SpeedCast International Limited

ACN 600 699 241

Appendix 4D and Financial Statements for the

Half Year Ended 30 June 2017

APPENDIX 4D

For the half year ended 30 June 2017

Results for Announcement to the Market

All comparisons are to the half year ended 30 June 2016 unless otherwise stated.

All amounts are in US$ million unless otherwise specified.

	2017 US$ million	Up/Down	Movement %
Revenue from ordinary activities	246.3	Up	143%
Loss after tax from ordinary activities attributable to the owners of the Company	(5.7)	Down	(202%)

Dividend Information

	Amount per share (AUD cents)	Franked % per share
Final dividend for 2016 (paid on 11 April 2017)	2.40	100
Proposed interim dividend for 2017	2.40	100

On 28 August 2017, the Board approved an interim dividend of AUD 2.40 cents per share for the six months ended 30 June 2017. The dividend will be paid on 13 October 2017 to all shareholders registered on the record date of 11 September 2017. The ex-dividend date for dividend entitlement will be 12 September 2017. The dividend will be fully franked for Australian taxation purposes.

No dividend reinvestment plan was in operation during the half year ended 30 June 2017.

Net Asset Backing

	30 June 2017 (USD cents)	31 December 2016 (USD cents)
Net tangible asset backing per security	(97)	50
Net asset backing per security	124	122

Net tangible assets are defined as the net assets of the Speedcast Group excluding goodwill and intangibles. The number of shares on issue at 30 June 2017 was 237,601,420 (31 December 2016: 237,468,482).

Details of entities where control has been gained during the half year

On 1 November 2016, the Group entered into a definitive agreement to acquire 100% of the Harris CapRock Communications (Harris CapRock) business for total upfront consideration of USD 425 million, excluding customary closing adjustments. Harris CapRock is a leading provider of communications networks for remote and harsh environments. The Group gained control with effect from 1 January 2017.

Information presented in this report should be read in conjunction with the 2016 Annual Financial Report of SpeedCast International Limited and its controlled entities and any public announcements made in the period by SpeedCast International Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half year ended 30 June 2017.

This report is based on the consolidated financial statements for the half year ended 30 June 2017 of SpeedCast International Limited and its controlled entities, which have been reviewed by PricewaterhouseCoopers. The Independent Auditor's Review Report provided by PricewaterhouseCoopers is included in the consolidated financial statements for the half year ended 30 June 2017.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of SpeedCast International Limited (Speedcast or the Company) and its subsidiaries (together referred to as the Group), for the half year ended 30 June 2017 and the auditor's report thereon.

About SpeedCast International Limited

Speedcast (ASX: SDA) is the world's most trusted provider of highly reliable, fully managed, end-to end remote communication and IT solutions. The Company utilises an extensive worldwide footprint of local support, infrastructure and coverage to design, integrate, secure and optimise networks tailored to customer needs. With differentiated technology, an intense customer focus and a strong safety culture, Speedcast serves more than 2,000 customers in over 140 countries via 39 teleports, including offshore rigs and cruise ships, 10,000+ maritime vessels and 4,500+ terrestrial sites. Speedcast supports mission-critical applications in industries such as maritime, oil and gas, enterprise, media, cruise and government. Learn more at www.speedcast.com.

Information on Directors

The names of each person who has been a director during the half year and to the date of this report are:

John Mackay
Pierre-Jean Beylier
Michael Berk
Grant Ferguson
Peter Jackson
Michael Malone
Edward Sippel

Review of Operations

Highlights

- Group revenue grew 143% to USD 246.3 million for the period ended 30 June 2017, while services revenue grew 165% to USD 231.9 million;
- Underlying EBITDA profitability was USD 52.8 million, a 210% increase over the same period last year;
- Underlying NPATA, excluding non-recurring costs, was USD 15.1 million, an increase of 86% period-on-period;
- The Board declared a fully franked interim dividend of AUD 2.40 cents per share for the half year period ended 30 June 2017, consistent with the final dividend for 2016 and utilising the maximum amount of franking credits;
- On 1 January 2017, Speedcast completed the acquisition of Harris CapRock. The acquisition positions Speedcast to be the global leader with market leading positions in the key markets of energy, maritime, and enterprise;
- On 23 July 2017, Speedcast entered into definitive agreement to acquire UltiSat for a purchase consideration of up to USD 100 million. This acquisition will create a fourth pillar of growth for Speedcast, within the government and defence sector;
- As of 30 June 2017, Speedcast had completed 75% of the Harris CapRock integration work streams to build one Speedcast. Key initiatives remaining include ERP implementation, full integration of the ticketing system, and further network consolidation;
- Speedcast had a 100% renewal rate within the energy sector for the first half of the year. Speedcast is positioning itself to be the partner of choice to lead customers through the recovery;

DIRECTORS' REPORT (continued)

Review of Operations (continued)

- The maritime division has made much progress in the integration of the cruise business, while establishing relationships with key customers. In addition, a successful pilot was completed demonstrating > 400 Mbps to one cruise ship;
- Speedcast is experiencing a strong win rate within the cellular backhaul market. Cellular Backhaul is expected to be one of the fundamental growth areas in the satellite industry for the next 10 years with double digit CAGR growth expected (Source: NSR); and
- Speedcast's services and commitment to excellence is also being recognised by industry authorities. In 1H 2017, Speedcast were awarded industry recognitions including:
    - 2017 World Teleport Association's (WTA) Independent Teleport Operator of the Year; and
    - Speedcast CEO, Pierre-Jean Beylier received Finance Monthly CEO Award 2017.

Statutory reconciliations

The underlying financial results have been presented to provide a better understanding of Speedcast's financial performance and are intended to exclude items which are non-recurring in nature, such as acquisition related transaction costs, integration costs and restructuring costs.

Non-IFRS measures such as EBITDA and NPATA have also been presented to provide a better understanding of Speedcast's financial performance.

	Half Year 30 June 2017 US$'000	Half Year 30 June 2016 US$'000
Total Revenue	246,315	101,513
Underlying EBITDA	52,796	17,018
Depreciation	(21,857)	(4,369)
Amortisation	(14,184)	(4,569)
Underlying EBIT	16,755	8,080
Underlying finance costs, net	(11,291)	(2,181)
Income tax credit/(expense)	(1,087)	(1,338)
Underlying NPAT	4,377	4,561
Add back: Amortisation (net of tax)	10,766	3,599
Underlying NPATA	15,143	8,160

DIRECTORS' REPORT (continued)

Statutory reconciliations (continued)

	Half Year 30 June 2017 US$'000	Half Year 30 June 2016 US$'000
Statutory revenue	246,315	101,513
Statutory net (loss)/profit after tax attributable to owners of the company	(5,737)	5,617
Acquisition related costs	5,953	585
Integration costs	764	-
Restructuring costs	3,646	-
Fair value (gain)/loss on deferred consideration	550	(1,916)
ST Teleport consideration – finance costs	-	275
Unwinding of fair value adjustments on Harris CapRock acquisition – finance cost	414	-
Tax effect of above items	(1,213)	-
Underlying NPAT	4,377	4,561
Add back: Amortisation (net of tax)	10,766	3,599
Underlying NPATA	15,143	8,160

Analysis of statutory to underlying reconciliations

- There was no difference between underlying and statutory revenue;
- Acquisition related costs such as due diligence, M&A, consultants and legal fees totalling USD 6.0 million have been excluded from the underlying financial results. These largely relate to the Harris CapRock acquisition completed on 1 January 2017;
- As forewarned in the Harris CapRock acquisition announcement, one-time integration and restructuring costs were expected to be incurred to deliver the cost synergy benefits of USD 15 million in year 1 and USD 24 million in year 2 outlined in the investment case. In 1H 2017, USD 4.4 million of additional costs have been incurred in relation to these activities;
- A fair value loss was recorded in relation to the deferred contingent consideration of SAIT Communications Limited, due to its better than forecast revenue growth since acquisition;
- Finance costs of USD 0.4 million associated with the unwinding of fair value provisions booked on the acquisition of Harris CapRock have been included in the statutory income statement in 1H 2017;
- The collective tax impact of the above adjustments is a tax credit of USD 1.2 million;
- Underlying NPAT for the period after these adjustments was USD 4.4 million; and
- After adding back the amortisation of intangibles (net of tax) the underlying NPATA of the Group rises to USD 15.1 million compared with USD 8.2 million in 1H 2016.

DIRECTORS' REPORT (continued)

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 8.

Rounding of amounts

The Company is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial report have been rounded off in accordance with that class order to the nearest thousand dollars.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Pierre-Jean Beylier
Chief Executive Officer, Executive Director
29 August 2017

Auditor's Independence Declaration

As lead auditor for the review of SpeedCast International Limited for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of SpeedCast International Limited and the entities it controlled during the period.

Andrew Forman
Partner
PricewaterhouseCoopers

Adelaide
29 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Half Year 30 June 2017 US$'000	Half Year 30 June 2016 US$'000
Revenue from continuing operations		246,315	101,513
Cost of equipment and bandwidth services		(120,189)	(62,783)
Other gains/(losses)	2	(318)	1,412
Staff costs		(50,101)	(14,963)
Depreciation of property, plant and equipment		(21,857)	(4,369)
Amortisation of intangible assets		(14,184)	(4,569)
Acquisition related costs	8	(5,953)	(585)
Integration costs		(764)	-
Restructuring costs		(3,646)	-
Other expenses		(23,414)	(6,245)
Finance costs, net	3	(11,705)	(2,456)
Profit/(loss) before income tax		(5,816)	6,955
Income tax credit/(expense)		126	(1,338)
Profit/(loss) for the half year		(5,690)	5,617
Attributable to:			
Owners of the company		(5,737)	5,617
Non-controlling interests		47	-
Other comprehensive income			
Items that may be reclassified to profit and loss			
Currency translation difference		11,796	160
Change in fair value of interest rate swap cash flow hedges		23	-
Other comprehensive income for the half year		11,819	160
Total comprehensive income for the half year		6,129	5,777
Attributable to:			
Owners of the company		6,062	5,777
Non-controlling interests		67	-

Earnings per share

▪ Basic profit/(loss) per share (cents)	(2.40)	4.64
▪ Diluted profit/(loss) per share (cents)	(2.40)	4.58

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 US$'000	31 December 2016 US$'000
ASSETS			
Current assets			
Cash and cash equivalents		49,761	25,341
Trade and other receivables		131,826	63,520
Inventories		19,917	5,807
Other financial assets – funds held in escrow		-	422,380
Total current assets		201,504	517,048
Non-current assets			
Interests in joint ventures	12	190	190
Property, plant and equipment		97,989	44,789
Goodwill and intangible assets		526,826	171,401
Deferred tax assets		16,521	2,808
Other receivables		4,891	813
Derivative financial instruments	10	33	-
Total non-current assets		646,450	220,001
Total assets		847,954	737,049
LIABILITIES			
Current liabilities			
Trade and other payables		137,611	64,372
Obligations under finance leases		8	3,057
Income tax payable		7,980	4,710
Total current liabilities		145,599	72,139
Non-current liabilities			
Borrowings	5	371,445	368,310
Deferred tax liabilities		8,658	6,295
Obligations under finance leases		26	34
Other payables		25,792	18
Total non-current liabilities		405,921	374,657
Total liabilities		551,520	446,796
Net assets		296,434	290,253
EQUITY			
Contributed equity	6	361,469	361,392
Other reserves		1,579	(13,915)
Accumulated losses		(67,253)	(57,224)
Equity attributable to owners of the Company		295,795	290,253
Non-controlling interests		639	-
Total equity		296,434	290,253

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of SpeedCast International Limited				Non-controlling interests	Total equity
	Contributed equity US$'000	Accumulated losses US$'000	Other reserves US$'000	Total US$'000	US$'000	US$'000
Balance at 1 January 2016	84,892	(56,478)	(1,171)	27,243	-	27,243
Profit for the half year	-	5,617	-	5,617	-	5,617
Other comprehensive income	-	-	160	160	-	160
Total comprehensive income	-	5,617	160	5,777	-	5,777
Dividend (note 7)	-	(3,292)	-	(3,292)	-	(3,292)
Issue of ordinary shares	2,081	-	-	2,081	-	2,081
Capital raising costs, net of tax	-	-	-	-	-	-
Employee share scheme – issue of shares	73	-	(73)	-	-	-
Employee share scheme – value of employee services	-	-	167	167	-	167
	2,154	(3,292)	94	(1,044)	-	(1,044)
Balance at 30 June 2016	87,046	(54,153)	(917)	31,976	-	31,976
Balance at 1 January 2017	361,392	(57,224)	(13,915)	290,253	-	290,253
Profit/(loss) for the half year	-	(5,737)	-	(5,737)	47	(5,690)
Other comprehensive income	-	-	11,799	11,799	20	11,819
Total comprehensive profit	-	(5,737)	11,799	6,062	67	6,129
Shares to be issued in relation to SAIT deferred consideration (note 9)	-	-	3,150	3,150	-	3,150
Business combination (note 8)	-	-	-	-	572	572
Dividend (note 7)	-	(4,292)	-	(4,292)	-	(4,292)
Employee share scheme – issue of shares (note 6)	77	-	(77)	-	-	-
Employee share scheme – value of employee services	-	-	622	622	-	622
	77	(4,292)	3,695	(520)	572	52
Balance at 30 June 2017	361,469	(67,253)	1,579	295,759	639	296,434

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Half Year 30 June 2017 US$'000	Half Year 30 June 2016 US$'000
Cash flows from operating activities			
Cash receipts from customers		261,536	103,163
Cash paid to suppliers		(215,312)	(86,761)
Interest paid		(5,006)	(1,984)
Interest received		8	13
Taxes paid		(3,888)	(947)
Net cash inflows from operating activities		37,338	13,484
Cash flows from investing activities			
Payments for acquisition of businesses, net of cash acquired	8	(413,047)	(11,674)
Receipt of funds held in escrow		422,380	-
Business acquisition transaction costs		(7,384)	(1,215)
Payments for property, plant and equipment		(10,054)	(5,352)
Payments for intangible assets		(1,395)	(982)
Proceeds from disposal of property, plant and equipment		2,160	-
Net cash (outflows) from investing activities		(7,340)	(19,223)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	-
Transaction costs of issuance of ordinary shares		(550)	-
Proceeds from borrowings, net of transaction costs		1,799	19,950
Dividend paid	7	(4,292)	(3,292)
Repayments of obligations under finance leases		(3,059)	(25)
Net cash (outflows)/inflows from financing activities		(6,102)	16,633
Net increase in cash and cash equivalents		23,896	10,894
Cash and cash equivalents at beginning of the year		25,341	15,114
Effects of exchange rate changes on cash and cash equivalents		524	131
Cash and cash equivalents at the end of the half year		49,761	26,139

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

This condensed consolidated interim financial report for the half year reporting period ended 30 June 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by SpeedCast International Limited ("the Company") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

SpeedCast International Limited is a company domiciled and incorporated in Australia. The half year financial statements are for the consolidated entity consisting of the Company and its subsidiaries (together referred to as "Speedcast" or the "Group").

The half year financial statements were authorised for issuance by the Board of Directors on 29 August 2017.

New and amended standards and interpretations adopted by the Group

The Company adopted the following new or revised accounting standards which are relevant to the Group and became effective for the reporting period commencing on 1 January 2017:

- AASB 2016-1: Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016-2: Disclosure Initiative: Amendments to AASB 107; and
- AASB 2017-2: Further Annual improvements 2014-16.

While these new standards introduce new disclosure requirements within the annual report, they do not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Other gains/(losses)

	Half Year 30 June 2017 US$'000	Half Year 30 June 2016 US$'000
Foreign exchange gain/(loss)	370	(504)
Gain/(loss) on disposal of property, plant and equipment	(138)	-
Fair value gain/(loss) on deferred consideration	(550)	1,916
Other gains/(losses)	(318)	1,412

3 Finance costs, net

	Half Year 30 June 2017 US$'000	Half Year 30 June 2016 US$'000
Finance income	8	12
Finance expense	(11,713)	(2,468)
Finance costs, net	(11,705)	(2,456)

4 Operating Segments

Identification of reportable segments

The Group has identified its operating segment based on the reports reviewed by the Chief Executive Officer ("CEO") that are used to make strategic decisions. The Group consists of one operating segment being the sale of broadband access services.

Geographical information

The table below presents geographical information of total revenue based on customers' geography and, where that relates to a vessel, is included in the Maritime category.

	Maritime US$'000	Australia US$'000	Pacific Islands US$'000	EMEA and other US$'000	Asia US$'000	Americas US$'000	Total US$'000
Half year ended 30 June 2017	96,917	20,444	18,724	22,938	10,241	77,051	246,315
Half year ended 30 June 2016	29,422	23,429	18,425	14,188	13,631	2,418	101,513

The table below presents geographical information of the Group's non-current assets.

	Maritime US$'000	Australia US$'000	Pacific Islands US$'000	EMEA and other US$'000	Asia US$'000	Americas US$'000	Total US$'000
As at 30 June 2017							
Property, plant and equipment	14,920	10,624	1,128	11,787	27,943	31,587	97,989
As at 31 December 2016							
Property, plant and equipment	3,232	8,823	1,044	4,412	25,786	1,492	44,789

Major customers

There are no individual customers who contributed more than 10% of the total revenue in the current or comparative period.

5 Borrowings

On 27 December 2016, the Group entered into a new syndicated facility of USD 385 million with Credit Suisse AG and ING Bank. As at 31 December 2016, USD 381.2 million was drawn in USD. The balance, along with existing cash, was used to fund the acquisition of Harris CapRock Communications (Harris CapRock), which was settled in 2017. Refer to note 8 for further details regarding this acquisition.

Significant terms and conditions

The credit lines are subject to the completion of affirmative and negative covenants, including the commitment not to exceed certain financial ratios semi-annually, commencing from 30 June 2017. The covenants include the following ratios, which are contractually defined in the agreement:

(a) The ratio of pro forma EBITDA to net interest expenses; and
(b) The ratio of net debt to pro forma EBITDA.

The Group has complied with these covenants during the period.

Interest payable on the new facility is subject to a floating margin rate. This exposes the Group to interest rate risk. To hedge this risk, and as a requirement of the syndicated debt facility agreement, the Group has entered into interest rate swaps in the period to 30 June 2017, refer to note 10.

Interest-bearing bank loans are due for payment as follows:

	30 June 2017 US$'000	31 December 2016 US$'000
Portion of bank loans due for repayment within one year	-	-
After 1 year but within 2 years	-	-
After 2 years but within 5 years	382,972	381,173
Less: Prepaid facility fees	(11,527)	(12,863)
Borrowings	371,445	368,310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Contributed equity

	Half year 2017	
	No. of shares	USD$'000
Contributed equity		
Share capital as at 1 January	237,468,482	361,392
Conversion of Restricted Management Rights to ordinary shares	132,938	77
Share Capital as at 30 June	237,601,420	361,469

The Company does not have a limited amount of authorised capital or par value in respect of its shares.

As disclosed in note 12 of the 2016 annual report, a long term incentive plan ("LTIP") was established in 2014 in order to facilitate remuneration for the Group's senior management and to enhance the alignment of their interests with those of shareholders.

The Company issued 132,938 shares in fulfilment of the Restricted Management Rights scheme in the period.

On 15 May 2017, the Board granted awards of performance rights under the LTIP scheme to the CEO, CFO and other members of Senior Management ("the 2017 LTIP").

In total 894,042 performance rights, with a nil exercise price, were issued. The performance conditions that must be satisfied in order for the performance rights to vest are consistent with those of the 2014 and 2015 LTIP, as disclosed in note 12 to the 2016 annual report.

7 Dividends

	Half Year 30 June 2017 US$'000	Half Year 30 June 2016 US$'000
Dividends declared and paid during the half year		
Final dividend paid for the year ended 31 December 2016 AUD 2.40 cents (2015: AUD 3.65 cents)	4,292	3,292

On 28 August 2017, the Directors approved the payment of a dividend of AUD 2.40 cents per share which will be fully franked.

8 Business combinations

Harris CapRock

On 1 November 2016, the Group entered into a definitive agreement to acquire 100% of the businesses of Harris CapRock. Harris CapRock is a leading provider of communications networks for remote and harsh environments, primarily in the maritime and energy markets.

The initial close was completed on 1 January 2017. The acquisition was funded via a fully-underwritten AUD 295 million Accelerated Renounceable Entitlement Offer, with the balance funded by a fully-underwritten syndicated debt facility. The syndicated debt facility was drawn down prior to 31 December 2016 as described in note 5.

	US$'000
Consideration:	
- Cash	417,091
Provisional fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	4,044
Trade and other receivables	64,401
Inventory	10,067
Property, plant and equipment	63,981
Intangible assets	82,741
Deferred tax assets	2,901
Trade and other payables	(67,364)
Fair value of bandwidth supply contracts	(15,196)
Income tax payable	(1,470)
Non-controlling interests	(572)
Total identified net assets	143,533
Goodwill	273,558

The fair value of acquired assets and liabilities remain provisional due to the complexity of the transaction and the global reach of Harris CapRock's operations and assets.

The goodwill is attributable to the expected future profitability and expertise of Harris CapRock, as well as the synergies expected to be achieved from integrating the business into the Group. The final allocation of goodwill to the countries of operations has yet to be finalised. Goodwill of approximately USD 180 million is expected to be deductible for tax purposes.

Harris CapRock contributed revenues of USD 134,545,000 to the Group from the acquisition date to the end of the period ended 30 June 2017 after making adjustments for the acquisition in accordance with *AASB 3 Business combinations*. Significant progress has been made in integrating Harris CapRock's business into Speedcast's operating and cost structure and as such it is not possible to show its profit contribution for the period.

USD 5,953,000 of acquisition related costs have been recognised, predominantly in relation to this transaction in the current financial period.

8 Business combinations (continued)

Prior year acquisitions

On 15 January 2016, SpeedCast International Limited, via its 100% owned subsidiary SpeedCast Australia Pty Ltd, purchased selected contracts, intellectual property rights, and equipment at remote sites of United Satellite Group Pty Ltd ("USAT'). The acquisition was assessed to be a business combination for accounting purposes.

On 31 March 2016, the Group completed the acquisition of 100% of the business of NewCom International Inc. ("NewCom"), a leading satellite communications service provider specialising in the South and Central American regions.

On 4 July 2016, the Group completed the acquisition of 100% of the business of ST Teleport Pte Ltd ("STT"), a leading satellite communications provider based in Singapore.

On 8 August 2016, the Group completed the acquisition of 100% of the share capital of WINS Limited ("WINS"), a leading Europe-based provider of innovative maritime broadband satellite communications and IT solutions.

Details of the business combinations can be found in note 26 of the 2016 annual report. The purchase price allocations are now completed for all acquisitions and there were no amendments to the provisional fair values as disclosed in the 2016 annual report.

9 Contingent liabilities

The Group did not have any material contingent assets or liabilities as at 30 June 2017.

On 28 July 2015, the Group acquired 100% of the share capital of SAIT Communications Limited ("SAIT"), a leading supplier of L-band satellite service in the Southern European maritime market. Part of the total consideration was deferred and contingent on the achievement of certain revenue targets in 2016.

An element of the deferred, contingent consideration was payable in shares. The final contingent consideration due became payable on the 1 January 2017 and 1,257,791 shares to be issued with a market value of USD 3,150,000 on that date were reclassified from a financial liability to equity. A further USD 1,500,000 payable in cash is held as a financial liability.

10 Fair value measurement of financial instruments

In April 2017, the Group entered in to floating to fixed interest rate swaps to effectively hedge a portion of the cash flow risk associated with the borrowings as described in note 5. The interest rate swaps qualify, and have been designated as, cash flow hedges.

The interest rate swaps were measured at fair value on the date the derivative contracts were entered into and are subsequently remeasured to their fair value at the end of each reporting period. Fair value gains and losses are recorded in other comprehensive income and are recognised in a hedging reserve.

The following table presents the Group's financial assets and liabilities that are measured at fair value by their fair value hierarchy:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
At 30 June 2017				
Derivative financial instruments				
- Interest rate swap contracts assets	-	33	-	33
At 31 December 2016				
Derivative financial instruments				
- Interest rate swap contracts assets	-	-	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are assessed as level 1 instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is assessed as a level 2 instrument.

If one or more of the significant inputs is not based on observable market data, the instrument is designated a level 3 instrument.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying amounts of the Group's financial assets, including trade and other receivables, and cash and cash equivalents, and the Group's other financial liabilities, including trade and other payables, obligations under finance leases and borrowings, approximate their fair values due to their short maturities. The carrying amounts of the Group's non-current liabilities, including obligations under finance leases and borrowings, approximate their fair value as their interest rates are approximate to market interest rates. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

11 Capital commitments

Capital expenditure contracted for at the end of the period but not provided for is as follows:

	30 June 2017 US$'000	31 December 2016 US$'000
Purchase of property, plant and equipment	583	1,449

12 Investments in joint ventures and associates

Name	Type of arrangement	Place of incorporation	Principal activities	Percentage owned (%) 30 June 2017	Percentage owned (%) 31 December 2016
Satcomms Limited	Joint Venture	British Virgin Islands	Satellite communications provider	50	50
Satellite Communications NZ Limited	Joint Venture	New Zealand	Satellite communications provider	50	50
Vcomms Limited	Joint Venture	Papua New Guinea	Dormant	50	50

13 Events after the balance sheet date

On 23 July 2017, Speedcast entered a definitive agreement to acquire Ultisat, a leading provider of remote communications and professional services to governments, in particular the US Government. The purchase consideration is to be up to USD 100.0 million, payable over 2 years and subject to the ongoing financial performance of the company.

The acquisition, that is expected to complete in Q4 2017, strengthens Speedcast's position in the Government and NGO sectors and complements Speedcast's current work in these sectors.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 9 to 21 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 consolidated entity's financial position as at 30 June 2017 and of its performance for the half year ended on that date; and

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

This declaration is made in accordance with a resolution of the Directors dated on 29 August 2017.

Pierre-Jean Beylier
Chief Executive Officer, Executive Director
29 August 2017

Independent auditor's review report to the shareholders of SpeedCast International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SpeedCast International Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for SpeedCast International Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of SpeedCast International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001
T: +61 8 8218 7000, F: +61 8 8218 7999, www.pwc.com.au

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SpeedCast International Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Forman
Partner

Adelaide
29 August 2017