

UNITI WIRELESS LIMITED
A.C.N 158 957 889

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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UNITI WIRELESS LIMITED
A.C.N 158 957 889
DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors submit the financial report on the consolidated group for the year ended 30 June 2017.

Directors

The names of the directors in office at any time during, or since the end of the year are:

Che Metcalfe
Sasha Baranikow
Jules Maussen

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

Dividends

No dividends were paid during the year and the directors have not recommended a dividend in respect of the 2017 financial period (2016: Nil)

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Operating results

The consolidated loss after tax for the year ended 30 June 2017 was \$2,353,226 (2016: Loss:\$635,375).

Principal activities

The principal activity of the consolidated group during the financial year was the provision of consumer, wholesale and corporate telecommunications services.

Significant changes in the state of affairs

No significant change in the principal activities occurred during the year.

Matters subsequent to the end of the financial year

Uniti Wireless Limited converted to an unlisted public company from a proprietary limited company on 28 February 2018.

The group undertook two capital raisings post balance date, raising \$2,372,000 in December 2017 at \$8 per share and \$4,792,585 at \$9 per share.

The group received confirmation of a successful application to the South Australian Government Future Jobs Fund on 6 December 2017. The offer consisted of a \$2,000,000 grant and \$3,000,000 loan which will need to be matched by the group. The funds are to be used to assist the Group with its national expansion. The directors and their advisors are currently reviewing contract terms that have been provided by the Treasurer of the Government of South Australia.

Likely developments and expected results of operations

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

Environmental regulation

The group is not subject to significant environmental regulations and is not aware of any breaches of any environmental regulations during the year.

Directors and auditors indemnification

No indemnities have been given or insurance premiums paid, during or since the end of the financial year for any person who is or has been an officer or auditor of the group.

Proceedings on behalf of the company

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

Auditor independence declaration

The Lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for the year ended 30 June 2017.

Che Metcalfe

Signed in accordance with a resolution of the Directors.

Signed at Sydney this 15 day of May 2018

UNITI WIRELESS LIMITED
A.C.N 158 957 889
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue	3	1,930,989	790,945
Network and hardware expenses		(1,250,108)	(290,603)
Employee benefits expense		(1,339,016)	(681,953)
Depreciation and amortisation expense		(675,092)	(190,620)
Promotional expenses		(435,803)	(5,902)
Professional fees		(119,066)	(74,446)
Other expenses		(288,470)	(131,843)
Finance expenses		(176,660)	(50,953)
Loss before income tax		(2,353,226)	(635,375)
Income tax expense	2	-	-
Net Loss		(2,353,226)	(635,375)
Other Comprehensive Income		-	-
Total comprehensive income for the year		(2,353,226)	(635,375)

The accompanying notes form part of these financial statements

UNITI WIRELESS LIMITED
A.C.N 158 957 889
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	502,309	17,832
Trade receivables	5	315,252	120,118
Deposits and Prepayments	6	67,368	10,780
Total Current Assets		<u>884,929</u>	<u>148,730</u>
Non Current Assets			
Property and Equipment	7	2,208,334	844,563
Right of Use Assets	8	4,762,883	883,442
Intangible Asset	9	124,736	62,138
Total Non Current Assets		<u>7,095,953</u>	<u>1,790,143</u>
TOTAL ASSETS		<u>7,980,882</u>	<u>1,938,873</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	635,826	129,047
Borrowings	11	604,714	207,043
Customer Contract Liability	12	87,777	46,848
Provisions	13	164,938	81,627
Total Current Liabilities		<u>1,493,255</u>	<u>464,565</u>
Non Current Liabilities			
Borrowings	11	4,553,657	1,001,390
Customer Contract Liability	12	307,362	134,758
Provisions	13	21,177	6,994
Total Non Current Liabilities		<u>4,882,196</u>	<u>1,143,142</u>
TOTAL LIABILITIES		<u>6,375,451</u>	<u>1,607,707</u>
NET ASSETS		<u>1,605,431</u>	<u>331,166</u>
EQUITY			
Issued Capital	14	5,377,491	1,750,000
Retained Earnings		<u>(3,772,060)</u>	<u>(1,418,834)</u>
TOTAL EQUITY		<u>1,605,431</u>	<u>331,166</u>

The accompanying notes form part of these financial statements

UNITI WIRELESS LIMITED
A.C.N 158 957 889
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Issued Capital \$	Retained Earnings \$	Total Equity \$
2016				
Balance at 1 July 2015		1,131,242	(783,459)	347,783
Share issue, net of costs tax effected	14	618,758	-	618,758
Net loss for the year		-	(635,375)	(635,375)
Balance at 30 June 2016		1,750,000	(1,418,834)	331,166
2017				
Share issue, net of costs tax effected	14	3,627,491	-	3,627,491
Net loss for the year		-	(2,353,226)	(2,353,226)
Balance at 30 June 2017		5,377,491	(3,772,060)	1,605,431

The accompanying notes form part of these financial statements

UNITI WIRELESS LIMITED
A.C.N 158 957 889
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inc GST receipts)		2,144,327	890,138
Payments to suppliers and employees (Inc GST)		(3,096,053)	(1,222,912)
Finance costs		(142,555)	(48,986)
Net cash outflows from operating activities	4 (b)	<u>(1,094,281)</u>	<u>(381,760)</u>
Cash flows from investing activities			
Payments for property plant and equipment		(1,630,610)	(408,569)
Payments for intangible assets		(91,059)	(48,616)
Net cash flows used in investing activities		<u>(1,721,669)</u>	<u>(457,185)</u>
Cash flows from financing activities			
Payments of lease liabilities		(290,971)	(67,637)
Proceeds from bank debt		-	36,964
Payments of bank debt		(36,093)	(18,035)
Proceeds from issue of shares		3,881,500	680,204
Payments of share issue costs		(254,009)	(61,446)
Net cash flows provided by financing activities		<u>3,300,427</u>	<u>570,050</u>
Net Increase / (Decrease) in cash held		484,477	(268,895)
Cash at beginning of the financial year		17,832	286,727
Cash at end of the year	4 (a)	<u>502,309</u>	<u>17,832</u>

The accompanying notes form part of these financial statements

UNITI WIRELESS LIMITED
A.C.N 158 957 889
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes represent those of Uniti Wireless Limited and Controlled Entities (the "consolidated group" or "group"). Uniti Wireless Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue on 15 May 2018 by the directors of the company.

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

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for the purpose of preparing these financial statements.

The financial report has been prepared on an accruals basis and is based on historical cost.

The following is a summary of the material accounting policies adopted in the preparation of the financial statements.

The Group has net current liabilities of \$608,326 (2016: \$315,835) and has net cash outflows from operating activities of \$1,094,281 (2016: \$381,760).

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

In response to these conditions the directors have and continue to undertake various action to ensure the Group is able to meet its obligations. These include:

- raising \$7,164,585 in two separate tranches post reporting period.
- undertaking sensitivity analysis to current cash flow forecasts and group budgets to demonstrate the company's ability to generate positive cash-flow in the event further capital raising is not able to be achieved or is not on suitable terms.

For the reasons detailed above, the financial statements have been prepared on the basis that the Group is a going concern, which presumes the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business at the amounts stated in the financial statements.

The Group is dependant on its ability to raise further capital or restructure its operations to generate positive cashflows to continue as a going concern, in the event the Group is unable to achieve this it will be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset carrying amounts and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they become due and payable.

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Uniti Wireless Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity. A list of the subsidiaries is provided in Note 18.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

UNITI WIRELESS LIMITED
A.C.N 158 957 889
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Property and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value or straight line basis over the asset's useful life to the group commencing from the time the asset is held ready for use. The following estimated useful lives are used in the calculation of depreciation:

Class of Fixed Asset	Useful Life	Depreciation Method
Network infrastructure	4 to 25 years	Straight line basis
Plant and equipment	3 years to 10 years	Diminishing value basis
Lease Improvements	4 to 10 years	Diminishing value basis

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

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 the carrying amount of the asset. These gains or losses are included in profit or loss.

(d) Intangibles

Intangibles are stated at cost less accumulated amortisation and any impairment losses.

The carrying amount of intangibles is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the asset's useful life unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The following estimated useful lives are used in the calculation of amortisation :

Class of Fixed Asset	Useful Life	Amortisation Method
Computer software	3 years	Straight line basis

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

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 the carrying amount of the asset. These gains or losses are included in profit or loss.

(e) Impairment of Assets

At the end of each reporting period the group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(f) Financial Instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as fair value through profit or loss. Transaction costs related to instruments classified as fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

UNITI WIRELESS LIMITED
A.C.N 158 957 889
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Trade and other receivables

Receivables are recognised and carried at original invoice or contract amount less any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. All Trade and other receivables are non interest bearing.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(i) Leases and Right-of-use assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Measurement

The Group recognised a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are summarised below. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Class of Right of Use Asset	Useful Life	Depreciation Method
Buildings	2 to 10 years	Straight line basis
Network Infrastructure	2 years to 20 years	Straight line basis
Plant and Equipment	4 to 5 years	Diminishing value basis
Motor Vehicles	8 years	Diminishing value basis

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of the lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amounts expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(j) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. Expenditures capitalised comprises all directly attributable costs including costs of materials, services and direct labour. Other development expenditure that do not meet these criteria are recognised as an expense as incurred. The carrying value of an intangible asset arising from development expenditure is tested for impairment when an indication of impairment arises during the period.

(k) Employee Benefits

Short-term employee benefits

Provision is made for the group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of short-term provisions in the statement of financial position.

Long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(l) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid in 1 to 60 days following purchase.

All Trade and other payables are non interest bearing.

(m) Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost using the effective interest method.

(n) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The following is a description of principal activities from which the Group generates its revenue.

The Group principally generates revenue from providing wireless broadband services. The provision of wireless communication services includes initial installation of associated network infrastructure. The typical length of a contract for wireless broadband services is 6 years, inclusive of anticipated renewals of service.

For bundled packages, the Group accounts for individual products and services separately if they are distinct - i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the devices and services. For items that are not sold separately, the Group estimates stand-alone selling prices using the adjusted market assessment approach.

Revenue from the provision of wireless broadband services is recognised over the expected life of the contract, including any expected extensions of the service. Installation of the internet service is not distinct from the provision of internet service as the customer cannot benefit from either the broadband service or installation alone. The installation and broadband service are therefore identified as a single performance obligation and the associated revenue is recognised over time.

UNITI WIRELESS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(n) Revenue (continued)

Disposal of assets

Revenue from the disposal of other assets is recognised when the group has transferred the risks and rewards of ownership to the buyer.

Interest

Interest income is recognised in profit or loss on a proportional basis taking into account the interest rates applicable to the financial asset.

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

(o) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparative Figures

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

(r) Critical Accounting Estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are provided below.

Revenue Recognition

Critical estimates and judgements made in relation to revenue recognition are included in note 1(n).

Leases

Critical estimates and judgements made in relation to right of use assets and leases are included in note 1(i).

Useful life of property, plant and equipment

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in the estimates relate to obsolescence that may change the utility of certain assets. Details of useful lives used are included in note 1(c).

UNITI WIRELESS LIMITED
A.C.N 158 957 889
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(s) Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2 INCOME TAX	2017	2016
	\$	\$
Income Tax expense/(benefit) comprises:		
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(benefit)	-	-
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Profit/(Loss) from operations before tax	(2,353,226)	(635,375)
Income tax calculated at 27.5% (2016: 30%)	(647,137)	(190,613)
Add:		
Other non-allowable items	-	13,939
Less:		
Current net deferred tax assets not recognised	616,403	167,896
Other deductible items	30,734	8,778
	-	-
The applicable weighted average effective tax rates are as follows:	0.00%	0.00%
Unrecognised deferred tax relating to tax losses	634,111	352,198
Unrecognised deferred tax relating to temporary differences	334,490	(3,159)
	968,601	349,039
Franking Account		
Balance of franking account at year end adjusted for franking credits arising from:		
- payment of provision for income tax;		
- dividends recognised as receivables; and		
- franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years.		
	-	-
No dividends have been declared or paid during the year.		

UNITI WIRELESS LIMITED
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3 REVENUES AND OTHER EXPENSES

	2017	2016
	\$	\$
Revenue from contracts with customers		
- Rendering of services	1,683,468	735,289
	<u>1,683,468</u>	<u>735,289</u>
Other revenue:		
- Government Grants	165,701	-
- R&D Tax Incentive	81,820	55,656
	<u>247,521</u>	<u>55,656</u>
Total revenue	<u>1,930,989</u>	<u>790,945</u>

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major service lines. All revenue is derived in Australia and transferred to revenue over time.

	2017	2016
	\$	\$
Major Service Lines		
Business income	563,518	218,952
Enterprise income	207,988	113,783
Residential income	895,524	324,250
Other	16,438	78,304
	<u>1,683,468</u>	<u>735,289</u>

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future, related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date:

	2018	2019	2020	2021 and beyond	Total
Wireless broadband service	1,970,888	1,965,151	1,965,151	3,939,076	9,840,266

This represents expected revenue to be recognised for currently contracted customers should they meet the current estimated contract length of six years.

Expenses

Auditor's remuneration

Audit and review of financial statements	30,000	-
	<u>30,000</u>	<u>-</u>

Employee costs

Defined contribution superannuation expense	91,263	52,844
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Lease liabilities

Interest Expense on lease liabilities	132,991	22,243
Lease expense in relation to low-value assets	48,507	10,944

UNITI WIRELESS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
4 CASH AND CASH EQUIVALENTS		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows :-		
Cash on Hand	300	-
Cash at Bank	502,009	17,832
	<u>502,309</u>	<u>17,832</u>
(b) Reconciliation from the net surplus to the net cash flows from operations		
Profit/(Loss) for year after tax	(2,353,226)	(635,375)
Non cash flows:		
Depreciation and amortisation	675,092	190,620
Gain on derecognition of lease	(16,336)	-
Interest	34,105	1,967
Changes in assets and liabilities:		
(Increase) decrease in trade receivables	(195,134)	(81,364)
(Increase) decrease in deposits and prepayments	(56,588)	-
Increase (decrease) in trade and other payables	506,779	(31)
Increase (decrease) in customer contract liability	213,533	99,635
Increase (decrease) in provisions	97,494	42,788
Increase (decrease) in tax payable	-	-
Net cash flows from operating activities	<u>(1,094,281)</u>	<u>(381,760)</u>
(c) Non-cash Financing and Investing Activities		
Right-of-use assets acquired by means of leases	4,683,278	833,694
5 TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	93,114	52,151
Other receivables	222,138	67,967
	<u>315,252</u>	<u>120,118</u>
Credit Risk		
The Group had a concentration of credit risk at 30 June 2017 with \$217,363 owing from the Australian Tax Office in relation to GST and R&D refunds. Geographical credit risk is limited to Australia.		
No amounts have been provided for in relation to impaired receivables		
The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.		
Past Due and Impaired	-	-
Past Due but Not Impaired - 30 days	9,645	2,038
Past Due but Not Impaired - 31-60 days	2,868	1,209
Past Due but Not Impaired - 61-90 days	2,769	75
Past Due but Not Impaired - 91 days plus	3,838	1,078
Within initial trade terms	296,132	115,718
	<u>315,252</u>	<u>120,118</u>
6 DEPOSITS AND PREPAYMENTS		
Current		
Deposits	32,017	10,780
Prepayments	35,351	-
	<u>67,368</u>	<u>10,780</u>

UNITI WIRELESS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
7 PROPERTY, PLANT AND EQUIPMENT		
Network Infrastructure		
At Cost	2,139,998	871,505
Less Provision for Depreciation	(302,039)	(100,120)
	<u>1,837,959</u>	<u>771,385</u>
Plant and Equipment		
At Cost	320,659	98,510
Less Provision for Amortisation	(88,013)	(25,332)
	<u>232,646</u>	<u>73,178</u>
Leasehold Improvements		
At Cost	139,968	-
Less Provision for Amortisation	(2,239)	-
	<u>137,729</u>	<u>-</u>
Total Property, Plant & Equipment	<u>2,208,334</u>	<u>844,563</u>
Movements in Carrying Amounts		
Network Infrastructure		
Opening Balance	771,385	510,561
Additions	1,268,493	344,028
Depreciation charge for year	(201,919)	(83,204)
Closing Balance	<u>1,837,959</u>	<u>771,385</u>
Plant and Equipment		
Opening Balance	73,178	26,986
Additions	222,149	64,541
Depreciation charge for year	(62,681)	(18,349)
Closing Balance	<u>232,646</u>	<u>73,178</u>
Leasehold Improvements		
Opening Balance	-	-
Additions	139,968	-
Depreciation charge for year	(2,239)	-
Closing Balance	<u>137,729</u>	<u>-</u>

UNITI WIRELESS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
8 RIGHT OF USE ASSETS		
Buildings		
At Cost	2,128,590	588,826
Less Provision for Depreciation	(105,817)	(28,990)
	<u>2,022,773</u>	<u>559,836</u>
Network Infrastructure		
At Cost	2,358,865	314,168
Less Provision for Depreciation	(202,290)	(44,295)
	<u>2,156,575</u>	<u>269,873</u>
Plant and Equipment		
At Cost	130,190	-
Less Provision for Amortisation	(13,056)	-
	<u>117,134</u>	<u>-</u>
Motor Vehicles		
At Cost	537,701	69,159
Less Provision for Amortisation	(71,300)	(15,426)
	<u>466,401</u>	<u>53,733</u>
Total Right of Use Assets	<u>4,762,883</u>	<u>883,442</u>
Movements in Carrying Amounts		
Buildings		
Opening Balance	559,836	84,122
Additions	2,039,849	500,085
Derecognition of lease	(424,045)	-
Depreciation charge for year	(152,867)	(24,371)
Closing Balance	<u>2,022,773</u>	<u>559,836</u>
Network Infrastructure		
Opening Balance	269,873	12,927
Additions	2,044,697	299,405
Depreciation charge for year	(157,995)	(42,459)
Closing Balance	<u>2,156,575</u>	<u>269,873</u>
Plant and Equipment		
Opening Balance	-	-
Additions	130,190	-
Depreciation charge for year	(13,056)	-
Closing Balance	<u>117,134</u>	<u>-</u>
Motor Vehicles		
Opening Balance	53,733	32,752
Additions	468,542	34,204
Depreciation charge for year	(55,874)	(13,223)
Closing Balance	<u>466,401</u>	<u>53,733</u>

Refer to Note 11 for information on the lease liabilities related to these right of use assets.

UNITI WIRELESS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
9 INTANGIBLE ASSETS		
Computer software		
At Cost	162,212	71,153
Less Provision for Amortisation	(37,476)	(9,015)
	<u>124,736</u>	<u>62,138</u>
Movements in Carrying Amounts		
Computer software		
Opening Balance	62,138	22,537
Additions	91,059	48,616
Amortisation charge for year	(28,461)	(9,015)
Closing Balance	<u>124,736</u>	<u>62,138</u>
10 TRADE AND OTHER PAYABLES		
Current		
Trade payables	342,804	35,210
Other payables	293,022	93,837
	<u>635,826</u>	<u>129,047</u>
11 BORROWINGS		
Current		
Lease liability	566,602	170,131
Bank loans	38,112	36,912
Total Borrowings	<u>604,714</u>	<u>207,043</u>
Non-Current		
Lease liability	4,335,931	735,974
Bank loans	217,726	265,416
Total Borrowings	<u>4,553,657</u>	<u>1,001,390</u>
Description of Lease Arrangements		
<p>The Group leases land and buildings for its office space as well as network infrastructure, plant and equipment and motor vehicles. The typical period of these leases is summarised below. Where leases include an option to renew the lease after the end of the contract term, the Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options. It reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. Some leases provide for additional rental payments that are based on changes in consumer price indices.</p>		
Lease Category	Term of Lease	Renewal Option Available
Buildings	2 to 5 years	2 to 5 years
Network Infrastructure	2 years to 10 years	1 to 15 years
Plant and Equipment	4 to 5 years	None
Motor Vehicles	8 years	None
Maturity analysis - contractual undiscounted cash flows for lease liabilities		
Less than one year	673,899	220,068
One to five years	2,818,312	698,827
More than five years	2,833,415	109,014
Total undiscounted lease liabilities at 30 June	<u>6,325,626</u>	<u>1,027,909</u>
Total cash outflow on leases (includes principal and interest)	464,068	126,304

UNITI WIRELESS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
12 CUSTOMER CONTRACT LIABILITY		
Current		
Customer Contract Liability	87,777	46,848
	<u>87,777</u>	<u>46,848</u>
Non-Current		
Customer Contract Liability	307,362	134,758
	<u>307,362</u>	<u>134,758</u>
Movement in Customer Contract Liability		
Opening Balance	181,606	81,971
Revenue recognised from opening balance	(45,520)	(18,454)
Revenue deferred during the period	259,053	118,089
Closing Balance	<u>395,139</u>	<u>181,606</u>

For the Group's major revenue stream, there are two performance obligations, the delivery of hardware to facilitate connection and the delivery of internet service. Payments are received as part of the delivery and installation process and then services are settled monthly. Amounts received in relation to installation income is combined with expected monthly payments for the total transaction price. Installation is not considered to be a performance obligation as it is not distinct from the service provision on the basis that customers must use the Group's installation team to obtain access to service.

On this basis, the customer contract liability increases as customers join with the installation invoices effectively amortised across the expected customer life of six years. Revenue is recognised on a straight line basis over time as the Group's inputs are expended evenly throughout the performance period.

13 PROVISIONS

Employee benefits current	164,938	81,627
Employee benefits non-current	21,177	6,994
	<u>186,115</u>	<u>88,621</u>

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave and long service leave.

UNITI WIRELESS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$		
14 SHARE CAPITAL				
2,113,827 (2016: 1,434,077) fully paid ordinary shares	5,377,491	1,750,000		
Total	5,377,491	1,750,000		
Ordinary shares have no par value.				
Movements in ordinary shares	2017 No	2017 \$	2016 No	2016 \$
At the beginning of reporting period	1,434,077	1,750,000	1,293,043	1,131,242
Shares issued during year				
- 13 July 2015	-	-	8,000	15,000
- 1 September 2015	-	-	14,000	70,000
- 30 October 2015	-	-	3,000	15,000
- 26 November 2015	-	-	20,834	100,004
- 7 December 2015	-	-	5,000	25,000
- 12 January 2016	-	-	4,200	25,200
- 8 February 2016	-	-	10,000	50,000
- 16 March 2016	-	-	5,000	25,000
- 19 May 2016	-	-	71,000	355,000
- 1 August 2016	220,000	550,000	-	-
- 17 November 2016	110,000	550,000	-	-
- 6 February 2017	10,500	67,500	-	-
- 8 February 2017	40,000	320,000	-	-
- 13 February 2017	6,250	50,000	-	-
- 16 February 2017	18,750	150,000	-	-
- 20 February 2017	31,250	250,000	-	-
- 21 February 2017	6,500	52,000	-	-
- 23 February 2017	12,500	100,000	-	-
- 24 February 2017	62,500	500,000	-	-
- 27 February 2017	21,875	175,000	-	-
- 28 February 2017	31,250	250,000	-	-
- 2 March 2017	15,000	120,000	-	-
- 3 March 2017	12,500	100,000	-	-
- 6 March 2017	40,625	325,000	-	-
- 21 March 2017	21,250	170,000	-	-
- 1 April 2017	14,000	112,000	-	-
- 21 April 2017	5,000	40,000	-	-
Less transaction costs, net of tax	-	(254,010)	-	(61,445)
At the end of the reporting period	2,113,827	5,377,490	1,434,077	1,750,000

Ordinary shares participate in dividends and the proceeds on winding up of the parent company in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

UNITI WIRELESS LIMITED
A.C.N 158 957 889
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

15 FINANCIAL INSTRUMENTS

(a) Capital risk management

Management controls the capital of the group in order to ensure that the group can fund its operations and continue as a going concern.

The group's financial structure includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

(b) Categories of financial instruments

	2017	2016
	\$	\$
<i>Financial Assets</i>		
Loans and receivables	315,252	120,118
Cash and cash equivalents	502,309	17,832
<i>Financial Liabilities</i>		
Financial liabilities at amortised cost		
- Trade and other payables	635,826	129,047
- Borrowings	5,158,371	1,208,433

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the group approximates their carrying value.

(d) Financial risk management objectives

The group's financial instruments consist of deposits with banks, trade receivables and payables incurred in the normal course of operations. The group does not have any significant derivative financial instruments at 30 June 2017.

The senior executives of the group meet regularly to analyse interest rate exposure to determine if it is appropriate in the current economic climate.

(e) Market risk

The group's activities expose it primarily to the financial risk of changes in interest rates. The group analyses its risk by considering sensitivity interest rate exposures and determining the potential impact on its effected expenses and revenue of movements in these rates. If the potential variance is material then management may seek to minimise this exposure but it does not consider this to be the case at this time. The group does not have a material market risk exposure.

(f) Credit Risk Exposures

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group does not have a material credit risk exposure.

(g) Liquidity Risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

Liquidity risk is managed by monitoring forecast cash flows and ensuring that the group's operations are adequate to meet liabilities due.

UNITI WIRELESS LIMITED
A.C.N 158 957 889
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2017
\$
2016
\$

16 KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to KMP of the company and the Group during the year are as follows;

Short-term employee benefits	279,407	240,000
Post-employment benefits	26,544	22,800
Total KMP compensation	<u>305,951</u>	<u>262,800</u>

Short-term employee benefits

These amounts include all salary, paid leave benefits and fringe benefits paid to directors and KMP

Post-employment benefits

These amounts are the superannuation contributions made during the year.

Key management personnel of the Group are the executive directors of the Board.

17 PARENT ENTITY

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

Statement of Financial Position

ASSETS

Current assets	884,929	148,730
Non-current assets	7,096,253	1,790,443
TOTAL ASSETS	<u>7,981,182</u>	<u>1,939,173</u>

LIABILITIES

Current liabilities	1,493,555	464,865
Non-current liabilities	4,882,196	1,143,142
TOTAL LIABILITIES	<u>6,375,751</u>	<u>1,608,007</u>

EQUITY

Issued Capital	5,377,491	1,750,000
Retained Earnings	<u>(3,772,060)</u>	<u>(1,418,834)</u>
	<u>1,605,431</u>	<u>331,166</u>

Statement of Profit or Loss and Other Comprehensive Income

Total loss	(2,353,226)	(635,375)
Total comprehensive income	<u>(2,353,226)</u>	<u>(635,375)</u>

The parent company has not entered into any guarantees in relation to the debts of its subsidiaries. Details of any contractual commitments of the parent entity are disclosed in Note 11 in this financial report.

UNITI WIRELESS LIMITED
A.C.N 158 957 889
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

18 INTEREST IN SUBSIDIARIES

The subsidiaries listed below have share capital consisting solely of ordinary shares which are directly held by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership interest held by the Group	
		2017 %	2016 %
Uniti Play Pty Ltd	Adelaide, Australia	100%	100%
Uniti Air Pty Ltd	Adelaide, Australia	100%	100%
Uniti Health Pty Ltd	Adelaide, Australia	100%	100%

19 COMPANY DETAILS

The registered office of the company and principal place of business is Level 1, 44 Currie Street, Adelaide SA 5000.

20 RELATED PARTIES

From time to time, directors may acquire goods or services from the Group in the ordinary course of the Group's business. Such agreements are trivial or domestic in nature and are on commercial terms and the same terms applicable to other customers and staff.

21 EVENTS AFTER THE REPORTING PERIOD

Uniti Wireless Limited converted to an unlisted public company from a proprietary limited company on 28 February 2018.

The Group undertook two capital raising post balance date, raising \$2,372,000 in December 2017 at \$8 per share and \$4,792,585 in January 2018 at \$9 per share.

The Group received confirmation of a successful application to the South Australian Government Future Jobs Fund on 6 December 2017. The offer consisted of a \$2,000,000 grant and \$3,000,000 loan which will need to be matched by the Group. The funds are to be used to assist the Group with its national expansion. The directors and their advisors are currently reviewing contract terms that have been provided by the Treasurer of the Government of South Australia.

UNITI WIRELESS LIMITED
A.C.N 158 957 889
DIRECTORS' DECLARATION

The directors of the company declare that:

- 1 the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position of the Group as at 30 June 2017 and of its performance for the year ended on that date.
- 2 The company has included in the notes to the financial statements as explicit and unreserved statement of compliance with International Financial Reporting Standards.
- 3 In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Che Metcalfe

15th of May 2018

Signed on this day of



Chartered Accountants

UNITI WIRELESS LIMITED
ACN 158 957 889

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Uniti Wireless Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Uniti Wireless Limited and the entities it controlled during the year.

A handwritten signature in blue ink, appearing to read 'Jon Colquhoun'.

Jon Colquhoun
Partner

Adelaide, South Australia
14 May 2018

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Independent Auditor's Report

To the members of Uniti Wireless Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Uniti Wireless Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Regarding Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group had net current liabilities of \$608,326 and incurred net cash outflows from operating activities of \$1,094,281. The Group's ability to continue as a going concern is dependent on raising further capital or restructuring its operations to generate positive cashflows. These events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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 have 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 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.

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.

HLB Mann Judd Audit (SA) Pty Ltd ABN: 32 166 337 097

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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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Adelaide, South Australia
15 May 2018



Jon Colquhoun
Partner

HLB Mann Judd Audit (SA) Pty Ltd ABN: 32 166 337 097

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