 2018 | 15 September 2018 |

## 9. SUMMARY OF SHARES HELD BY KEY MANAGEMENT PERSONNEL

The table below outlines the movement in shareholdings by Key Management Personnel during the year:

| | Opening balance 1 July 2017 | Balance at date of appointment | Received as part of remuneration | Additions | Disposals | Other movements | Closing balance 30 June 2018 |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Michael Malone | 632,894 | - | - | 3,398 | - | - | 636,292 |
| Bevan Slattery (1) | 60,007,894 | - | - | 1,161,495 | - | - | 61,169,389 |
| Greg Baynton | 812,331 | - | - | - | - | - | 812,331 |
| Louise Bolger | 66,165 | - | - | 3,398 | - | - | 69,563 |
| Tony Clark | 396,343 | - | - | 3,398 | - | - | 399,741 |
| Jason Ashton | 1,347,447 | - | - | - | - | - | 1,347,447 |
| Vivian Stewart | 577,738 | - | - | - | - | - | 577,738 |
| Matthew Hollis | 27,010 | - | - | 3,398 | - | - | 30,408 |
| **Senior Executives** | | | | | | | |
| Paul Jobbins | 22,122 | - | 17,378 | - | - | - | 39,500 |
| Ryan Crouch | 506,727 | - | 4,150 | - | - | - | 510,877 |
| Matthew Whitlock | 110,530 | - | 4,150 | - | - | - | 114,680 |
| **TOTAL** | **64,507,201** | - | **25,678** | **1,175,087** | - | - | **65,707,966** |

(1) On 11 August 2017, 1,161,495 shares were issued to Mr Slattery as partial consideration for the acquisition of SubPartners Pty Ltd.

The Company's Securities Trading Policy is designed to ensure that any trading in Superloop's securities is in accordance with the law and accordingly it prohibits all Directors and Senior Executives from engaging in hedging arrangements, dealing in derivatives or entering into similar arrangements.

## 10. SUMMARY OF OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

The table below outlines the movement in options held by Key Management Personnel during the year:

| | Opening balance 1 July 2017 | Received as part of remuneration | Exercised | Other movements | Closing balance 30 June 2018 | Vested and exercisable | Vested during the year |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Bevan Slattery | 395,898 | - | - | (395,898) | - | - | - |
| Matthew Hollis | - | 336,094 | - | - | 336,094 | 168,047 | 168,047 |
| **TOTAL** | **395,898** | **336,094** | **-** | **(395,898)** | **336,094** | **168,047** | **168,047** |

## 11. SUMMARY OF RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

The table below outlines the movement in Performance Rights by Key Management Personnel during the year:

| | Opening balance 1 July 2017 | Received as part of remuneration | Vested and converted to shares | Closing balance 30 June 2018 | Vested during the year |
|---|---|---|---|---|---|
| **Executives** | | | | | |
| Paul Jobbins | 47,982 | - | (17,378) | 30,604 | 17,378 |
| Ryan Crouch | 8,299 | - | (4,150) | 4,149 | 4,150 |
| Matthew Whitlock | 8,299 | 10,110 | (4,150) | 14,259 | 4,150 |
| **TOTAL** | **64,580** | **10,110** | **(25,678)** | **49,012** | **25,678** |

## 12. SHARES UNDER OPTION OR PERFORMANCE RIGHTS

Details of unissued shares or interest under Option at the date of this report are:

| Date of issue | Number of shares under Option | Class of shares | Exercise price of option | Vesting date | Expiry date of options |
|---|---|---|---|---|---|
| 11 August 2017 | 168,047 | Ordinary | $2.50 | 1 March 2018 | 1 March 2020 |
| 11 August 2017 | 168,047 | Ordinary | $2.50 | 1 March 2019 | 1 March 2020 |

395,898 Options expired during the year. At the date of this report there were 336,094 Options on issue.

The Options are subject to the terms and conditions as set out in the Executive Option Plan. The holders of these Options do not have the right, by virtue of the Option, to participate in any share issue or interest issue of the company.

Performance Rights are subject to the terms and conditions as set out in the Employee Rights Plan. The holders of the Rights are not entitled, by virtue of the Performance Right, to participate in any share issue or interest issue of the company. Each Performance Right entitles the holder, upon vesting, to be issued one Ordinary share. The participant must be an eligible employee on the vesting date to for the rights to vest.

Details of unissued shares or interest under Performance Rights at the date of this report are:

| Date of issue | Number of Rights granted / to be issued | Class of shares | Issue price of shares | Vesting date | Expiry date of rights |
|---|---|---|---|---|---|
| 13 July 2016 | 60,152 | Ordinary | - | 15 September 2018 | 15 September 2018 |
| 13 July 2016 | 13,227 | Ordinary | - | 15 April 2019 | 15 April 2019 |
| 13 July 2016 | 13,228 | Ordinary | - | 15 April 2020 | 15 April 2020 |
| 28 February 2017 | 4,149 | Ordinary | - | 15 September 2018 | 15 September 2018 |
| 12 July 2017 | 1,037 | Ordinary | - | 15 September 2018 | 15 September 2018 |
| 29 June 2018 | 10,110 | Ordinary | - | 15 September 2018 | 15 September 2018 |

84,825 Performance Rights vested and 6,222 lapsed during the year to 30 June 2018.

At the date of this report there were 101,903 Performance Rights on issue.

Performance Rights are subject to the terms and conditions as set out in the Employee Rights Plan. The holders of the Rights are not entitled, by virtue of the Performance Right, to participate in any share issue or interest issue of the company. Each Performance Right entitles the holder, upon vesting, to be issued one Ordinary share. The participant must be an eligible employee on the vesting date to for the rights to vest.

## 13. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with Key Management Personnel not otherwise disclosed in the report.

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

On behalf of the Directors

Bevan Slattery
Executive Director

20 August 2018

Deloitte.

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The Board of Directors
Superloop Limited
Level 17, 333 Ann Street
Brisbane QLD 4000

20 August 2018

Dear Board Members

**Superloop Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Superloop Limited.

As lead audit partner for the audit of the financial statements of Superloop Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

**Stephen Tarling**
Partner
Chartered Accountants

# Financial Report

**30 June 2018**

These financial statements are the consolidated financial statements of the consolidated entity consisting of Superloop Limited (ABN 96 169 263 094) and its controlled entities.

Superloop Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements are presented in the Australian currency.

Superloop's registered office and principal place of business is Level 17, 333 Ann Street, Brisbane QLD 4000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on page 3, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 20 August 2018. The Directors have the power to amend and reissue the financial statements.

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

| | Note | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| Revenue | 5 | 125,171,014 | 59,805,182 |
| Direct costs | | (51,140,358) | (28,026,161) |
| Employee benefits expense | | (29,857,685) | (13,951,104) |
| Share based payments expense | | (374,711) | (851,604) |
| Professional fees | | (4,019,957) | (6,301,485) |
| Marketing costs | | (1,886,855) | (1,056,867) |
| Administrative and other expenses | | (8,785,585) | (5,045,361) |
| **Total expenses** | | **(96,065,151)** | **(55,232,582)** |
| **Earnings before interest-paid, tax, depreciation, amortisation and foreign exchange gains/losses (EBITDA)** | | **29,105,863** | **4,572,600** |
| Depreciation and amortisation expense | | (22,084,593) | (9,012,643) |
| Interest expense | 6 | (1,852,246) | (1,235,735) |
| Foreign exchange gains / (losses) | 7 | (818,142) | 12,534 |
| Share of associate's profit / (loss) | 12 | (135,884) | - |
| **Profit / (loss) before income tax** | | **4,214,998** | **(5,663,244)** |
| Income tax benefit | 8 | 2,908,030 | 4,423,452 |
| **Profit / (loss) for the year after tax from continuing operations** | | **7,123,028** | **(1,239,792)** |
| **Other Comprehensive income, net of income tax** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences arising from translation of foreign operations | | 4,072,644 | (5,122,485) |
| Net fair value gain / (loss) on hedging transactions entered into the cash flow hedge reserve | | 891,603 | (820,329) |
| **Total Other Comprehensive Income, net of income tax** | | **4,964,247** | **(5,942,814)** |
| **Total Comprehensive Profit / (Loss) for the year** | | **12,087,275** | **(7,182,606)** |
| Profit / (Loss) for the year attributable to: | | | |
| > Owners of Superloop Limited | | 7,123,028 | (1,239,792) |
| Total comprehensive profit / (loss) for the year | | | |
| Attributable to: | | | |
| > Owners of Superloop Limited | | 12,087,275 | (7,182,606) |

| | Note | Cents | Cents |
|---|---|---|---|
| **Profit / (Loss) per share for profit /(loss) attributable to the ordinary equity holders of the Group:** | | | |
| Basic profit / (loss) per share | 33 | 3.19 | (0.69) |
| Diluted profit / (loss) per share | 33 | 3.18 | (0.69) |

The notes following the financial statements form part of the financial report.

# Consolidated Statement of Financial Position

As at 30 June 2018

| | Note | 30 June 2018 $ | 30 June 2017(1) $ |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9 | 15,437,051 | 7,104,685 |
| Trade and other receivables | 10 | 11,119,906 | 10,549,796 |
| Current tax asset | | 1,517,986 | 2,898,701 |
| Other current assets | 11 | 7,112,809 | 3,150,135 |
| **Total Current Assets** | | **35,187,752** | **23,703,317** |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 182,126,670 | 141,204,305 |
| Intangible assets | 14 | 280,573,689 | 239,805,429 |
| Other non-current assets | 11 | 3,827,845 | 289,714 |
| Investment in associate | 12 | 9,505,377 | - |
| Deferred tax assets | 15 | 954,585 | 1,943,363 |
| **Total Non-Current Assets** | | **476,988,166** | **383,242,811** |
| **TOTAL ASSETS** | | **512,175,918** | **406,946,128** |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | 32,232,897 | 26,738,825 |
| Provisions | 18 | 2,813,209 | 1,916,767 |
| Deferred revenue | 19 | 6,463,308 | 1,957,882 |
| Interest-bearing borrowings | 17 | - | 31,563 |
| **Total Current Liabilities** | | **41,509,414** | **30,645,037** |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 18 | 2,549,270 | 2,617,708 |
| Deferred revenue | 19 | 8,514,946 | 474,691 |
| Interest-bearing borrowings | 17 | 62,778,773 | 29,632,910 |
| Deferred tax liabilities | 20 | 7,529,847 | 10,103,513 |
| **Total Non-Current Liabilities** | | **81,372,836** | **42,828,822** |
| **TOTAL LIABILITIES** | | **122,882,250** | **73,473,859** |
| **NET ASSETS** | | **389,293,668** | **333,472,269** |
| EQUITY | | | |
| Contributed equity | 21 | 395,910,987 | 351,290,163 |
| Reserves | 22 | 233,831 | (4,893,516) |
| Other equity | | (3,327,034) | (3,327,034) |
| Accumulated losses | 23 | (3,524,116) | (9,597,344) |
| **TOTAL EQUITY** | | **389,293,668** | **333,472,269** |

The notes following the financial statements form part of the financial report

(1) Comparative information has been adjusted retrospectively to reflect the fair value adjustments as disclosed in Note 37.

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2018

| | Note | Contributed equity | Reserves | Other equity (i) | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 30 June 2017** | | **351,290,163** | **(4,893,516)** | **(3,327,034)** | **(9,597,344)** | **333,472,269** |
| Profit for the year | | - | - | - | 7,123,028 | **7,123,028** |
| Other comprehensive income for the year | | - | 4,964,247 | - | - | **4,964,247** |
| Total comprehensive income for the year | | **-** | **4,964,247** | **-** | **7,123,028** | **12,087,275** |
| Dividends paid | | | | | (1,049,800) | **(1,049,800)** |
| Share based payments | | - | 163,100 | - | - | **163,100** |
| Issue of ordinary share capital | | 45,297,554 | - | - | - | **45,297,554** |
| Share issue costs | | (676,730) | - | - | - | **(676,730)** |
| **Balance at 30 June 2018** | | **395,910,987** | **233,831** | **(3,327,034)** | **(3,524,116)** | **389,293,668** |

| | Note | Contributed equity | Reserves | Other equity (i) | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance at 1 July 2016** | | **131,186,364** | **235,031** | **(3,327,034)** | **(8,357,552)** | **119,736,809** |
| Loss for the year | | - | - | - | (1,239,792) | **(1,239,792)** |
| Other comprehensive income for the year | | - | (5,942,814) | - | - | **(5,942,814)** |
| Total comprehensive loss for the year | | **-** | **(5,942,814)** | **-** | **(1,239,792)** | **(7,182,606)** |
| Share based payments | | - | 814,267 | - | - | **814,267** |
| Issue of ordinary share capital | | 222,301,981 | - | - | - | **222,301,981** |
| Share issue costs | | (2,198,182) | - | - | - | **(2,198,182)** |
| **Balance at 30 June 2017** | | **351,290,163** | **(4,893,516)** | **(3,327,034)** | **(9,597,344)** | **333,472,269** |

(i) Refer to Note 1(C) (ii)

The notes following the financial statements form part of the financial report.

# Consolidated Statement of Cash Flows

## For the year ended 30 June 2018

| | Note | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Receipts from customers | | 134,598,632 | 57,875,152 |
| Payments to suppliers and employees | | (98,289,377) | (53,509,527) |
| Income taxes received / (paid) | | 1,631,714 | 302,149 |
| **Net cash inflow from operating activities** | 30 | **37,940,969** | **4,667,774** |
| | | | |
| INVESTING ACTIVITIES | | | |
| Interest received | | 33,548 | 514,669 |
| Payments for property, plant and equipment | | (44,082,519) | (52,620,433) |
| Payments for intangible assets | | (23,416,001) | (16,240,413) |
| Net cash outflow on acquisition of subsidiaries | | (12,355,104) | (43,663,892) |
| Net cash outflow on investment in associate | | (10,128,737) | - |
| Deferred consideration payments | | (1,542,075) | - |
| Transaction costs associated with the acquisition of subsidiaries | | (330,239) | (4,376,289) |
| **Net cash inflow / (outflow) from investing activities** | | **(91,821,127)** | **(116,386,358)** |
| | | | |
| FINANCING ACTIVITIES | | | |
| Proceeds from issues of shares | | 34,999,999 | 77,830,239 |
| Transaction costs paid in relation to issue of shares | | (1,112,589) | (2,154,647) |
| Dividends paid | | (1,049,800) | - |
| Proceeds from borrowings (net of fees) | | 65,229,698 | 29,632,910 |
| Repayment of borrowings | | (32,724,761) | (30,055,019) |
| Interest paid | | (2,294,835) | (1,235,735) |
| **Net cash inflow from financing activities** | | **63,047,712** | **74,017,748** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents held | | 9,167,554 | (37,700,836) |
| Cash and cash equivalents at the beginning of the year | 9 | 7,104,685 | 45,854,135 |
| Foreign exchange movement in cash | | (835,188) | (1,048,614) |
| **Cash and cash equivalents at the end of the year** | 9 | **15,437,051** | **7,104,685** |

The notes following the financial statements form part of the financial report.

# 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Superloop Limited and its subsidiaries. Superloop Limited is a public company limited by shares, incorporated and domiciled in Australia.

## (A) REPORTING YEAR AND COMPARATIVE INFORMATION

These financial statements cover the period 1 July 2017 to 30 June 2018. The prior year covers the period 1 July 2016 to 30 June 2017. Comparative information has, where necessary and immaterial, been reclassified to be consistent with current year disclosures.

## (B) 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 and the Corporations Act 2001. Superloop Limited is a for-profit entity for the purpose of preparing the financial statements.

### (i) Compliance with IFRS

The consolidated financial statements of the Superloop Group also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

### (ii) New and amended standards adopted by the Group

The Superloop Group has adopted all of the new, revised or amending Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the new, revised or amended standards had a material impact on in the current period or any prior period.

### (iii) Early adoption of standards issued, but not effective

The Group has not elected to apply any pronouncements before their operative date in the financial year beginning 1 July 2017.

### (iv) Historical cost convention

These financial statements have been prepared under the historical cost convention.

### (v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### (vi) Going concern

The consolidated financial statements have been prepared on a going concern basis. At 30 June 2018, current liabilities exceeded current assets by $6.3 million, principally due to one off liabilities associated with acquisitions made by Superloop.

Based on forecast profitability, positive operating cash flows and available funding capacity under the Group's debt facilities, the directors are of the opinion that no material uncertainties exist in relation to events or conditions which cast doubt on the Group's ability to continue as a going concern.

## (C) PRINCIPLE OF CONSOLIDATION

### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.
Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (ii) Business Combinations under Common Control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that the control is not transitory.

Where an entity within the Group acquires an entity under common control, the acquirer consolidates the carrying values of the acquired entity's assets and liabilities from the date of acquisition. No fair value adjustments are made to the acquired entity's assets and liabilities at the date of acquisition. The consolidated financial statements of the Superloop Group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid / transferred by the acquirer and the net assets / (liabilities) of the acquired entity are taken to the common control reserve within other equity.

This other equity relates to transactions during the period ended 30 June 2015 to form the Group.

### (iii) Investment in Associate

An associate is an entity over which the Group has significant influence. The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition.

The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**(D)** Segment reporting

Operating segments are reported in a manner consistent with the operations of the Group and the internal reporting provided to the chief operating decision maker. During the year, the Group's operating segments have been expanded to include Superloop (formerly Connectivity), Superloop+ (formerly Managed Services) and Superbb (broadband services for subscribers or end users)

## (E) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Customer Revenue

Revenue on services is recognised when the service has been provided, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Revenue from long term capacity arrangements and construction contracts, is recognised in line with the delivery of the service, based on the stage of completion.

Upfront discounts provided to customers are amortised over the life of the customer contract.

Installation fees charged where there is no direct expenditure for the establishment of services are brought to account as revenue over the effective life of the customer contracts. Installation fees charged as a recovery of direct operational expenditure are brought to account as revenue as the service is performed.

Revenue from the sale of goods (hardware or software) is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

(ii) Other Revenue

*Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Research & Development Tax Offset

The Group applies AASB 120 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the Research & Development (R&D) Tax Offset, whereby a credit is recognised in profit before tax over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. Such periods will depend on whether the R&D costs are capitalised or expensed as incurred. Where R&D costs are capitalised, the government grant income is deferred and recognised over the same period that such costs are amortised.

## (F) CASH AND CASH EQUIVALENTS

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and term deposits 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. Bank overdrafts, if applicable, are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

## (G) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other administrative expenses in the Consolidated Statement of Comprehensive Income.

### (H) CONSUMPTION TAXES

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

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

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

### (I) INCOME TAX

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate in each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in each jurisdiction. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (J) INVESTMENTS AND OTHER FINANCIAL ASSETS

#### Loans and receivables

##### Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting year which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 11) in the Consolidated Statement of Financial Position.

##### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the Consolidated Statement of Comprehensive Income, transaction costs that are directly attributable to the acquisition of the financial asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

##### Impairment

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Comprehensive Income. Impairment testing of trade receivables is described in Note 1(G).

## (K) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the reporting year in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the lease term (if shorter) as follows:

| Category | Useful life |
|---|---|
| Network assets | 15-40 years |
| Communication assets | 3-5 years |
| Other assets | 3-10 years |
| Leasehold Improvements | 3-10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Comprehensive Income.

## (L) ASSETS IN THE COURSE OF CONSTRUCTION

Assets in the course of construction are shown at historical cost. Historical cost includes directly attributable expenditure on telecommunications infrastructure which at reporting date, has not yet been finalised and/or ready for use. Assets in the course of construction are not depreciated.

Assets in the course of construction are transferred to property, plant and equipment upon successful testing and commissioning.

## (M) INTANGIBLE ASSETS

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful lives:

| Category | Useful life |
|---|---|
| Rights and licenses | 3-15 years |
| Software | 3-5 years |
| Customer acquisition costs | 3-8 years |
| Customer relationships, brands & trademarks | 4-10 years |

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired The useful life and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the useful life or method, as appropriate, which is a change in accounting estimate.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash generating unit level. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite useful life is reviewed each reporting year to determine whether the indefinite useful life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

***Indefeasible Rights to Use ('IRUs')***

IRUs of capacity are recognised as intangible assets and are amortised on a straight-line basis over the remaining life of the contracts.

***Goodwill***

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. Goodwill has an indefinite useful life and as such, is not amortised. The carrying value is assessed at each reporting date against the value of the cash generating units to which it is assigned.

***Software***

On the acquisition of a company, internally developed software and systems are valued and brought to account as intangible assets and valued at its amortised replacement cost or discounted future earnings. Software is amortised on a straight-line basis over the period of its expected benefit.

***Spectrum Licenses***

Spectrum licence assets acquired as part of a business combination are measured at their fair value at the date of acquisition. The amortisation of spectrum licence assets is calculated on a straight-line basis over the expected useful life of the asset based on the current renewal dates of each licence.

***Customer acquisition costs***

Direct customer acquisition costs in relation to customer contracts are recognised as an asset where it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Group. Customer acquisition costs recognised as an asset are amortised from the inception of the contract over the lesser of the period of the contract and the period during which the future economic benefits are expected to be obtained, and reviewed for impairment at the end of the financial year. Customer acquisition costs not recognised as an asset are expensed as incurred.

***Other intangibles***

Other intangibles are amortised on a straight-line basis over the period of their expected benefit.

## (N) LEASES

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## (O) IMPAIRMENT OF ASSETS

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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

## (P) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## (Q) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Comprehensive Income over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

## (R) EMPLOYEE BENEFITS

### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of each reporting year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in provision for employee benefits.

### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting year in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year 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 end of the reporting year on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### (iii) Retirement benefit obligations

Except for the statutory superannuation guarantee charge, the Group does not have any other retirement benefit obligations.

#### (iv) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. This fair value is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

### (S) BORROWINGS COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### (T) CONTRIBUTED EQUITY

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

### (U) FOREIGN EXCHANGE

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

**Foreign Currency Transactions**
Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the date of the transactions.

**Foreign Operations**
The assets and liabilities of foreign operations are translated into the presentation currency (Australian dollars) using the exchange rates as at the reporting date. The revenues and expenses of the foreign operations are translated into the presentation currency using the average exchange rates, which approximate the rate at the date of the transaction. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

### (V) EARNINGS PER SHARE

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit / (loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year (Note 33).

#### (ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (W) ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and issued pursuant to section 341(1) of the Corporations Act 2001. In accordance with that Instrument, amounts in the financial statements have been rounded to the nearest dollar.

### (X) HEDGING

Hedging of risk exposure can be carried out using derivatives or physical instruments. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### (Y) HEDGE ACCOUNTING

Superloop designates certain hedging instruments as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

#### (i) Cash flow hedge

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

#### (ii) Fair Value hedge

Changes in the fair value of financial instruments that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

### (Z) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Superloop Limited, disclosed in Note 36 has been prepared on the same basis as the consolidated financial statements.

## 2 Application of new and revised accounting standards

Certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been early adopted by the Group. The Group's assessment of the impact of these new standards, amendments and interpretations are provided below.

### AASB 9 Financial Instruments

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard replaces all previous versions of AASB 9 and introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of entities along with requirements for financial assets and amendments to the classification and measurement for certain debt instruments. In relation to the impairment of financial assets requirements under AASB 9, the new standard requires an 'expected credit loss' model as opposed to an incurred credit loss model.

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Group will adopt AASB 9 from 1 July 2018 and will not restate comparative information as permitted by the Standard.

The assessment of the requirements of this standard on the Group has indicated there will not be a significant impact on application, in particular:

- Classification and measurement - the Group does not expect any impact on the Statement of Financial Position or equity on applying the classification and measurement requirements of AASB 9. Financial assets currently held at fair value will continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and are solely payments for principal and interest. These receivables will be measured at amortised cost.
- Impairment - under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all eligible financial assets. It is expected that the revised methodology for calculation of impairment will not have a significant impact on the financial statements; and
- Hedge accounting - the Group's existing hedges are currently considered effective relationships and it is expected they will qualify as continuing hedge relationships under AASB 9. There will be additional disclosures in relation to hedge accounting required under this new standard.

### AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and accordingly will apply to the Group from 1 July 2018. The Group will adopt AASB 15 using the modified retrospective approach and will not restate comparative information as permitted by the Standard.

The assessment performed to date on the Group's revenue streams has identified that the largest impact will be on revenue relating to long term capacity arrangements.

Under the Group's current accounting policy, revenue from long term capacity arrangements is recognised in line with the delivery of the services, based on the stage of completion. This has historically resulted in larger proportion of the revenue being recognised during the early stages of the contract in line with the work performed.

On application of AASB 15, revenue will continue to be recognised over time based on the delivery of the service to the customer. However, where the upfront activities required to deliver the contract do not transfer control of an asset to the customer, the costs will be recognised as a contract fulfillment asset, which will be amortised over the contract period. Revenue will be recognised evenly over the term of the contract.

The Group is still assessing whether there is a significant financing component in relation to the long term capacity arrangements. If a significant financing component is identified this will result in revenue being adjusted up for the effect of the time value of money and the recognition of an associated interest expense.

Based on the current assessment, no further significant changes to revenue recognition on other services and activities are expected.

The Group has estimated the cumulative effect on initial application of AASB 15 to be a pre tax reduction to opening retained earnings of approximately $9.0 million, which will be recognised at 1 July 2018.

## 2 Application of new and revised accounting standards (cont.)

### AASB 16 Leases

This standard will replace AASB 117 Leases and is applicable to annual reporting periods beginning on or after 1 January 2019. This standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. This standard introduces three main changes:

- Enhanced guidance on identifying whether a contract contains a lease;
- A completely new leases accounting model for lessees that requires lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and
- Enhanced disclosures.

Leases currently classified as operating leases will be capitalised in the Consolidated Statement of Financial Position with a liability corresponding to future lease payments also recognised. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability.

This standard will apply to the Group from 1 July 2019 and impact the financial statements for the financial year ending 30 June 2020. The full assessment of the impact on the Group is ongoing, however the following impacts are expected:

- the total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight line basis whilst the liability reduces by the principal amount of repayments. Net current
- assets will show a decrease due to an element of the liability being disclosed as a current liability;
- the straight-line operating lease expense will be replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities;
- interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a leases life due to the higher principal value causing profit variability over the course of a lease life. This effect may be partially mitigated due to a number of leases held in the Group at different stages of their terms; and
- repayment of the principal portion of all lease liabilities will be classified as financing activities.

The Group has estimated the application of AASB 16 will result in a increase to earnings before interest, tax depreciation, amortisation and foreign exchange gains/losses (EBITDA) and a decrease to profit before tax (PBT.

There are no other new standards and interpretations that are not yet effective and that are expected to have a material impact on the Group's consolidated financial statements in the current or future reporting periods.

## 3 Critical accounting estimates and judgement

The preparation of the Group's consolidated financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompany disclosures. These estimates and judgements are continually evaluated against historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which involved a higher degree of judgement or complexity, and which have the most significant effect on the amounts recognised in the consolidated financial statements.

### Business combinations

Accounting for acquisitions is inherently complex, requiring a number of judgements and estimates to be made. In accounting for business combinations, the Group has made a number of judgements in relation to identification of fair values attributable to separately identifiable assets and liabilities acquired including intangible assets such as customer relationships, software and brand name and trademarks identified, refer to Note 37. The determination of fair values requires the use of valuation techniques based on assumptions including revenue growth, cash flows, margins, customer attrition rates and weighted-average cost of capital. Additional judgement and estimates have been applied in estimating the useful lives of intangible assets and tangible assets acquired refer to Note 1(M).

For the acquisition of BigAir, NuSkope and GX2, the Group has commissioned an independent valuation expert to assist in the determination of the methodology and calculation of the attributed fair values to identified intangible assets. The acquisition accounting for both BigAir and SubPartners are now final at the balance sheet date, with the excess purchase consideration over the fair value of identified assets and liabilities acquired in both acquisitions recognised as goodwill.

### Goodwill and other indefinite life intangible assets

In assessing impairment of goodwill and other indefinite life intangible assets, in accordance with accounting policy outlined in Note 1(O), management estimates the recoverable amount of each asset, cash-generating or group of cash generating assets based on the greater of "Value in Use" or "Fair value less costs to sell". Value in use is assessed through a discounted cash flow analysis which includes significant estimates and the use of assumptions, including growth rates, estimated future cash flows and estimated discount rates based on the current cost of capital, refer to Note 14.

### Revenue recognition

The Group undertakes long term capacity contracts which span a number of reporting periods. Revenue from these long term capacity arrangements and construction contracts, is recognised in line with the delivery of the service, based on the stage of completion. Determining the stage of completion in relation to the delivery of long term capacity arrangements requires the application of judgement due to the complexity and specific nature of the customer arrangements and estimation of future costs of completing the contract and the expected outcome of the contract. The assumptions made in the estimates are based on the information available to management at the reporting date, however future changes or additional information may mean that management revises estimates of the revenue recognition pattern in future years. A change in the estimated stage of completion could have a significant impact on the timing of the revenue recognition. Refer to Note 1(E) for further information on revenue recognition.

### Useful life of assets

The economic life of property, plant and equipment, which includes network infrastructure is a critical accounting estimate, with the ranges outlined in Note 1(K). The useful economic life is the Board's and management's best estimate based on historical experiences and industry knowledge. The Group reviews the estimated useful lives of property, plant and equipment including network infrastructure at the end of each annual reporting period. Should the actual lives of these component parts be significantly different this would impact the depreciation charge recognised.

### Income taxes

The Group is subject to income taxes in each jurisdiction that it operates. Estimation is required in determining the provision for income taxes as there are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year.

Refer to Note 15, for judgement made in relation to deferred tax assets.

# 4 Segment information

### (A) DESCRIPTION OF SEGMENTS

Superloop is a trusted enabler of connectivity and managed services in Asia Pacific. During the year, the principal activities of the Group included:

i) the development and operation of independent connectivity infrastructure and services throughout the Asia Pacific region for wholesale and enterprise customers including fibre optic cable, international submarine cables and fixed wireless networks (Superloop),
ii) the provision of outsourced cloud and managed services, cyber security and cyber safety (Superloop+), and
iii) the provision of broadband services for individual end users including retail fixed wireless and fixed line internet services and connectivity services for hotels, student accommodation sites and schools (Superbb).

During the year, the Group acquired NuSkope Pty Ltd and associated entities on 13 October 2017 and GX2 Holdings Pty Ltd on 17 November 2017. These businesses expand the provision of the Group's broadband services with their contribution to earnings included in the Superbb segment.

Superbb includes earnings from BigAir Community Broadband services which were included in the Managed Services segment for the 30 June 2017 financial year.

The operations of the Group are reported in these segments to Superloop's executive management team (chief operating decision makers). Items not specifically related to an individual segment are classified as Corporate, refer below for details of material items. The accounting policies of the segments are the same as the Group (refer to Note 1).

Comparative information has been restated to align with the current operating segments.

### (B) SEGMENT INFORMATION PROVIDED TO MANAGEMENT

The segment information provided to management for the reportable segments is as follows:

| Operating segments | Superloop (1) (previously Connectivity) $ | Superloop+ (previously Managed Services) $ | Superbb (2) $ | Corporate (3) $ | Total $ |
|---|---|---|---|---|---|
| **30 June 2018** | | | | | |
| Revenue from ordinary activities | 61,239,652 | 36,582,691 | 26,652,242 | 696,429 | 125,171,014 |
| Direct costs | (18,867,821) | (20,209,610) | (12,405,824) | 342,897 | (51,140,358) |
| Employee benefits expense | (14,360,388) | (6,046,479) | (7,558,099) | (2,267,430) | (30,232,396) |
| Other expenses | (6,978,889) | (2,938,479) | (3,673,099) | (1,101,930) | (14,692,397) |
| **EBITDA** | **21,032,554** | **7,388,123** | **3,015,220** | **(2,330,034)** | **29,105,863** |
| Depreciation and amortisation | (15,302,342) | (3,019,402) | (3,762,849) | - | (22,084,593) |
| Finance expenses | - | (267) | (13) | (1,851,966) | (1,852,246) |
| Share of loss of associate | - | - | - | (135,884) | (135,884) |
| Foreign exchange gains / (losses) | 2,375,772 | (505) | (2,043) | (3,191,366) | (818,142) |
| **Profit / (loss) before income tax** | **8,105,984** | **4,367,949** | **(749,685)** | **(7,509,250)** | **4,214,998** |

(1) Superloop includes earnings associated with the development of the INDIGO subsea cable system
(2) Superbb includes earnings and assets from BigAir Community Broadband previously disclosed in the Managed Services segment. Also included in the segment is earnings and assets from NuSkope and GX2 Technology for part of the year from acquisition. Amortisation includes non-cash amortisation associated with intangibles recognised on acquisition.
(3) Corporate includes inter-segment eliminations and unallocated earnings.

Inter-segment revenues are eliminated on consolidation.

| | Superloop (1) (previously Connectivity) $ | Superloop+ (previously Managed Services) $ | Superbb (2) $ | Corporate (3) $ | Total $ |
|---|---|---|---|---|---|
| 30 June 2018 | | | | | |
| **Non-current assets** | | | | | |
| Property, plant & equipment | 166,029,042 | 9,417,718 | 6,679,910 | - | 182,126,670 |
| Intangible assets | 183,347,418 | 52,663,616 | 44,562,655 | - | 280,573,689 |
| | **349,376,460** | **62,081,334** | **51,242,565** | **-** | **462,700,359** |

The carrying amount of non-current assets excludes other non-current assets and deferred tax assets.

| Analysis of Superloop Operating Segment | Australia $ | Singapore $ | Hong Kong $ | Sub-total $ |
|---|---|---|---|---|
| 30 June 2018 | | | | |
| Revenue from ordinary activities | 47,190,022 | 7,211,465 | 6,838,165 | 61,239,652 |
| Direct costs | (14,130,746) | (1,497,801) | (3,239,274) | (18,867,821) |
| Employee benefits expense | (12,871,246) | (730,694) | (758,448) | (14,360,388) |
| Other expenses | (5,873,782) | (579,513) | (525,594) | (6,978,889) |
| **EBITDA** | **14,314,248** | **4,403,457** | **2,314,849** | **21,032,554** |
| Depreciation and amortisation | (10,869,433) | (1,856,891) | (2,576,018) | (15,302,342) |
| | | | | |
| Finance expenses | - | - | - | - |
| Foreign exchange gains / (losses) | (328,565) | 664,441 | 2,039,896 | 2,375,772 |
| **Profit / (loss) before income tax** | **3,116,250** | **3,211,007** | **1,778,727** | **8,105,984** |

| | Australia $ | Singapore $ | Hong Kong $ | Total $ |
|---|---|---|---|---|
| 30 June 2018 | | | | |
| **Non-current assets** | | | | |
| Property, plant & equipment | 61,367,699 | 46,511,256 | 58,150,087 | 166,029,042 |
| Intangible assets | 172,984,904 | 1,811,611 | 8,550,903 | 183,347,418 |
| | **234,352,603** | **48,322,867** | **66,700,990** | **349,376,460** |

The carrying amount of non-current assets excludes other non-current assets and deferred tax assets.

| Operating segments | Superloop (1) (previously Connectivity) $ | Superloop+ (previously Managed Services) $ | Superbb (2) $ | Corporate (3) $ | Total $ |
|---|---|---|---|---|---|
| **30 June 2017** | | | | | |
| Revenue from ordinary activities | 30,624,037 | 21,786,453 | 6,892,982 | 501,710 | 59,805,182 |
| Direct costs | (8,674,146) | (12,707,991) | (6,481,916) | (162,108) | (28,026,161) |
| Employee benefits expense | (7,408,734) | (3,919,393) | (401,427) | (3,073,154) | (14,802,708) |
| Other expenses | (4,838,720) | (1,615,703) | (177,138) | (5,772,152) | (12,403,713) |
| **EBITDA** | **9,702,437** | **3,543,366** | **(167,499)** | **(8,505,704)** | **4,572,600** |
| Depreciation and amortisation | (5,576,639) | (1,253,369) | (510,805) | (1,671,830) | (9,012,643) |
| Finance expenses | - | (14,483) | (338) | (1,220,914) | (1,235,735) |
| Foreign exchange gains / (losses) | (11,894) | 36,739 | - | (12,311) | 12,539 |
| **Profit / (loss) before income tax** | **4,113,904** | **2,312,253** | **(678,642)** | **(11,410,759)** | **(5,663,244)** |

(1) Superloop includes earnings associated with the development of the INDIGO subsea cable system
(2) Superbb includes earnings and assets from BigAir Community Broadband previously disclosed in the Managed Services segment
(3) Corporate includes inter-segment eliminations and unallocated earnings.
(4) Comparative information has been adjusted retrospectively to reflect the fair value adjustments as disclosed in Note 37.

| | Superloop (1) (previously Connectivity) $ | Superloop+ (previously Managed Services) $ | Superbb (2) $ | Corporate (3) $ | Total $ |
|---|---|---|---|---|---|
| **30 June 2017** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant & equipment | 124,169,290 | 11,957,765 | 5,077,250 | - | 141,204,305 |
| Intangible assets | 163,031,881 | 54,104,566 | 22,668,982 | - | 239,805,429 |
| | **287,201,171** | **66,062,331** | **27,746,232** | **-** | **381,009,734** |

The carrying amount of non-current assets excludes other non-current assets and deferred tax assets.

| Analysis of Superloop Operating Segment | Australia $ | Singapore $ | Hong Kong $ | Sub-total $ |
|---|---|---|---|---|
| **30 June 2017** | | | | |
| Revenue from ordinary activities | 25,650,624 | 3,927,094 | 1,046,319 | 30,624,037 |
| Direct costs | (6,337,488) | (1,149,093) | (1,187,565) | (8,674,146) |
| Employee benefits expense | (5,680,680) | (892,472) | (835,582) | (7,408,734) |
| Other expenses | (3,939,776) | (413,118) | (485,826) | (4,838,720) |
| **EBITDA** | **9,692,680** | **1,472,411** | **(1,462,654)** | **9,702,437** |
| Depreciation and amortisation | (3,467,513) | (1,550,328) | (558,798) | (5,576,639) |
| Finance expenses | - | - | - | - |
| Foreign exchange gains / (losses) | 84,946 | (12,478) | (84,362) | (11,894) |
| **Profit / (loss) before income tax** | **6,310,113** | **(90,395)** | **(2,105,814)** | **4,113,904** |

| | Australia $ | Singapore $ | Hong Kong $ | Total $ |
|---|---|---|---|---|
| 30 June 2017 | | | | |
| **Non-current assets** | | | | |
| Property, plant & equipment | 26,131,627 | 42,724,899 | 55,312,764 | 124,169,290 |
| Intangible assets | 162,874,195 | 157,686 | - | 163,031,881 |
| | **189,005,822** | **42,882,585** | **55,312,764** | **287,201,171** |

The carrying amount of non-current assets excludes other non-current assets and deferred tax assets.

# 5 Revenue

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Revenue from ordinary activities | | |
| Customer revenue | **122,503,525** | **58,457,284** |
| | | |
| Other revenue | | |
| Interest income | 33,549 | 514,669 |
| Other income | 2,633,940 | 833,229 |
| **Total revenue** | **125,171,014** | **59,805,182** |

# 6 Interest expense

| | Note | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| Interest on borrowings | (A) | (1,852,246) | (1,235,735) |
| **Total interest expense** | | **(1,852,246)** | **(1,235,735)** |

**(A) INTEREST ON BORROWINGS**

The Group incurs interest on the drawn amount of its debt facility (refer to Note 17).

# 7 Foreign exchange gains / (losses)

| | Note | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| Foreign exchange gains / (losses) | (A) | (818,142) | 12,534 |
| **Total foreign exchange gains / (losses)** | | **(818,142)** | **12,534** |

**(A) FOREIGN EXCHANGE GAINS / (LOSSES)**

Foreign exchange gains / (losses) for the year arose as a result of unfavourable exchange rate movements in the ordinary course of business.

# 8 Income tax expense

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| **(a) Income tax recognised in profit or loss** | | |
| Current tax | 1,393,710 | - |
| | | |
| **Deferred tax** | | |
| In respect of the current year | (129,319) | (1,311,441) |
| In respect of prior years (i) | (4,172,421) | (3,112,011) |
| **Total deferred tax** | **(4,301,740)** | **(4,423,452)** |
| | | |
| **Total income tax benefit** | **(2,908,030)** | **(4,423,452)** |
| | | |
| **(b) The income tax expense / (benefit) for the year can be reconciled to the accounting profit as follows:** | | |
| Profit / (loss) from continuing operations before income tax expense | 4,214,998 | (5,663,244) |
| | | |
| Tax expense / (credit) at the Australian tax rate of 30% | 1,264,499 | (1,698,973) |
| Effect of income that is exempt from taxation @ 30% | - | (200,361) |
| Non-deductible acquisition costs | 22,382 | - |
| Non-deductible research and development expenditure | - | 112,814 |
| Non-deductible entertainment expenses | 31,945 | 16,591 |
| Non-deductible share based payments | 112,413 | 255,481 |
| Equity accounting loss on investment | 40,765 | - |
| Adjustments to opening deferred tax balances (i) | (4,172,421) | - |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (295,341) | 203,007 |
| Other | 87,728 | - |
| Deferred tax credits in respect of temporary differences and unused tax losses not recognised in prior years | - | (3,112,011) |
| **Income tax expense / (benefit)** | **(2,908,030)** | **(4,423,452)** |
| | | |

(i) Adjustments in relation to finalisation of prior years tax positions and impact of acquisitions into the tax consolidated group.

The tax rate used for the 2018 and 2017 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

# 9 Cash and cash equivalents

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Cash at bank and on hand | 8,392,641 | 6,523,424 |
| Short term deposits | 7,044,410 | 581,261 |
| **Total cash and cash equivalents** | **15,437,051** | **7,104,685** |

# 10 Trade and other receivables

| | | | | 30 June 2018 |
|---|---|---|---|---|
| | Note | Current $ | Non-Current $ | TOTAL $ |
| Trade receivables | (A) | 11,297,626 | - | **11,297,626** |
| Provision for doubtful debts | (B) | (335,400) | - | **(335,400)** |
| **Net trade receivables** | | 10,962,226 | - | **10,962,226** |
| | | | | |
| Consumption tax receivable | (C) | 90,781 | - | **90,781** |
| Other receivables | | 66,899 | - | **66,899** |
| **Total** | | 11,119,906 | - | **11,119,906** |

| | | | | 30 June 2017 |
|---|---|---|---|---|
| | Note | Current $ | Non-Current $ | TOTAL $ |
| Trade receivables | | 10,542,024 | - | **10,542,024** |
| Provision for impairment | | (183,285) | - | **(183,285)** |
| **Net trade receivables** | | **10,358,739** | **-** | **10,358,739** |
| | | | | |
| Consumption tax receivable | (C) | 106,486 | - | **106,486** |
| Other receivables | | 84,571 | - | **84,571** |
| **Total** | | **10,549,796** | **-** | **10,549,796** |

## (A) PAST DUE BUT NOT IMPAIRED

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

**Age of Trade Receivables that are past due but not impaired**

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| 60 – 90 days | 535,926 | 2,046,804 |
| 90 days plus | 1,465,150 | 591,239 |
| **Total past due but not impaired** | **2,001,076** | **2,638,043** |

## (B) IMPAIRED TRADE RECEIVABLES

As at 30 June 2018, the Group had trade receivables with an initial carrying value of $335,400 (2017: $183,285) which were impaired and fully provided for.

**Age of Impaired Trade Receivables**

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| 0 – 60 days | - | 85,484 |
| 60 – 90 days | 128,000 | 48,248 |
| 90 days plus | 207,400 | 49,553 |
| **Total past due and impaired** | **335,400** | **183,285** |

**Movement in Provision for Impairment**

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Balance at beginning of the year | 183,285 | 20,990 |
| Impairment losses recognised on receivables | 24,115 | 20,651 |
| Balance from acquisition | 128,000 | 141,644 |
| **Balance at end of the year** | **335,400** | **183,285** |

## (C) CONSUMPTION TAX RECEIVABLE

These amounts generally arise from consumption tax paid by the Group in the respective tax jurisdictions in which the Group operates and where a consumption tax exists. Ordinarily these amounts are offset against the consumption tax collected by the Group as part of its sales and the net amount remitted to the local tax authorities, however where the amount of consumption tax paid by the Group per jurisdiction is greater than the amount collected from sales to customers in that jurisdiction, a receivable is raised.

# 11 Other assets

| | Note | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| CURRENT | | | |
| Prepayments | | 3,262,069 | 2,311,019 |
| Other current assets | | 3,762,593 | 620,376 |
| Other current financial assets | | 88,147 | 218,740 |
| **Total other assets – current** | | **7,112,809** | **3,150,135** |
| NON-CURRENT | | | |
| Other non-current assets | | 396,280 | 289,714 |
| Installation costs | | 3,431,565 | - |
| **Total other assets – non-current** | | **3,827,845** | **289,714** |

# 12 Investment in associate

| | Note | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| Investment in associate | (A) | 9,505,377 | - |

(A) At 30 June 2018, the Group has a minority interest of 16.8% in Fiber Sense Pty Ltd, a start up company based in Australia, which is developing fibre protection technology. The remaining shareholders of the associate are unrelated parties. The Group's interest is equity accounted for in the consolidated financial statements. Although the Group holds less than 20% of the equity shares of the associate, the Group exercises significant influence by virtue of its protected right to appoint one director to the board of the associate. Superloop held one of the two director positions during the year.

The following table illustrates the summarised financial information of the Group's investment in the associate:

| | | |
|---|---|---|
| Current assets | 1,568,148 | - |
| Non-current assets | 9,027,715 | - |
| Current liabilities | 240,870 | - |
| Non-current liabilities | 1,600,851 | - |
| **Equity** | 8,754,142 | - |
| **Group's carrying amount of investment** | **9,505,377** | **-** |
| Revenue | 78,170 | - |
| Cost of sales | (5,117) | - |
| Operating expenses | (1,451,932) | - |
| Finance costs | (21,374) | - |
| **Loss before tax** | **(1,400,253)** | **-** |
| Income tax benefit | 386,480 | - |
| **Loss for the year** | **(1,013,773)** | **-** |
| **Total comprehensive income for the year** | **(1,013,773)** | **-** |
| **Group's share of loss for the year** | **(135,884)** | **-** |

The associate had no contingent liabilities or capital commitments at 30 June 2018.

# 13 Property, plant and equipment

| | 30 June 2018<br>$ | 30 June 2017 (1)<br>$ |
|---|---|---|
| Carrying amounts of: | | |
| Assets in the course of construction | 31,550,680 | 6,596,821 |
| Network assets | 114,619,555 | 100,435,100 |
| Communication assets | 34,921,510 | 33,160,125 |
| Other assets | 1,034,925 | 1,012,259 |
| **Total** | **182,126,670** | **141,204,305** |

| | Assets in the course of construction<br>$ | Network assets<br>$ | Communication assets<br>$ | Other assets<br>$ | TOTAL (1)<br>$ |
|---|---|---|---|---|---|
| **Cost or Valuation:** | | | | | |
| **Balance at 30 June 2016** | **27,047,827** | **40,185,296** | **1,164,222** | **308,592** | **68,705,937** |
| Additions | 47,228,062 | - | 4,537,080 | 102,658 | 51,867,800 |
| Additions through business combinations (Note 37) | 1,192,865 | 521,840 | 29,393,919 | 890,439 | 31,999,063 |
| Movement in foreign exchange | - | (3,405,173) | (1,272,515) | (2,456) | (4,680,144) |
| Transfer | (68,871,933) | 66,714,507 | 2,091,524 | 65,902 | - |
| **Balance at 30 June 2017** | **6,596,821** | **104,016,470** | **35,914,230** | **1,365,135** | **147,892,656** |
| Additions | 30,908,106 | 9,149,237 | 5,275,166 | 1,292,067 | 46,624,576 |
| Additions through business combinations (Note 37) | - | - | 1,569,069 | 167,557 | 1,736,626 |
| Movement in foreign exchange | - | 4,128,793 | 78,577 | 284 | 4,207,654 |
| Transfer | (5,954,247) | 5,569,924 | 316,273 | 68,050 | - |
| **Balance at 30 June 2018** | **31,550,680** | **122,864,424** | **43,153,315** | **2,893,093** | **200,461,512** |
| **Accumulated depreciation:** | | | | | |
| **Balance at 30 June 2016** | **-** | **(1,656,277)** | **(92,571)** | **(106,352)** | **(1,855,200)** |
| Depreciation charge | - | (1,947,198) | (2,664,726) | (246,659) | (4,858,583) |
| Movement in foreign exchange | - | 22,105 | 3,191 | 135 | 25,431 |
| **Balance at 30 June 2017** | **-** | **(3,581,370)** | **(2,754,106)** | **(352,876)** | **(6,688,352)** |
| Depreciation charge | - | (4,406,300) | (5,452,726) | (1,501,304) | (11,360,330) |
| Disposals | - | 57,547 | - | - | 57,547 |
| Movement in foreign exchange | - | (314,746) | (24,973) | (3,988) | (343,707) |
| **Balance at 30 June 2018** | **-** | **(8,244,869)** | **(8,231,805)** | **(1,858,168)** | **(18,334,842)** |
| | | | | | |
| **Carrying value – 2018** | **31,550,680** | **114,619,555** | **34,921,510** | **1,034,925** | **182,126,670** |
| **Carrying value – 2017** | **6,596,821** | **100,435,100** | **33,160,125** | **1,012,259** | **141,204,305** |

**Assets in the course of construction:**
Included in property, plant and equipment at 30 June 2018 was an amount of $31,550,680 (2017: $6,596,821) relating to expenditure for network assets in the course of construction.

(1) Comparative information has been adjusted retrospectively to reflect the fair value adjustments as disclosed in Note 37.

# 14 Intangible assets

| | Note | 30 June 2018 $ | 30 June 2017 (1) $ |
|---|---|---|---|
| **Carrying amounts of:** | | | |
| Assets in the course of construction | | 3,754,801 | 3,112,593 |
| Rights and licences | | 39,917,602 | 19,884,686 |
| Software | | 6,438,789 | 1,740,532 |
| Customer acquisition costs | | 1,158,711 | 534,054 |
| Customer relationships, brands and trademarks | | 51,079,718 | 46,762,933 |
| Goodwill | | 178,224,068 | 167,770,631 |
| **Total intangible assets** | | **280,573,689** | **239,805,429** |

| Movements | Assets being developed $ | Rights and licences $ | Software $ | Customer Acquisition costs $ | Customer, brand & trademarks $ | Goodwill $ | Total (1) $ |
|---|---|---|---|---|---|---|---|
| **Cost or valuation:** | | | | | | | |
| **Balance as at 30 June 2016** | **23,820** | **4,567,149** | **1,811,776** | **-** | **581,000** | **6,025,442** | **13,009,187** |
| Additions through business combinations (refer Note 37) | 3,112,593 | 2,592,000 | - | 560,662 | 48,678,112 | 161,745,189 | 216,688,556 |
| Transfer | (23,820) | - | 23,820 | - | - | - | - |
| Other additions | | 13,610,000 | 636,788 | - | 697,271 | - | 14,944,059 |
| Movements in foreign exchange | - | (10,184) | - | - | - | - | (10,184) |
| **Balance as at 30 June 2017** | **3,112,593** | **20,758,965** | **2,472,384** | **560,662** | **49,956,383** | **167,770,631** | **244,631,618** |
| Additions through business combinations (refer Note 37) | - | - | 5,250,470 | 529,922 | 7,799,627 | 10,453,437 | 24,033,456 |
| Other additions | 642,208 | 21,779,951 | 824,855 | 1,441,559 | 2,058,424 | - | 26,746,997 |
| Movements in foreign exchange | - | 8,728 | 94 | - | - | - | 8,822 |
| **Balance as at 30 June 2018** | **3,754,801** | **42,547,644** | **8,547,803** | **2,532,143** | **59,814,434** | **178,224,068** | **295,420,893** |
| | | | | | | | |
| **Accumulated amortisation:** | | | | | | | |
| **Balance as at 30 June 2016** | - | **(381,405)** | **(234,819)** | **-** | **(29,754)** | - | **(645,978)** |
| Amortisation charge | - | (493,332) | (497,033) | (26,607) | (3,163,696) | - | (4,180,668) |
| Movements in foreign exchange | - | 457 | - | - | - | - | 457 |
| **Balance as at 30 June 2017** | **-** | **(874,280)** | **(731,852)** | **(26,607)** | **(3,193,450)** | **-** | **(4,826,189)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Amortisation charge | - | (1,754,598) | (1,377,162) | (1,346,825) | (5,541,266) | - | (10,019,851) |
| Movements in foreign exchange | - | (1,164) | - | - | - | - | (1,164) |
| **Balance as at 30 June 2018** | **-** | **(2,630,042)** | **(2,109,014)** | **(1,373,432)** | **(8,734,716)** | **-** | **(14,847,204)** |
| | | | | | | | |
| **Carrying value – 2018** | **3,754,801** | **39,917,602** | **6,438,789** | **1,158,711** | **51,079,718** | **178,224,068** | **280,573,689** |
| **Carrying value – 2017** | **3,112,593** | **19,884,685** | **1,740,532** | **534,055** | **46,762,933** | **167,770,631** | **239,805,429** |

(1) Comparative information has been adjusted retrospectively to reflect the fair value adjustments as disclosed in Note 37.

**Software development:**
Included in Intangible assets at 30 June 2018 was an amount of $642,208 (2017: nil) relating to expenditure for the development of software which is not yet available for use.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units and groups of cash-generating units:

| | **30 June 2018 $** |
|---|---|
| Superloop (formerly Connectivity) | 104,854,742 |
| Superloop+ (formerly Managed services) | 43,254,660 |
| Superbb | 30,114,666 |
| **Total goodwill** | **178,224,068** |

An impairment loss is recognised for the amount by which the carrying amount of the cash-generating units exceeds their recoverable amount. The recoverable amount for the cash-generating units is determined based on a value in use calculation which is based on the present value of future forecast cash earnings, as measured by earnings before interest expense, taxes, depreciation and amortisation (EBITDA).

The forecast earnings are based on the financial year ending 30 June 2019 budget approved by the Board with the earnings beyond the budget period extrapolated over 5 years using annual growth rates for each cash generating unit based on historical earnings growth, current and forecast trading conditions and business plans. A long term perpetual growth rate of 2.5% is applied beyond the forecast period. A pre-tax discount rate of 12% has been assumed, representing the long term average and includes a risk-premium given the stage in the business cycle of the Group's business.

The Board has reviewed and is comfortable with management's assumptions about growth rates for each cash generating unit, which for certain cash generating units are expected to grow from a low starting point. Assumptions include growth rates for revenue on the INDIGO subsea cable systems, which is expected to be operational in the first half of calendar year 2019, and assumptions about wholesale and retail opportunities in the nbn fixed line market.

For each cash-generating unit, impairment testing has indicated that the carrying amount will not exceed the recoverable amount, therefore no impairment loss on goodwill has been identified.

Management has reviewed sensitivities on the key assumptions on which the recoverable amounts are based and believes that changes would not cause the cash-generating units' carrying amounts to exceed their recoverable amounts.

The sensitivities applied were to reduce the long term perpetual growth rate from 2.5% to 1.5%, increase the pre-tax discount rate from 12% to 13% . These sensitivity tests did not result in the cash-generating units' carrying amounts exceeding their recoverable amounts.

# 15 Deferred tax assets

| | Note | 30 June 2018<br>$ | 30 June 2017 (1)<br>$ |
|---|---|---|---|
| Deferred tax assets attributable to: | | | |
| Employee benefits | | 1,593,279 | 937,542 |
| Exchange differences on foreign operations | | - | 541,287 |
| Cash flow hedges | | - | 351,569 |
| Expenses deductible in future periods | | 2,057,358 | 4,170,021 |
| Tax credits from tax losses | | 9,785,300 | 4,446,117 |
| Future deduction of share issue costs | | 965,911 | - |
| **Total deferred tax assets** | | **14,401,848** | **10,446,536** |
| | | | |
| Set-off deferred tax liabilities pursuant to set-off provisions | 20 | (13,447,263) | (8,503,173) |
| Deferred tax assets not recognised | | - | - |
| **Deferred tax assets recognised in the statement of financial position** | | **954,585** | **1,943,363** |

Deferred tax assets are recognised where it is considered probable that they will be recovered in the future, and, as such, are subjective.

(1) Comparative information has been adjusted retrospectively to reflect the fair value adjustments as disclosed in Note 37.

# 16 Trade and other payables

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Trade payables | 12,401,800 | 8,682,709 |
| Other payables | 6,839,246 | 9,191,635 |
| Accrued expenses | 6,847,308 | 4,049,716 |
| Other current financial payables | 428,638 | 1,390,638 |
| Deferred consideration | 5,715,905 | 3,424,127 |
| **Total trade and other payables** | **32,232,897** | **26,738,825** |

# 17 Interest-bearing loans and borrowings

The Company had debt outstanding as at 30 June 2018 of $63,805,021 (30 June 2017: $31,331,563).

The Company has an $80.0 million three year revolving facility with ANZ maturing on 30 December 2019. The facility can be used for working capital, capital expenditure and permitted acquisitions and is available to be drawn in multiple currencies.

Bank guarantees to the value of $1,523,790 have been issued under the facility.

In June 2018, the Company entered into a $9.5 million three year fixed rate instalment payment agreement with an equipment vendor to provide funding for network equipment. It is expected that $6.9 million of the facility will be utilised during the 2019 financial year. At 30 June 2018, no amounts had been drawn under the agreement.

| | Note | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|---|
| **Current** | | | |
| Finance lease | (A) | - | 31,563 |
| Revolving debt facility drawn | | - | - |
| **Total current interest-bearing loans and borrowings** | | **-** | **31,563** |
| **Non Current** | | | |
| Revolving debt facility drawn (net of transaction costs) | (B) | 62,778,773 | 29,632,910 |
| **Total non current interest-bearing loans and borrowings** | | **62,778,773** | **29,632,910** |
| **Total interest-bearing loans and borrowings** | | **62,778,773** | **29,664,473** |
| Total revolving debt facility limit | | 80,000,000 | 80,000,000 |
| Less bank guarantees issued under the facility | | (1,523,790) | (1,515,398) |
| Less amounts drawn (before transaction costs) | | (63,805,021) | (31,300,000) |
| **Revolving debt facility available** | | **14,671,189** | **47,184,602** |
| **Instalment payment facility available** | | **9,500,000** | **-** |

| | 30 June 2017 | Financing cashflows | Amortisation of transaction costs | 30 June 2018 |
|---|---|---|---|---|
| Revolving debt facility | 29,632,910 | 32,504,937 | 640,926 | 62,778,773 |
| **Total interest-bearing loans and borrowings** | **29,632,910** | **32,504,937** | **640,926** | **62,778,773** |

(A) The finance lease was acquired through the acquisition of BigAir Group (refer Note 37).
(B) The drawn debt amount is recognised net of transaction costs which are amortised over the term of the facility using the effective interest rate method.

# 18 Provisions

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Current – employee benefits | 2,813,209 | 1,916,767 |
| Non-current – employee benefits | 2,549,270 | 2,617,708 |
| **Total provisions** | **5,362,479** | **4,534,475** |

The provision for employee benefits represents accrued annual leave and long service leave entitlements.

# 19 Deferred revenue

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Deferred revenue | 11,456,049 | 2,302,986 |
| Deferred installation fees | 3,522,205 | 129,587 |
| **Total deferred revenue** | **14,978,254** | **2,432,573** |
| | | |
| Current | 6,463,308 | 1,957,882 |
| Non-current | 8,514,946 | 474,691 |
| **Total deferred revenue** | **14,978,254** | **2,432,573** |

# 20 Deferred tax liabilities

| | 30 June 2018 $ | 30 June 2017 (1) $ |
|---|---|---|
| Deferred tax liabilities attributable to: | | |
| Prepayments | - | - |
| Deferred revenue | 1,699,077 | 661,792 |
| Customer acquisition and equipment installations costs | 1,351,180 | - |
| Property, plant and equipment and intangible assets | 17,896,307 | 17,944,894 |
| Cashflow hedges | 30,546 | - |
| **Total deferred tax liabilities** | **20,977,110** | **18,606,686** |
| Set-off of deferred tax liabilities pursuant to set-off provisions (Note 15) | (13,447,263) | (8,503,173) |
| **Deferred tax liabilities recognised in the statement of financial position** | **7,529,847** | **10,103,513** |

(1) Comparative information has been adjusted retrospectively to reflect the fair value adjustments as disclosed in Note 37.

# 21 Contributed equity

## (A) SHARE CAPITAL

| | Note | 30 June 2018 Number of Shares | 30 June 2017 Number of Shares | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|---|---|
| Fully paid ordinary shares | (C) | 228,499,450 | 208,795,883 | 401,705,683 | 356,408,128 |
| **Total share capital** | | **228,499,450** | **208,795,883** | **401,705,683** | **356,408,128** |
| Less: Issue costs | | | | (5,794,696) | (5,117,965) |
| **Contributed equity** | | **228,499,450** | **208,795,883** | **395,910,987** | **351,290,163** |

## (B) MOVEMENTS IN ORDINARY SHARE CAPITAL

| Date | Details | Number of Shares | Issue Price $ | Value $ |
|---|---|---|---|---|
| **30-Jun-16** | **Balance** | **128,243,301** | | **134,106,147** |
| 19-Jul-16 | Entitlement offer (retail component) | 6,109,637 | 2.10 | 12,830,238 |
| 19-Sep-16 | Share placement | 21,666,667 | 3.00 | 65,000,001 |
| 21-Dec-16 | Partial consideration for acquisition of BigAir Group Limited (i) | 52,470,602 | 2.74 | 143,769,449 |
| 21-Feb-17 | Vesting of performance rights (i) | 2,075 | 2.44 | 5,063 |
| 4-Apr-17 | Partial consideration for acquisition of SubPartners Pty Ltd (i) | 290,374 | 2.29 | 664,956 |

| | | | | |
|---|---|---|---|---|
| 26-Apr-17 | Vesting of performance rights (i) | 13,227 | 2.44 | 32,274 |
| **30-Jun-17** | **Balance** | **208,795,883** | | **356,408,128** |
| 11-Aug-17 | Partial consideration for acquisition of SubPartners Pty Ltd (i) | 1,161,495 | 2.56 | 2,973,427 |
| 2-Oct-17 | Share placement | 8,888,889 | 2.25 | 20,000,000 |
| 13-Oct-17 | Partial consideration for acquisition of NuSkope Pty Ltd and associated entities (i) | 1,221,110 | 2.37 | 2,894,031 |
| 20-Oct-17 | Share Purchase Plan | 6,666,666 | 2.25 | 14,999,999 |
| 2-Nov-17 | Vesting of performance rights (i) | 71,597 | 2.49 | 178,277 |
| 17-Nov-17 | Partial consideration for acquisition of GX2 Holdings Pty Ltd (i) | 1,680,672 | 2.51 | 4,218,487 |
| 29-Jun-18 | Vesting of performance rights (i) | 13,228 | 2.52 | 33,334 |
| **30-Jun-18** | **Balance** | **228,499,540** | | **401,705,683** |

(i) These share issues were non-cash transactions (refer to Note 31).

### (C) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.
Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

### (D) DIVIDEND REINVESTMENT PLAN

The Group does not have a dividend reinvestment plan in place.

### (E) CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In future, the Directors may pursue other funding options such as other debt, sale and leaseback of assets, additional equity and various other funding mechanisms as appropriate in order to undertake its projects and deliver optimum shareholders' return. The Group intends to maintain a gearing ratio appropriate for a company of its size and stage of development.

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Total borrowings (as per Note 17) | 62,778,773 | 29,664,473 |
| Less: cash and cash equivalents | 15,437,051 | 7,104,685 |
| Net debt / (surplus cash) | 47,341,722 | 22,559,788 |
| | | |
| Total equity | 389,293,668 | 333,472,269 |
| | | |
| Gearing ratio | 12.2% | 6.8% |
| | | |

The Group manages its capital structure by reviewing its gearing ratio to ensure it maintains an appropriate level of gearing. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing financial liabilities and derivative financial instruments, less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position.

# 22 Reserves

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Cash flow hedge reserve(1) | 71,274 | (820,329) |
| Share based payments | 977,367 | 814,267 |
| Foreign currency translation reserves(2) | (814,810) | (4,887,454) |
| **Total reserves** | **233,831** | **(4,893,516)** |

(1) The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising from changes in fair value of hedging instruments entered into as cash flow hedges. The cumulative gain or loss arising from changes in fair value of the hedging instruments that are recognised and accumulated in the cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included in the carrying value of a fixed asset where the purpose of the hedge was to minimise the exposure on a contractual commitment to acquire or construct a fixed asset.

(2) The assets and liabilities of foreign operations are translated into the presentation currency (Australian dollars) using the exchange rates as at the reporting date. The revenues and expenses of the foreign operations are translated into the presentation currency using average exchange rates, which approximate the rate at the date of the transaction. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve.

# 23 Accumulated losses

| Movements | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Opening balance | (9,597,344) | (8,357,552) |
| Profit/(loss) for the year | 7,123,028 | (1,239,792) |
| Dividends paid | (1,049,800) | - |
| **Total accumulated losses** | **(3,524,116)** | **(9,597,344)** |

# 24 Dividends

A fully franked dividend of $0.005 per share was paid in September 2017 for the year ended 30 June 2017.

# 25 Key management personnel disclosures

## (A) KEY MANAGEMENT PERSONNEL COMPENSATION

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Short term employee benefits | 3,149,785 | 2,388,869 |
| Post employment benefits | 191,814 | 162,044 |
| Long term employee benefits | 27,063 | 8,506 |
| Share based payments | 253,950 | 450,267 |
| **Total key management personnel compensation** | **3,622,612** | **3,009,686** |

Detailed remuneration disclosures are provided in the Remuneration Report.

## (B) SHARE BASED PAYMENTS

During the year, key management personnel and other employees of the Group participated in long term incentive schemes.

| | | |
|---|---|---|
| Expense arising from equity-settled share based payments | 374,710 | 851,604 |
| **Total expense arising from share based payment transactions** | **374,710** | **851,604** |

There were no cancellations or modifications to the awards during the year.

## (C) LOANS TO KEY MANAGEMENT PERSONNEL

Key management personnel were eligible to participate in a loan scheme provided by a related party to enable them to acquire shares as part of a private capital raising undertaken by the Group prior to listing on the Australian Securities Exchange in 2015. The terms and conditions of the loan scheme are considered arm's length. The Group does not guarantee or have any obligations with respect to the loan agreements between employees and the related party.

Details of the loan terms and conditions are provided in the Remuneration Report.

## (D) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with key management personnel during the year not otherwise disclosed in the report in Note 29.

# 26 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### (A) DELOITTE TOUCHE TOHMATSU

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Parent Entity Auditor | | |
| (i) Audit, review of financial statements | 298,000 | 170,000 |
| (ii) Audit, review of subsidiary statutory reports | 10,000 | 20,000 |
| Network Firm of the Parent Entity Auditor | | |
| (iii) Audit of subsidiary statutory reports and regulatory compliance | 41,800 | 40,800 |
| (iv) Other services in relation to the Group: | | |
| Tax services | 23,000 | - |
| Risk management framework support | 36,750 | - |
| Other | 28,000 | - |
| **Total remuneration of Deloitte Touche Tohmatsu** | **437,550** | **230,800** |

The Group may decide to employ the auditor (Deloitte) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out above.

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

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

### (B) RELATED PRACTICES OF DELOITTE TOUCHE TOHMATSU

The following fees were paid for services provided by Deloitte Corporate Finance Pty Ltd, a related practice of Deloitte.

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Investigating accountant's report for the BigAir Group Limited Scheme booklet | - | 85,000 |
| **Total remuneration of Deloitte related practices** | **-** | **85,000** |

### (C) NON-DELOITTE AUDIT FIRMS

Superloop Limited did not engage with any other non-Deloitte audit firms.

# 27 Operating lease arrangements

Operating leases relate to the leasing of premises including offices, roof tops and towers. The Group has entered lease terms of up to four years in length. The Group has the option, under some of its leases, to lease the assets for additional terms.

Payments recognised as an expense under operating leases are as follows:

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Minimum lease payments | 5,248,661 | 2,916,748 |
| **Total operating lease arrangements** | **5,248,661** | **2,916,748** |

Non-cancellable operating lease rentals are payable as follows:

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Not later than 1 year | 4,156,724 | 2,570,795 |
| Later than 1 year and not later than 5 years | 6,020,222 | 4,633,609 |
| Later than 5 years | 226,787 | 194,997 |
| **Total non-cancellable operating lease commitments** | **10,403,733** | **7,399,401** |

# 28 Commitments and contingencies

### (A) CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of each reporting year but not recognised as liabilities is as follows:

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| Property, plant and equipment | 31,148,036 | 41,385,683 |
| **Total capital commitments** | **31,148,036** | **41,385,683** |

Capital commitments relate to contractual commitments associated with network expansion to the value of $16.3 million and US$16.2 million in relation to submarine cable construction. A new three year debt facility, provided by a vendor of network equipment, will fund approximately $6.9 million of the committed expenditure.

Non-cancellable operating lease commitments are disclosed in Note 27 to the financial statements.

### (B) CONTINGENT ASSETS

The Group did not have any contingent assets during the year or as at the date of this report.

### (C) CONTINGENT LIABILITIES

The Group did not have any contingent liabilities during the year or as at the date of this report.

# 29 Related party transactions

All related party sales transactions are reviewed by the Group GM Sales unless the Group GM Sales is the related party then the review is completed by Chief Financial Officer (CFO). In the unlikely event that both the Group GM Sales and the CFO are related parties then a non-related employee at Group GM level or higher is selected as the reviewer. Once the review is completed it is documented and a report is prepared and provided to the Chairman and the the Chair of the Audit Committee.

This review is to be conducted in a timely manner to provide the Chairman or the Chair of the Audit Committee time to request more information, dispute or veto the proposed transaction. Ideal timing is during final contracting and prior to sign off so a finalised version of the deal can be reviewed and counter signing by Superloop can be held pending the review.

The following is a summary of the transactions with related parties.

### Shared services agreement

The Group has entered into a shared services agreement with Capital B Pty Ltd (Capital B), a company controlled by the Founder. Under the agreement, Capital B provides certain services to the Group (e.g. administrative and information technology services) and the Group provides to Capital B the right for Capital B to occupy a portion of the Group's premises at Level 17, 333 Ann Street, Brisbane. The services, and the right to occupy the premises, are provided on arm's length terms. Either party may terminate the agreement for convenience on 60 days' written notice.

### Customer agreement with Megaport

Superloop has entered into customer agreements for the provision of connectivity services with Megaport Limited and its operating subsidiaries (Megaport). The Founder and significant shareholder of Superloop is also the Founder and significant shareholder of Megaport. Under the agreements, the customer (Megaport) issues a service order form to the Superloop operating entity (as applicable) which sets out the nature of and the applicable fees for the connectivity services provided. The agreements are on the same terms as other agreements between Superloop and unrelated customers and the fees in each service order form are at competitive market rates.

### Agreement with Louise Bolger and Associates

Superloop has entered into an agreement for the provision of legal services from Louise Bolger and Associates Pty Ltd. Non-executive Director, Ms Louise Bolger, is a director of Louise Bolger and Associates and has significant influence over the business. The agreement is on an arm's length basis.

### Customer agreement with Rising Sun Pictures

Superloop has entered into a customer agreement for the provision of connectivity services to Rising Sun Pictures. Non-executive Director, Mr Tony Clark, is Managing Director of Rising Sun Pictures and has significant influence over the business. The agreement is on an arm's length basis.

### APX Partners Pty Ltd

The Founder and significant shareholder of Superloop is also the Founder and shareholder of APX Partners Pty Ltd. APX Partners are a party to the Joint Build Agreement with SubPartners Pty Ltd and other counterparties for the construction of the INDIGO West and INDIGO Central submarine cable systems.

### Transaction with associate

Superloop has entered into a customer agreement with an associate for the provision of long term capacity. The agreement is on the same terms as other agreements between Superloop and unrelated customers and the fees in each service order form are at competitive market rates. Superloop holds a 16.8% minority interest in the associate. Remaining shareholders of the associate are unrelated parties. Refer to note 12.

### Loans to Key Management Personnel

Certain key management personnel were eligible to participate in a loan scheme provided by a related party to enable them to acquire shares as part of a private capital raising undertaken by the Group prior to listing on the Australian Securities Exchange in 2015.

### Amounts payable to related parties

Amounts payable to related parties include amounts paid to settle liabilities assumed as part of the SubPartners acquisition.

**PROVISION OF SERVICES TO/FROM RELATED PARTIES**

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| SALES OF GOODS / SERVICES | | |
| Revenue earned from related parties | 4,700,358 | 3,847,606 |
| | | |
| AMOUNTS PAID TO RELATED PARTIES | | |
| Provision of services to Superloop | 443,007 | 625,413 |
| Investment in associate | 10,123,282 | - |
| Payments in relation to SubPartners acquisition | 5,659,926 | - |
| | 16,226,215 | 625,413 |
| BALANCE OUTSTANDING AT YEAR END | | |
| Receivables | 1,320,862 | 2,234,805 |
| Trade and other payables | 687,551 | 6,341,951 |

# 30 Reconciliation of loss after income tax to net cash flow from operating activities

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| **Profit / (loss) for the year after income tax** | **7,123,028** | **(1,239,792)** |
| **Adjustments for:** | | |
| Depreciation and amortisation | 22,084,591 | 9,012,643 |
| Doubtful debts expense | 160,163 | 183,285 |
| Share based payments expense | 374,709 | 851,604 |
| Interest income | (33,548) | (514,669) |
| Interest expense | 2,469,066 | 1,235,735 |
| Foreign exchange gain / (losses) | (818,143) | (12,534) |
| Transaction costs associated with the acquisition of subsidiaries | 1,542,075 | 4,376,289 |
| | | |
| **Change in operating assets and liabilities** | | |
| (Increase) / decrease in trade debtors | 302,611 | (1,880,667) |
| (Increase) / decrease in prepayments and other receivables | (3,866,186) | (2,098,380) |
| (Decrease) / increase in trade creditors and other payables | (5,963,930) | (2,482,140) |
| (Decrease) / increase in accruals | 1,756,833 | 419,834 |
| (Decrease) / increase in deferred revenue | 12,545,681 | 465,306 |
| (Decrease) / increase in provisions | 980,119 | 1,606,832 |
| (Decrease) / increase in finance lease liabilities | (31,563) | 31,563 |
| (Decrease) / increase in tax related balances | (684,537) | (5,287,135) |
| **Net cash from operating activities** | **37,940,969** | **4,667,774** |

# 31 Non-cash transactions

During the year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

On 13 October 2017, the Group acquired NuSkope Pty Ltd. The acquisition included non-cash consideration of $2.9 million in Superloop Limited shares issued at $2.37 per share.

On 17 November 2017, the Group acquired GX2 Holdings Pty Ltd. The acquisition included non-cash consideration of $4.2 million in Superloop Limited shares issued at $2.51 per share.

The Group acquired SubPartners Pty Ltd in April 2017. The acquisition included non-cash consideration of $3.3 million in Superloop Limited shares issued at $2.255 per share. 290,374 shares were issued in the prior year and 1,161,495 shares were issued during the current year.

Refer to Note 37 for additional information on these transactions.

In the prior year, in December 2016, acquired BigAir Group Limited. The acquisition included non-cash consideration of $143.8 million in Superloop Limited shares issued at $2.74 per share.

# 32 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group holds the following financial instruments:

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 8,392,641 | 6,523,424 |
| Short term deposits | 7,044,410 | 581,261 |
| Trade and other receivables | 11,297,626 | 10,542,024 |
| Other current financial assets | - | 218,740 |
| Other non-current assets | 396,280 | 298,714 |
| **Total financial assets** | **27,130,957** | **18,164,163** |
| **Financial liabilities** | | |
| Trade and other payables | 32,232,897 | 26,738,825 |
| Finance lease | - | 31,563 |
| Interest-bearing borrowings | 63,805,021 | 31,300,000 |
| **Total financial liabilities** | **96,037,918** | **58,070,388** |

### (A) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, price risk and interest rate risk.

#### (i) Foreign exchange risk

Superloop is exposed to exchange rate movements, in particular movements in the A$/US$ rate, A$/S$, A$/HK$ and S$/US$. Because a proportion of Superloop's payments for inventory and construction work are made or are expected to be made in foreign currency, primarily US dollars, movements in exchange rates impact on the amount paid for assets, inventory and construction work. Also, because a proportion of Superloop's revenues and profits are earned in Singapore and Hong Kong, movements in exchange rates impact on the translation of account balances in Superloop's Singapore and Hong Kong operations. Therefore, movements in exchange rates, particularly the A$/US$ rate, the A$/S$, A$/HK$ and the S$/US$ rate, may have an impact on Superloop's financial position and performance.

The Group has reduced the potential impact of exchange rate movements in contracted foreign currency obligations through the use of derivative foreign exchange contracts.

The Group also has a multi-currency debt facility (refer (C)), which allows the Group to draw funds in a range of different currencies, providing the Group with another method to manage the potential adverse impacts of changes in exchange rate movements.

#### (ii) Price risk

The Group is not exposed to any equity securities price risk or commodity price risk.

#### (iii) Cash flow and fair value interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Group's main interest rate risk arises from its cash at bank, term deposits (refer Note 9), and the Group's interest-bearing liabilities. The Group has reduced the level of potential exposure to a movement in interest rates via the use of a derivative interest rate swap. The interest rate swap has the economic effect of converting borrowings from floating rates to fixed rates.

#### (iv) Sensitivity

At 30 June 2018, if interest rates had increased by 100 basis points or decreased by 100 basis points from the year end rates, and the cash balances remain constant for the year along with all other variables, profit before tax for the year would be impacted $452,788 higher / $452,788 lower.

### (B) CREDIT RISK

Credit risk arises from cash and cash equivalents, trade receivables, other receivables and loans receivable.

#### (i) Cash and cash equivalents

Deposits are placed with Australian banks.
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

CASH AT BANK AND SHORT TERM DEPOSITS

| | | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|---|
| AA rated | | 15,437,051 | 7,104,685 |
| A+ rated | | - | - |
| BBB+ rated | | - | - |
| **TOTAL** | | **15,437,051** | **7,104,685** |

In determining the credit quality of the financial assets, Superloop has used the long term rating from Standard & Poor's in July 2018.

#### (ii) Trade receivables

Customer credit risk is managed by performing a credit assessment of customers. The Group's standard payment terms are 30 days, but the Group may agree to longer payment terms. The Group does not require collateral in respect of financial assets. Outstanding customer receivables are monitored regularly.

The Group aims to minimise concentration of credit risk by undertaking transactions with a large number of customers. In addition, receivable balances are monitored on an ongoing basis with the intention that the Group's exposure to bad debts is minimised. As at 30 June 2018, the Group had $11.3 million customer trade receivables (refer Note 10).

### (C) LIQUIDITY RISK

Superloop's business is capital intensive in nature, and the continued growth of the Company relies on the acquisition and development of new telecommunications infrastructure and ongoing maintenance of existing telecommunications infrastructure. Superloop requires sufficient access to debt and equity capital to fund this expenditure.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Failure to obtain capital on favorable terms may hinder Superloop's ability to expand and pursue growth opportunities, which may reduce competitiveness and have an adverse effect on the financial performance, position and growth prospects of the Company.

In December 2016, the Group entered into a $80.0 million three year revolving debt facility with the ANZ Bank. The facility can be used for working capital, capital expenditure and permitted acquisitions and is available to be drawn in multiple currencies. During the year, the Group was in compliance with the debt covenant requirements of the facility.

As at 30 June 2018, the Group had cash at bank and short term deposits of $15.4 million, and available funding of $14.7 million through its debt facility. The Group believes this, together with cash flows from operations, is sufficient capital to complete its committed capital expenditure program and fund its working capital requirements.

| Contractual maturities of financial liabilities | Within 12 months $ | Between 1 and 5 years $ | Over 5 years $ | Total contractual cash flows $ | Carrying Amount $ |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Trade payables | 32,232,897 | - | - | 32,232,897 | 32,232,897 |
| Interest-bearing borrowings | - | 63,805,021 | - | 63,805,021 | 63,805,021 |
| **Total non-derivatives** | **32,232,897** | **63,805,021** | **-** | **96,037,918** | **96,037,918** |
| | | | | | |
| **2017** | | | | | |
| Trade payables | 26,738,825 | - | - | 26,738,825 | 26,738,825 |
| Interest-bearing borrowings | 31,563 | 31,300,000 | - | 31,331,563 | 31,331,563 |
| **Total non-derivatives** | **26,770,388** | **31,300,000** | **-** | **58,070,388** | **58,070,388** |

The Group has reduced the level of potential exposure to a movement in interest rates via the use of a derivative interest rate swap. The interest rate swap has the economic effect of converting borrowings from floating rates to fixed rates. The notional value of the derivative contract was $17.5 million at year end.

The Group has reduced the potential impact of exchange rate movements in contractual foreign currency obligations through the use of derivative foreign exchange contracts. A USD participating forward exchange contract consisting of forward exchange contracts and AUD/USD put options with a total notional value of US$4.5 million has been entered into to reduce the potential impact of exchange rate movements in contractual obligations in relation to submarine cable construction.

### (D) FAIR VALUE MEASUREMENT

(i) Trade and other receivables

Due to the short term nature of the trade and other receivables, their carrying amount is assumed to be the same as their fair value.

(ii) Trade and other payables

Due to the short term nature of the trade and other payables, their carrying amount is assumed to be the same as their fair value.

# 33 Earnings per share

### (A) EARNINGS PER SHARE

| | 30 June 2018 Cents | 30 June 2017 Cents |
|---|---|---|
| Total basic earnings per share attributable to the ordinary equity holders of the Group | 3.19 | (0.69) |

### (B) DILUTED EARNINGS PER SHARE

| | 30 June 2018 Cents | 30 June 2017 Cents |
|---|---|---|
| Total diluted earnings per share attributable to the ordinary equity holders of the Group | 3.18 | (0.69) |

### (C) RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Basic Earnings Per Share** | | |
| Profit attributable to the ordinary equity holders of the Group used in calculating basic losses per share | 7,123,028 | (1,239,792) |
| **Diluted Earnings Per Share** | | |
| Profit from continuing operations attributable to the ordinary equity holders of the Group | 7,123,028 | (1,239,792) |

### (D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

| | 30 June 2018 Number of Shares | 30 June 2017 Number of Shares |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 222,997,402 | 178,422,870 |
| Effects of dilution from: | | |
| Performance rights | 130,825 | 190,092 |
| Share options | 562,075 | 612,405 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 223,690,303 | 179,225,367 |

# 34 Subsidiaries

| | Country of Incorporation | Class of Shares | 30 June 2018 % | 30 June 2017 % |
|---|---|---|---|---|
| Superloop (Australia) Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Superloop (Singapore) Pte Ltd | Singapore | Ordinary | 100% | 100% |
| Superloop (Hong Kong) Limited | Hong Kong | Ordinary | 100% | 100% |
| Superloop (Japan) K.K. | Japan | Ordinary | 100% | 100% |
| APEXN Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| CINENET Systems Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| ACN 614 507 247 Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| BigAir Group Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Clever Communications Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Clever Communications Operations Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Saise Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Access Providers Group Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Activ Australia Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| BigAir Universe Broadband Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| BigAir Community Broadband Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Allegro Networks Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Radiocorp Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Link Innovations Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Intelligent IP Communications Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| BigAir Cloud Managed Services Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Unistar Enterprises Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Oriel Technologies Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Integrated Data Labs Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Applaud IT Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Everywhere Internet Holdings Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| Everywhere Internet Systems Pty Ltd(1) | Australia | Ordinary | 100% | 100% |
| CyberHound Pty Ltd[1] | Australia | Ordinary | 100% | 100% |
| SubPartners Pty Ltd[1] | Australia | Ordinary | 100% | 100% |

# 34 Subsidiaries (cont)

| | Country of Incorporation | Class of Shares | 30 June 2018 % | 30 June 2017 % |
|---|---|---|---|---|
| SubPartners Pte Ltd | Singapore | Ordinary | 100% | 100% |
| APX West Limited | Bermuda | Ordinary | 100% | 100% |
| RA Wi-fi Pty Ltd(1) | Australia | Ordinary | 100% | - |
| RA ADSL Pty Ltd(1) | Australia | Ordinary | 100% | - |
| Nuskope(1) | Australia | Ordinary | 100% | - |
| GX2 Holdings Pty Ltd(1) | Australia | Ordinary | 100% | - |
| GX2 Technology Pty Ltd(1) | Australia | Ordinary | 100% | - |
| My Gossip Pty Ltd(1) | Australia | Ordinary | 100% | - |
| GX2 Communications Pty Ltd(1) | Australia | Ordinary | 100% | - |
| GX2 Technology Ltd | United Kingdom | Ordinary | 100% | - |
| Global Gossip LLC | USA | Ordinary | 100% | - |
| GX2 Technology Pte Ltd | Fiji | Ordinary | 100% | - |
| GX2 Technology Limited | New Zealand | Ordinary | 100% | - |
| Superloop (Operations) Pty Ltd(1) | Australia | Ordinary | 100% | - |
| Superloop (Services) Pty Ltd(1) | Australia | Ordinary | 100% | - |
| Superloop (Software) Pty Ltd(1) | Australia | Ordinary | 100% | - |

(1) These wholly-owned subsidiaries are members of the Australian tax-consolidated group.

# 35 Events occurring after the reporting period

There are no matters or circumstances that occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

# 36 Parent entity financial information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements, except as set out below. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

| | 30 June 2018<br>$ | 30 June 2017<br>$ |
|---|---|---|
| ASSETS | | |
| Current assets | 9,680,826 | 7,099,275 |
| Non-current assets | 468,623,419 | 391,955,409 |
| **TOTAL ASSETS** | **478,304,245** | **399,054,684** |
| | | |
| LIABILITIES | | |
| Current liabilities | 8,559,698 | 19,821,904 |
| Non-current liabilities | 82,831,845 | 32,351,742 |
| **TOTAL LIABILITIES** | **91,391,543** | **52,173,646** |
| | | |
| EQUITY | | |
| Contributed equity | 395,910,987 | 351,290,163 |
| Dividends paid | (1,049,800) | - |
| Reserves | 1,048,640 | 814,267 |
| Accumulated losses | (8,997,125) | (5,223,392) |
| **TOTAL EQUITY** | **386,912,702** | **346,881,038** |
| | | |
| Loss for the year | (3,773,733) | (3,857,664) |
| Total comprehensive loss for the period | (3,539,360) | (2,674,837) |

### (A) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

As at 30 June 2018, Superloop Limited had issued a parent company guarantee in relation to the obligations of SubPartners Pty Ltd in accordance with a supply agreement for the construction of INDIGO West and INDIGO Central submarine cable systems.

### (B) Contingent liabilities of Superloop Limited (parent entity)

As a 30 June 2018, Superloop Limited did not have any contingent liabilities.

# 37 Controlled entities acquired or disposed

During the year Superloop Limited acquired the following entities:

| | |
|---|---|
| NuSkope Pty Ltd and associated entities | 13 October 2017 |
| Gx2 Holdings Pty Ltd | 17 November 2017 |

If the entities had been acquired at 1 July 2017, the Group would have generated total revenue of $131.7 million and underlying EBITDA of $32.0 million for the period ended 30 June 2018, after adjusting for transaction and integration costs and based on unaudited financial information for the period prior to the date of each acquisition.

Goodwill arose in the acquisitions of NuSkope Pty Ltd and Gx2 Holdings Pty Ltd because the consideration paid for the respective subsidiaries included amounts in relation to the benefit of expected synergies, revenue growth, enhanced capability, future market development and the assembled workforces of each group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

***NuSkope Pty Ltd and associated entities ('NuSkope')***

On 13 October 2017, Superloop Limited acquired 100% of NuSkope Pty Ltd and associated entities for a total estimated consideration of $12.9 million, paid as $7.0 million in cash and $2.9 million in Superloop Limited shares with further $3.0 million deferred consideration payable in 2 instalments in cash. Deferred consideration will represent 33.3% of NuSkope's earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2018 financial year and 66.7% of EBITDA for the 2019 financial year, calculated in accordance with the operations of NuSkope prior to completion.

The acquisition of NuSkope delivers Superloop a portfolio of strategic assets including wireless network infrastructure, a sophisticated network coverage service qualification tool and a valuable CRM database. Goodwill of $4.7 million represents the residual value of the purchase price over the provisional fair value of the identifiable assets and liabilities shown below. The acquired businesses contributed revenues of $6.7 million during the period from acquisition and adjusted EBITDA of $3.5 million.

At 30 June 2018, the Company is continuing to receive the information required to assess the fair values of the assets and liabilities acquired. Accordingly the values identified below are provisional as at the reporting date. Details of the acquisition are:

| | Provisional Fair Value $ |
|---|---|
| **a) Identifiable assets acquired and liabilities assumed** | |
| Cash | 242,319 |
| Receivables | 135,548 |
| Property, plant and equipment | 1,411,529 |
| Other assets | 2,118,312 |
| Brand name and trademarks | 150,000 |
| Customer relationships | 3,846,000 |
| Other identifiable intangible assets | 2,489,000 |
| Payables | (718,509) |
| Provisions and other liabilities | (240,947) |
| Deferred tax liabilities | (1,707,096) |
| **Net identifiable assets acquired** | **7,726,156** |
| | |
| **b) Consideration transferred** | |
| Cash paid | 7,000,000 |
| Shares issued | 2,894,031 |
| Deferred consideration[(1)] | 3,000,000 |
| **Total consideration** | **12,894,031** |

(1) Estimated deferred consideration is dependent on EBITDA earned by NuSkope in the 2018 and 2019 financial years and is calculated in accordance with the operations of NuSkope prior to completion. The maximum amount payable is unlimited. $3.0 million has been recognised based on a probability weighted estimate of earnings.

| c) Goodwill on acquisition | |
|---|---|
| Consideration transferred | 12,894,031 |
| Less: net identifiable assets acquired | (7,726,156) |
| **Goodwill on acquisition** | **5,167,875** |

| d) Net cash outflow on acquisition | |
|---|---|
| Consideration paid in cash | 7,000,000 |
| Less: cash and cash equivalent balances acquired | (242,319) |
| **Net cash outflow on acquisition** | **6,757,681** |

***GX2 Holdings Pty Ltd ('GX2')***
On 17 November 2017, Superloop Limited acquired 100% of GX2 Holdings Pty Ltd for a total consideration of $12.2 million, paid as $6.0 million in cash, $4.2 million in Superloop Limited shares and deferred consideration of $2.0 million payable in cash in instalments in the 2 year period from completion.

The strategic acquisition of GX2 accelerates Superloop's existing community broadband campus solution offering to a broader customer base in Australia and overseas with technology, software and systems that will add significant value to the combined group. Goodwill of $11.5 million represents the residual value of the purchase price over the provisional fair value of the identifiable assets and liabilities shown below. The acquired business contributed revenues of $7.1 million during the period from acquisition and EBITDA of $1.2 million.

At 30 June 2018, the Company is continuing to receive the information required to assess the fair values of the assets and liabilities acquired. Accordingly the values identified below are provisional as at the reporting date. Details of the acquisition are:

| | Provisional Fair Value $ |
|---|---|
| a) Identifiable assets acquired and liabilities assumed | |
| Cash | 402,577 |
| Receivables | 904,993 |
| Property, plant and equipment | 281,176 |
| Other assets | 2,052,769 |
| Brand name and trademarks | 150,000 |
| Customer relationships | 3,802,000 |
| Other identifiable intangible assets | 3,050,000 |
| Payables | (845,339) |
| Deferred revenue | (1,024,950) |
| Provisions and other liabilities | (395,915) |
| Deferred tax liabilities | (1,444,406) |
| **Net identifiable assets acquired** | **6,932,905** |
| | |
| b) Consideration transferred | |
| Cash paid | 6,000,000 |
| Shares issued | 4,218,487 |
| Deferred consideration | 2,000,000 |
| **Total consideration** | **12,218,487** |

| | |
|---|---|
| c) Goodwill on acquisition | |
| Consideration transferred | 12,218,487 |
| Less: net identifiable assets acquired | (6,932,905) |
| **Goodwill on acquisition** | **5,285,582** |
| | |
| d) Net cash outflow on acquisition | |
| Consideration paid in cash | 6,000,000 |
| Less: cash and cash equivalent balances acquired | (402,577) |
| **Net cash outflow on acquisition** | **5,597,423** |

***SubPartners Pty Ltd ('SubPartners')***
On 4 April 2017, Superloop Limited acquired 100% of SubPartners Pty Ltd for a total consideration of $3.3 million, to be paid in Superloop Limited shares issued at $2.255 per share. At 30 June 2017, the fair value of the assets acquired and liabilities assumed were recognised on a provisional basis. During the period, the fair value of assets acquired and the liabilities has been finalised and the effect of the financial statements has been summarised below. The goodwill of $7.1 million represents the residual value of the purchase price over the fair value of the identifiable assets and liabilities.

| | Provisional fair value at 30 June 2017 $ | Fair value adjustments $ | Final fair value at 30 June 2018 (1) $ |
|---|---|---|---|
| a) Identifiable assets acquired and liabilities assumed | | | |
| Cash | 6,020 | - | 6,020 |
| Property, plant and equipment | 691,843 | - | 691,843 |
| Other assets | 22,623 | 3,112,593 | 3,135,216 |
| Deferred tax asset | - | 2,955,106 | 2,955,106 |
| Payables | (84,290) | - | (84,290) |
| Related party payables | (6,364,640) | - | (6,364,640) |
| Accruals and provisions | (797,129) | - | (797,129) |
| Deferred tax liabilities | - | (933,778) | (933,778) |
| **Net identifiable assets acquired** | **(6,525,573)** | **5,133,921** | **(1,391,652)** |
| | | | |
| b) Consideration transferred | | | |
| Cash paid | - | - | - |
| Shares | 664,956 | - | 664,956 |
| Deferred consideration | 2,659,824 | - | 2,659,824 |
| **Total consideration** | **3,324,780** | **-** | **3,324,780** |
| | | | |
| c) Goodwill arising on acquisition | | | |
| Consideration | 3,324,780 | - | 3,324,780 |
| Add net identifiable liabilities acquired | 6,525,573 | (5,133,921) | 1,391,652 |
| **Goodwill on acquisition** | **9,850,353** | **(5,133,921)** | **4,716,432** |
| | | | |
| d) Net cash outflow on acquisition | | | |
| Consideration paid in cash | - | **-** | - |
| Cash and cash equivalent balances acquired | 6,020 | **-** | 6,020 |
| **Net cash outflow on acquisition** | **6,020** | **-** | **6,020** |

(1) The 30 June 2017 comparative information shown in the Statement of Financial Position and the relevant notes have been revised to recognise final fair values.

# 37 Controlled entities acquired or disposed (cont)

**BigAir Group Limited**
On 21 December 2016, Superloop Limited acquired 100% of BigAir Group Limited for a total consideration of $189.6 million, paid as $45.8 million in cash and $143.8 million in Superloop Limited shares issued at $2.74 per share. At 30 June 2017, the fair value of the assets acquired and liabilities assumed were recognised on a provisional basis. During the period, the fair value of assets acquired and the liabilities has been finalised and the effect on the financial statements has been summarised below. The goodwill of $156.6 million represents the residual value of the purchase price over the fair value of the identifiable assets and liabilities.

| | Provisional fair value at 30 June 2017 $ | Fair value adjustments $ | Final fair value at 31 December 2017 (1) $ |
|---|---|---|---|
| a) Identifiable assets acquired and liabilities assumed | | | |
| Cash | 2,134,644 | - | 2,134,644 |
| Receivables | 7,482,719 | 441,383 | 7,924,102 |
| Other assets | 4,674,065 | - | 4,674,065 |
| Property, plant and equipment | 37,632,555 | (7,102,564) | 30,529,991 |
| Customer relationships | 48,739,000 | 280,000 | 49,019,000 |
| Brand name and trademarks | 500,000 | - | 500,000 |
| Other identifiable Intangible assets | 5,114,000 | (1,943,000) | 3,171,000 |
| Payables and other liabilities | (12,493,025) | (232,521) | (12,725,546) |
| Deferred revenue | (2,899,682) | - | (2,899,681) |
| Provisions | (4,063,782) | - | (4,063,782) |
| Deferred tax liabilities | (15,399,000) | (84,000) | (15,483,000) |
| Term debt funding | (30,055,019) | - | (30,055,019) |
| **Net identifiable assets acquired** | **41,366,475** | **(8,640,702)** | **32,725,774** |
| | | | |
| b) Consideration transferred | | | |
| Cash paid | 45,804,556 | - | 45,804,556 |
| Shares | 143,769,449 | - | 143,769,449 |
| **Total consideration** | **189,574,005** | **-** | **189,574,055** |
| | | | |
| c) Goodwill arising on acquisition | | | |
| Consideration | 189,574,005 | - | 189,574,005 |
| Less net identifiable assets | (41,366,475) | 8,640,702 | (32,725,773) |
| **Goodwill on acquisition** | **148,207,530** | **8,640,702** | **156,848,232** |
| | | | |
| d) Net cash outflow on acquisition | | | |
| Consideration paid in cash | 45,804,556 | - | 45,804,556 |
| Less cash and cash equivalent balances acquired | (2,134,644) | - | (2,134,644) |
| **Net cash outflow on acquisition** | **43,669,912** | **-** | **43,669,912** |

(1) The 30 June 2017 comparative information shown in the Statement of Financial Position and the relevant notes have been revised for the final fair values.

# Directors' Declaration

In the directors' opinion:

a. the financial statements and notes set out on pages 36 to 77 are in accordance with the *Corporations Act 2001,* including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   ii. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date, and

At the date of this declaration, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable. Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The directors have been given the declarations by the chief executive officer and chief financial officer required by 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors as per section 295(5) of the Corporations Act 2001.

Bevan Slattery
Executive Director

20 August 2018

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# Independent Auditor's Report to the Members of Superloop Limited

## Report on the Audit of the Financial Report

*Opinion*

We have audited the financial report of Superloop Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, 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 other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) 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* (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 Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

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

*Key Audit Matters*

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

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
| --- | --- |
| **Business acquisition**<br><br>As disclosed in Note 37, the Group completed the acquisition of 100% of the shares of:<br>• Nuskope Pty Ltd and associated entities via an agreement for cash and equity consideration of \$12.9m on 13 October 2017; and<br>• GX2 Holdings Pty Ltd via an agreement for cash and equity consideration of \$12.2m on 17 November 2017.<br><br>Additionally, the provisional fair values for the following acquisitions were finalised during the year:<br>• BigAir Group Limited<br>• SubPartners Pty Ltd<br><br>Accounting for acquisitions is complex and involves a number of significant judgements and estimates as disclosed in Note 3 including:<br>• the identification of and fair value attributed to the separately identifiable assets and liabilities acquired, including intangible assets; and<br>• the determination of the useful lives of the acquired intangible assets. | In conjunction with our valuation specialists our procedures included, but were not limited to:<br>• reading the agreements to understand the terms and conditions of the transaction and evaluating management's application of the relevant accounting standards including appropriateness of the acquisition date and identification of the acquiring entity;<br>• obtaining an understanding of and assessing the external expert's draft report by reading the report and evaluating its scope, and holding discussions with the expert;<br>• assessing the competency and objectivity of the expert and challenging the appropriateness of valuation methodologies and key judgements adopted in determining the fair values of software, customer relationships, licences and brands which include:<br>- EBIT margins;<br>- growth rates;<br>- discount rates; and<br>- attrition rates.<br>• evaluating the useful lives of the intangible assets, based on the nature of the assets and industry practice; and<br>• assessing the appropriateness of the disclosures included in Notes 3 and 37 to the financial statements. |

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Revenue recognition – appropriateness of revenue recorded from complex contracts<br><br>As disclosed in Note 3, the determination of the timing of revenue recognition associated with some of the Group's capacity and construction contracts involves the application of judgement due to the complexity and bespoke nature of the arrangements entered into with customers.</td><td>In conjunction with our accounting technical specialists, our procedures included, but were not limited to:<ul><li>reviewing the underlying agreements;</li><li>understanding the substance of the transactions and specific nature of the service being provided;</li><li>assessing the appropriateness of the application of the relevant accounting standards and industry practice;</li><li>agreeing the amounts recorded in the financial records to supporting documentation; and</li><li>assessing the appropriateness of the disclosures included in Note 3 to the financial statements.</li></ul></td></tr>
<tr><td>Carrying value of Goodwill<br><br>As at the 30 June 2018 the Group's goodwill balance totals $178.2 million as disclosed in Note 14.<br><br>The assessment of the recoverable amount of the goodwill and other intangible assets allocated to the cash generating units ("CGUs") or groups of CGUs requires management to exercise significant judgement including:<ul><li>the determination of and the allocation of goodwill to the CGUs or groups of CGUs; and</li><li>the determination of the following key assumptions used in the calculation of the recoverable amount of each of the CGUs or groups of CGUs:<ul><li>the cash flow forecasts;</li><li>market growth rates;</li><li>terminal growth factors; and</li><li>discount rates.</li></ul></li></ul></td><td>In conjunction with our valuation specialists our procedures included, but were not limited to:<ul><li>obtaining an understanding of the process that management undertook to determine the CGUs or groups of CGUs and prepare the valuation models;</li><li>evaluating the Group's identified groups of CGUs and the allocation of goodwill to the carrying value of the groups of CGUs based on our understanding of the Group's business. This evaluation included performing an analysis of the Group's internal reporting;</li><li>assessing and challenging:<ul><li>the cash flow forecasts by agreeing inputs in the cash flow models to relevant data including approved budgets and assessing forecasting accuracy by comparing historic forecasts to actual outcomes;</li><li>the market and terminal growth rates against relevant historical and industry data; and</li><li>the discount rates applied, by comparing the rates used to the discount rates calculated by our valuation specialists.</li></ul></li><li>performing sensitivity analysis on key assumptions;</li><li>testing on a sample basis the mathematical accuracy of the valuation models; and</li><li>assessing the appropriateness of the disclosures in Note 3 and 14 to the financial statements.</li></ul></td></tr>
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*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's letter, Report from the Chief Executive Officer, Business Overview, Corporate Governance Statement and Shareholder information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's letter, Report from the Chief Executive Officer, Business Overview, Corporate Governance Statement and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as 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 ability of the Group 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 has no realistic alternative but to do so.

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

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

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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.

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

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

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.

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**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 14 to 29 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Superloop Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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

Deloitte Touche Tohmatsu

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Stephen Tarling
Partner
Chartered Accountants
Brisbane, 20 August 2018